

ASIA CLEAN ENERGY FORUM 2019

PARTNERING FOR IMPACT

MANILA | 17–21 JUNE 2019



Deep Dive Workshop

Friday 21 June 2019, 9:00 a.m. – 5:00 p.m.

Regional Cooperation and Integration (RCI) for Cross-Border Energy Markets



Point of Contact:

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Background

Regional Cooperation and Integration (RCI) is a process in which a group of countries actively cooperate to achieve common goals for mutual benefit. This facilitates market-driven regional integration and the generation of regional public goods. RCI can encompass different elements, such as promoting and agreeing on trade and investment and investing in connectivity infrastructure supporting cross-border trade, including energy; deepening regional finance markets; climate change mitigation and adaptation policies and investment; and harmonization or alignment of sector- and thematic-based policy and regulations, including in the energy sector. Strengthening economic cooperation and integration among ADB's developing member countries (DMCs) is critical for future economic growth and shared prosperity across the region. RCI is one of the strategic operational priority areas under ADB's long-term corporate-wide strategy, "Strategy 2030", and in that context ADB will soon put in place a new RCI Operational Plan for the period 2019-2024, which will be applicable to all major economic, environmental and social sectors, including the energy sector.

The Asian Development Bank (ADB) and its development partners across Asia and the Pacific have recognized that regional cooperation and integration can be a powerful mechanism for unlocking the vast energy and trade potential in the Asia and the Pacific for the benefit of its people. In 2017, the region accounted for nearly two-thirds of the worldwide increase in renewable energy-generating capacity. For the region as whole, renewable energy capacity has nearly doubled over the past 5 years, reaching 918 gigawatts in 2017. And there is a rich experience of successful RCI in the context of the energy sector outside the Asia and Pacific Region. Limited inter-country cooperation and integration of the region's energy sector constrains a greater supply of affordable and sustainable energy and thus broader economic development, hindering the exploitation and utilization of the region's vast energy resources in natural gas, renewable energy (solar and wind), and hydropower resources as well as associated trade and investment opportunities in the energy sector. It is now timely for ADB and the region to consider how RCI can be applied more widely

and successfully to the energy sector, especially the development of electricity trade, for the benefit of the region's future development.

Objective

The overriding objective of this one-day 'Deep Dive' workshop on RCI for cross-border energy markets is to develop clearer understandings and consider future directions in relation to:

- (i) emerging cross-border trends in the energy sector in Asia;
- (ii) experience/lessons-learned with cross-border energy markets in Asia and elsewhere;
- (iii) opportunities, challenges and priorities for developing cross-border energy markets and energy trade in Asia, including conventional and renewable energy sources;
- (iv) planning, cooperating and scaling-up investment in new cross-border energy projects in Asia and the Pacific - roles of the public/private sectors, and development partners; and
- (v) how to begin to move forward implementing a stronger RCI/cross-border focus in ADB's operations in the energy sector operations.

ADB and ACEF participants will benefit from the knowledge and experience of select experts and resource persons in and outside ADB in relation to a range of policy, institutional, technical, and investment opportunities for bringing greater regional cooperation and integration to the region's energy sector. ACEF and DMC participants will get to learn other countries in developing regions like the Latin America and Caribbean Power Pool and South African Power Pool went about in establishing their power markets. The DMCs will gain insight to developing policies, institutions, and regulations in establishing similar power pools within their respective regions. And there will be opportunity learn about the main directions ADB's forthcoming RCI Operational Plan 2019-2024 envisages for ADB investment in the energy sector from a cross-border energy market perspective.

Agenda

8:30 - 9:00 a.m. **REGISTRATION**

9:00 - 9:15 a.m. **Welcome and Introductory Remarks**

Mr. Yongpin Zhai, Chief, Energy Sector Group, ADB

Mr. Arjun Goswami, Chief, Regional Cooperation and Integration (RCI)
Thematic Group Secretariat, ADB

9:15 - 9:45 a.m. **Session I: Emerging Cross-border Trends in the Energy Sector in Asia**

Presentation: Mr. Anthony Jude, (Energy Expert, Asia-Pacific)

9:45 - 10:45 a.m. **Session II: Experience/Lessons-learned with Cross-border Energy Markets**

Key Issues for Discussion:

(1) **How does a cross-border energy market or power pool begin?** What are the initial reasons or goals that originate cooperation on energy trade among countries? What is the scope of the 'knowledge base' or analyses that provide a rationale for starting a cross-border energy market or power pool?

(2) **How does the cooperation process continue and be sustained?** What institutional or other collective action arrangements provide the 'leadership'? Are formal agreements among countries an early or later component of this process? Is 'pilot-testing' involved at this stage?

(3) **What are the crucial factors for transitioning successfully from national markets to a regional energy market and power pool, and then maintaining its operation?** What are the key risks, market and non-market risks? How has 'success' been measured?

(4) **What are some key lessons-learned from experience in Central America and Southern Africa.** How have those lessons been applied to improve future operational performance and sustain cooperation?

Experts Panel: Mr. Salvador Rivas (Central American Electricity Market); Mr. Rene Gonzalez (Central American Power Pool) Mr. Hans-Arid Bredsen (Southern African Power Pool); and M_ _____ (GEIDCO) (to be confirmed).

Moderator: to be confirmed

10:45 – 11:00 a.m.

Coffee/Tea

11:00 a.m. – 12:00
p.m.

Session III: Opportunities, Challenges and Priorities for Developing Cross-border Energy Markets and Energy Trade in Asia

Key Issues for Discussion:

(1) **Are there well-studied and defined economic, energy security and environmental reasons for further development of cross-border energy markets across developing Asia?** Have some specific priorities been defined? Or, are there significant gaps in information and analyses that inhibit countries from strategic consideration of cross-border energy markets and power pools?

(2) **Are there established multilateral or bilateral cooperation mechanisms in Asia that could foster and take forward strategic expansion of existing or new cross-border energy markets and power pools in the region?** Would 'special purpose vehicles'—public or private—need to be established, in some cases, to develop and implement cross-border energy markets and power pools?

(3) **How might developing Asia begin to consider or apply--in a collective or cooperative way--some of the key lessons-learned from the establishment and operation of cross-border energy markets and power pools in other regions?**

(4) **Are there new opportunities for intersubregional cooperation on cross-border energy markets and power pools in developing Asia, for example, between Central Asia and South Asia, or between Northeast Asia and Southeast Asia?** Are there regional entities that could foster and assist the development of intersubregional cross-border energy markets and power pools? If not, could two subregional entities cooperate successfully?

Experts Panel: Mr. Matthew Wittenstein (International Energy Agency); M_ _____ (Heads of ASEAN Power Utilities Association) (to be confirmed); three panelists, one each from ADB's Central West Asia, South Asia, and Southeast Asia Departments (to be confirmed)

Moderator: to be confirmed

12:00 – 1:00 p.m. LUNCH

1:00 – 2:00 p.m. **Session IV: Planning, Cooperating and Scaling-up Investment in New Cross-border Energy Projects in Asia and the Pacific – Roles of the Public/Private Sectors, and Development Partners**

Key Issues for Discussion:

(1) **Is Asia’s private sector prepared to invest long-term in cross-border energy markets and regional power pools?** What are their interests, what opportunities do they see? What risks concern them the most? Which form of participation would they prefer, what operating or business models?

(2) **How might Governments in the region view private sector participation in the development and operation of cross-border energy markets and power pools?** What types of private sector participation would they encourage? What participation would they be likely to limit or restrict?

(3) **What roles could multilateral (and even bilateral) development partners play to foster and support strategic development and implementation of cross-border energy markets and power pools in the region?** Would, for example, their role be confined to project specific investment, or would Governments (and the private sector) want development partners to also be associated with non-investment advisory services (e.g., facilitate inter-country dialogue, preparation of inter-country agreements, and capacity building)?

Experts Panel: Mr. Arjun Goswami, Chief, RCI Thematic Group Secretariat; ADB Private Sector Department Infrastructure Finance Divisions (to be confirmed), Mr Hongpeng Liu, Director Energy Division, UNESCAP;

Moderator: to be confirmed

2:00 – 3:00 p.m. **Session V: Can Renewable Energy (beyond hydro) Support Cross-border Energy Markets and Power Pools?**

Key Issues for Discussion:

(1) **Is there ‘a place’ for renewable energy (beyond hydro) in ensuring the success and sustainability of cross-border energy markets and power pools?** Or, is the expansion of the supply of renewable energy from diverse sources strictly a national level priority in developing Asia, to achieve national energy security? Will the expansion of the local supply of renewable energy, and significantly improved performance for storage of renewable energy, be disincentives to the development of cross-border energy markets and power pools? Does renewable energy mean ‘localized’ energy supply and demand?

(2) **Or, is the long-term projected demand for energy in developing Asia so strong over the next several decades that all available energy, nonrenewable and renewable, should be made available at the most economic price including through cross-border trade and power pools?**

(3) **Should inter-country cooperation and agreements to develop and establish cross-border energy markets and power pools include strong commitments and targets for low-carbon/low GHG, and thereby incentivize a significant role for renewables?**

Experts Panel: Mr. Yongpin Zhai, Chief, Energy Sector Group, ADB; Mr. Matthew Wittenstein (International Energy Agency) (to be confirmed); Mr. Anthony Jude, (Energy Expert, Asia-Pacific), Mr. Dan Millison (Energy Expert, Asia-Pacific) (to be confirmed),

Moderator: to be confirmed

3:00 – 3:45 p.m.

Session VI: Some Thoughts on the Way Forward:

Key Issues for Discussion:

- (1) **Should, and how could the region move forward over the next few years with more concerted efforts to develop cross-border energy markets and power pools? What might be some relevant ‘next steps’?**
- (2) **What support from development partners, such as ADB, would countries and/or relevant regional bodies likely request in order to begin and complete the ‘next steps’?**
- (3) **Can ADB’s RCI subregional programs play a key role programming and delivering support responding to the requests from across the region, including from regional bodies?**

Experts Panel: (Heads of ASEAN Power Utilities Association); (1) Director, RCI Division, ADB; (1) Director, Energy Division, ADB; (1) senior DMC official

Moderator: to be confirmed

3:45 – 4:00 p.m.

Closing Remarks

Mr. Yongpin Zhai, Chief, ADB Energy Sector Group (to be confirmed)
Mr. Arjun Goswami, Chief, ADB Regional Cooperation and Integration (RCI) Thematic Group Secretariat