

2nd CUTS CONFERENCE ON REGIONAL COOPERATION FOR ENERGY SECURITY IN SOUTH ASIA

Bangladesh, Bhutan, India, Myanmar, Nepal & Pakistan

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BACKGROUNDER

The potential of regional cooperation and energy security within South Asia has been discussed for several years, especially due to the vast potential of widespread but underexploited energy reserves. In spite of diverse energy resources and tremendous potential of regional cooperation, the region has had very limited trans-border energy trade so far, due to several social, political & economic differences between the countries. The political uncertainty coupled with inward looking policies, security concerns and lack of adequate technology & infrastructure has also added to hindered energy cooperation within the region.

With an average growth rate of 6 percent, the region has shown significant economic growth in recent past.¹ Increasing growth rates necessitates the need for reliable energy supply and the lack of which can act as an impediment to economic development. This advancement and progress would translate to a higher consumption of energy, thus, requiring increased focus towards energy security.

Currently, most of the countries within the region are not self-sufficient in terms of their energy requirements, except Myanmar. India, Bangladesh and Nepal rely on import of 28 percent, 17 percent and 13 percent for their net energy consumption, respectively.² At the same time large number of citizens doesn't have access to electricity. For example, only 49 percent population in Myanmar, 60 percent in Bangladesh, 76 percent in India and 77 percent of population in Nepal has access to Electricity. Thus, addressing issues pertaining to energy security is a need of the hour.

However, small steps have been taken in the region with the inauguration of Bheramara-Bahrampur interconnector for electricity trading between Bangladesh and India from October 2013. Also, India imports 1416 MW (Chukha (336 MW), Kurichu (60 MW), and Tala (1020 MW)) from Bhutan and exports electricity to Nepal during the winters, when their hydro generation drops significantly.

The scenario looks optimistic as many projects are in the pipeline signifying a positive trend. Talks are underway for a Myanmar-Bangladesh-India gas pipeline project which would transport natural gas from Myanmar to Bangladesh and India securing part of the energy need in the countries.³ India has also agreed to provide assistance to Bhutan to further develop the hydropower sector assured purchase of at least 10,000MW of electricity by 2020. For this purpose, ten hydropower projects have been identified of which three, namely Punatsangchu I and II and Mangdechu hydropower projects are already under construction. If work progresses as per schedule, Punatsangchu I is expected to be completed in 2016, and Punatsangchu II and Mangdechu in 2017. As for the remaining seven projects of Sankosh, Kuri-Gongri, Amochu, Bunakha, Kholongchu, Wangchu and Chamkharchu I, talks are underway.⁴ Another project in the pipeline is the Nepal-India Electricity Transmission and Trade Project to provide Nepal with at least 100 MW of electricity to minimise the power blackouts.⁵ Also, four mutual interest project

¹ Economic Outlook for Southeast Asia, China & India 2014 (OECD), See also <http://dx.doi.org/10.1787/saeo-2014-en>

² <http://data.worldbank.org/indicator/EG.IMP.CON.S.ZS>

³ <http://archive.thedailystar.net/beta2/news/myanmar-bangladesh-india-gas-pipeline/>

⁴ <http://mea.gov.in/Portal/ForeignRelation/Bhutan-February-2012.pdf>

⁵ <http://www.worldbank.org/projects/P115767/nepal-india-electricity-transmission-trade-project?lang=en>

under discussion with Nepal are Pancheshwar (5600 MW), Sapta Kosi (3300 MW), Karnali (10800 MW) and Naumure (225 MW).⁶ Seeing the limited success of the Bangladesh-India electricity trade, Bangladesh is set to import 500 MW of hydro electricity from Myanmar by 2017.⁷ Thus, the future of energy trade looks promising.

However, the current level of energy trade between these countries is recent and minimal. Furthermore, Nepal, Bhutan and Myanmar have estimated hydro power potentials of 43,000 MW, 30,000 MW and 40,000 MW respectively, with vast reserves of natural gas in Bangladesh and Myanmar. In spite, the total potential of the energy reserves have not been utilized to its fullest extent due to reasons like lack of political will, limited private participation, trust deficit within the region, absence of consumer representation by Civil Society Organisations etc.

Further, the promulgation of several bilateral relationships in the region has generated some optimism but at the same time regional and sub-regional initiatives are also playing a crucial role in preparing ground for regional energy cooperation. South Asian Association for Regional Cooperation (SAARC) including Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan & Sri-Lanka, Forum on Regional Economic Cooperation among Bangladesh, China, India and Myanmar (BCIM), an initiative of the Bay of Bengal Region Countries that include Bangladesh, India, Myanmar, Sri-Lanka, Thailand, Bhutan and Nepal (BIMSTEC) are few major regional/sub-regional initiatives which are focusing on energy sector as one of their priority areas. While bilateral relations are critically important, regional & sub-regional cooperation can yield more optimal results, as from political angle it reduces insecurities and increases trust factor, and from economic angle it reduces costs. However, there is a need to consolidate efforts and avoid duplications in order to achieve desired outcomes.

It is against this background that CUTS would like to initiate dialogues among South Asian state and non-state actors on regional cooperation for energy security within the region on issues related to trade, investment and knowledge sharing. The purpose is to understand the current projects as well as the future initiatives. Moreover, we would also like to discuss the strategic role that India would need to play due to its geographical presence within the region.

Further we would also like to ponder on the following issues:

- ✓ **Existing Initiatives and Policies:** The status of current on-going projects and constraints.
 - Current Energy Scenario in the countries
 - The Status of Energy Trade Initiatives
 - Existing Institutions, Policies, Regulations and their Impact on regional energy trade
 - Benefits of regional energy trade
 - Steps to enhance regional energy trade

- ✓ **Potential and Future Initiatives:** The future projects and reforms required to achieve the desired outcome.
 - Current Projects in the pipeline
 - Potential projects in energy trade
 - Policy and Regulatory Reforms
 - Policy and Regulatory Reforms
 - Escalating regional energy trade

⁶ <http://www.cea.nic.in/reports/hydro/nepal.pdf>

⁷ <http://www.powerdivision.gov.bd/user/brec/54/97>