Political Economy of Energy Cooperation in South Asia

Olivia Gippner

Barriers to cooperation - Nepal

- Political Instability
- Lack of economic argument (demand)
- India's preference of bilateralism
- NEA and Nepali policy-makers' incapacity
- Lack of trust on all levels
- Electricity is not seen as a commodity
- Politics in the Power Sector
**Key recommendations by the sample group**

- **Umbrella agreement between India and Nepal**: basis for cooperation, deal with the pandemic, lack of trust by institutionalising a process.
- **Reform of NEA**: unbundling of the authority, increase of generation tariff (upon increase of retail tariff by ETFC).
- **Invest in large-scale reservoir project (eg. Budhi Gandaki, 600 MW)**: improve Nepali negotiation position on tariff, match Indian negotiators’ capacity and training.
- **Build up regional capacity, eg through synchronisation of energy grids**: create the technical conditions through routine updates in the system.
- **Focus on "softer" aspects of cooperation**: energy efficiency and renewables, knowledge sharing on eg, feed-in tariffs, spillover.
SRETS
South Asian Regional Energy Trade Study

• Regional/ Sub-regional Power Market
• Regional/ Sub-regional Refinery
• Regional/ Sub-regional LNG Terminal and Gas Transmission Expansion
• Regional/ Sub-regional Power Plant

-> progress delayed but ongoing!

Recommendations from policy research

• Strengthen negotiation power
• Support Indian leadership
• Interaction at highest stakeholder levels
• In-depth feasibility studies estimating possible trade volumes, transmission lines required, and citizens affected
• Financial and economic calculations of the poverty-alleviating benefits surrounding the construction of export projects weighed against their true social costs
• Avenues of softer cooperation: energy efficiency, rural electrification, smart grid, grid harmonization, renewable energy, technology transfer
New Areas of cooperation

I  Climate Change Impact: New Dynamics
Glacial erosions and likely impact on hydrological flows on South Asian river system
Sea level Rise: Massive submergence and displacement

II  Energy efficiency
Installation: energy-efficient infrastructure, equipment & appliances
Develop & harmonize standards, labeling, testing procedures
Launch programs for creating awareness, training and education, and outreach
Regional Action Plan?
Like National Action Plan for Climate Change, 2008 of India
National Mission on Enhanced Energy Efficiency provides mandate for market-based mechanisms to promote energy efficiency

Key Questions

• How can differential pricing be dealt with?
• How can electricity become a commodity, and generation and transmission be treated as services?
• How can the various narratives of the different stakeholders be aligned on a more objective basis and what is the common denominator?
• What is the South Asian model of regional energy cooperation?
THANK YOU

ogippner@gmail.com