

Power Trading in South Asia : Borders as Opportunities

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A stylized silhouette of a mountain range is positioned at the bottom of the slide, spanning the width of the text area. The mountains are rendered in dark brown and black tones against a light blue background.

Energy Security : Dual Dimensions

South Asian countries : two crucial perspectives

i) sustainable development

ii) security-militaristic

Sustainable development : energy security impinges upon :
economic, environmental and social developments.

South Asia : very nature and direction of
sources of energy supplies,
demand, consumption and distribution and
related geo-politics call for a regional approach
to energy security

Macro depiction : energy resources distribution and use
Sources : Skewedly distributed

Oil and Gas Resources of South Asian Countries

Item	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
Oil (MTOE)							
Resource Potential	0.96	0.0	5576	0.0	0.0	3600	0.0
Proved Resources	0.96	0.0	1570	0.0	0.0	107	0.0
Used so far	0.10	0.0	830	0.0	0.0	68	0.0
Available Resources	0.86	0.0	740	0.0	0.0	39	0.0
Current Production/Yr.	0.0	0.0	33.0	0.0	0.0	3	0.0
Resource/ Production Ratio	-	0.0	22.4	0.0	0.0	13	0.0
Gas (BCM)							
Resource Potential	814.5	0.0	2328***	0.0	0.0	7985	0.0
Proved Resources	578.3	0.0	1380	0,0	0.0	1284	0.0
Used so far	144.1	0.0	460	0.0	0.0	488	0.0
Available Resources	434.2	0.0	920	0.0	0.0	795	0.0
Current Production/Yr.	11.9	0.0	32	0.0	0.0	34	0.0
Resource/ Production Ratio	36	0.0	29	0.0	0.0	23	0.0

Therefore - no individual nation in South Asia could ensure and endure energy security alone.

**Interdependence and sustained cross border exchanges :
the only way out**

Geo-political Dimensions

**Energy security : entangled in the geo-politics of the region.
India's centrality : size and its exclusive geographical location**

Shares common border with all

No other two countries have common borders.

17 provincial states (out of 28) have international land borders.

Borders – so far symbols of National Security threats

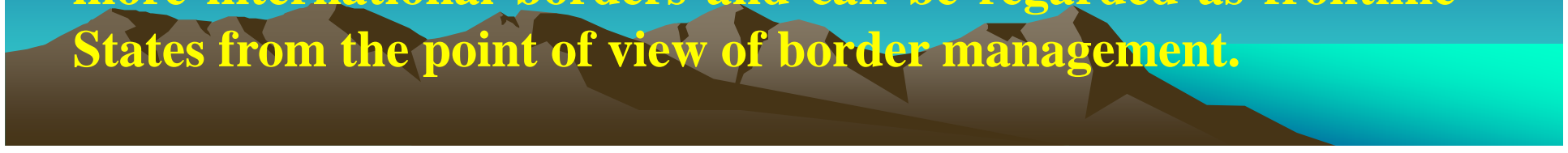
So withdrawal widespread Syndrome prevailed

Today borders represent the galore of opportunities

India : Area and Population in the Border Regions

No. of States	17
No. of Districts	94
No. of Blocks	350
No. of Villages	19488
Population	37.72 million
Area	2,40,475.47 sq. kms.
Length of Border	15,106.7 kms.

India has 15106.7 Km of land border running through 94 districts in 17 States. These States in the country have one or more international borders and can be regarded as frontline States from the point of view of border management.



**Various cooperation / integration ventures
(various energy related ideas, projects and linkages)
hindered in the past
by narrow politico-strategic interpretations of these borders.**

**Cooperation implies :
sharing of resources, geographical locations
and even physical and social infrastructures**

This also means sharing of national control over them.

**Abandoning of national control :
imply loss of national sovereignty.**

**Brings an element of reluctance and
introduces withdrawal syndrome
from regional cooperation process.**



**Examples : gas from Bangladesh
Hydel power projects like Karnali, Pancheswar
and Rapti in Nepal.**

**Tackling of this perception about likely loss
national sovereignty is a major issue**

Equally true of India :

**Tripartite Agreement between
India-Myanmar-Bangladesh to import
pipeline gas from Myanmar via Bangladesh – Jan 2005**

India : a major policy shift :

- i) Bilateral to trilateral**
- ii) Given the negotiation to**

**Ministry of Petroleum
Ministry of External Affairs will be consulted**

India did not agree to Bangladeshi conditions :

- i) Trade corridor to Nepal and Bhutan,**
- ii) Direct power import from Bhutan and management of trade deficit**

**These are reasonable demands in the context
of steady liberalization
and economic integration initiatives in the region
India has to now bear a very heavy cost
of diverting gas pipeline
through its own territory alone in Assam
Or
forget the pipeline.**

**In the process it has forgone opportunity to
make substantive geo-strategic and
socio-economic gains in the long run.**



**Including : Access to gas in Bangladesh,
Transit corridor to North East India through Bangladesh
And Cross border movement of people
in search of better livelihood.**

**For India, reduce a huge transaction/transport
costs in its development supplies to NE region.**

Core content of Look East Policy

**Will also open up other vistas of cooperation :
use of Bangladeshi ports,
industrial cooperation based on exchange
of local raw materials from across the border
and the possibility of gas trading.**



Further ----- Security- militaristic plane : Energy insecurity could bring large-scale instability in South Asia

Huge Costs of conflict management

Electrification of Households in South Asia

Country	Population (Millions)	% of Rural Population	Total No. of Households (Millions)	% of Electrified Households
Afghanistan	22.2	80	4.4	6
Bangladesh	143.8	78	28.76	33
Bhutan	0.7	79	0.14	31
India	1064	72	199.7	56.0
Maldives	0.34	90	0.068	90
Nepal	23.15	84	4.63	31
Pakistan	148.7	80	29.74	50
Sri Lanka	19.3	84	3.86	67

**External front :
predominantly dependent on external sources**

**Supply and price risks : inject insecurity and
Increase economic vulnerabilities**

**Import Dependence of Energy Sector
in South Asia Region**

Countries	Import Dependence with respect to Total Energy	Import Dependence With respect to commercial Energy
Afghanistan	3	60
Bangladesh	13	30
Bhutan	9	24
India	22	29
Maldives	59	100
Nepal	11	87
Pakistan	18	26
Sri Lanka	41	78

Therefore from both conceptual perspectives of

- i) sustainable development
- ii) security-militaristic angle

Highlight : Critical essentiality of rational management of natural resources in the South Asian countries aimed at optimizing socio-economic benefit and minimizing the security-militaristic instabilities are very germane and critical.

Directly implies : choice is singularly limited to cooperation, interdependence and integration



Scope for Cross Border Energy Trade

Two primary hypotheses :

- i) Cross border Energy trade with a comprehensive regional grid and pipeline network will act as a major confidence building project in making the process of economic integration in SAARC a reality
- ii) Cross border energy trade could ultimately be a panacea for many of the development ills in this region particularly for the 5 LDCs.



Equally vital : generation of chain of stakeholders

Why Confidence Building ?

**New and sturdy agents and stakeholders :
power producers, distributors, traders,
transmission and grid operators , pipeline builders,
credit donors, technology exporters,
managerial and users like
industries, households, transports and agriculture.**

**They have tremendous absorptive capacity
of shocks emanating from any major
political actions, apprehensions
and dislocations. They prevent conflictual precipitations.**



Positive Stake holding as a CBM

Most glaring aspect in contemporary South Asia
non-existence of peace and cooperation constituency

Therefore CBMs used in the past in South Asia
need to be re-evaluated, re-designed and re-built

Need of the day :
Emphasis on Economic & Commercial CBMs

So, Non-Military CBMs are very critical

Gas pipeline and power inter-connections
will bring positive stakeholding into prominence.

It will be a win-win situation for the region and the world.



Seven reinforcing factors that are likely to promote power trading

I High potentials yet huge deficit. No other options. Interdependence very crucial. Borders as Opportunities : Fast Emerging

II Increasing realizations among leadership to Expedite process of energy exchange.

Tremendous Public pressure. People are willing to pay

Federal Units like Punjab in Pakistan and Bihar, Bengal and Assam in India are becoming more vocal and powerful



Bangladesh

“Energy crisis puts economy at risk”,
“Bangladesh PM Orders 1hr Outage Every Alternate Hour”,

The Daily Star, Dhaka, April 6 and 8, 2010

Nepal

“Power cut back to 12 hours”,
REPUBLICA, KATHMANDU, April 3, 2010

Pakistan

“Power crisis : Punjab government decides to cease
Commercial activities after sunset,”
The Business Recorder, Thursday, April 22, 2010



III Various levels of sensitisations and preparations for energy trading. All Tracks are working.

IV Massive power sector reforms taken place. New Actors are emerging

V Significant level of Transmission Systems are in place

VI Professional and technical institutions both private and public are now working very closely

VII Financial institutions including multilateral agencies are keen to invest. China emerging as a new actor.



Clear Reflections and Manifestations

India- Bangladesh : Three Far reaching Projects underway

- i) 250 MW (out of 500 MW) exports from India likely to start in mid 2013 (now October)**
- ii) A grid inter-connection between Bheramara in Bangladesh and Behrampur (West Bengal) in India is likely to be completed by mid 2013. ADB loan critical role**
- iii) 1320 MW coal based unit at Rampal (350 kms S-South West of FD=Dhaka by Bangladesh-India Friendship Power Company consisting of BPDB and NTPC costing \$1.5 billion by 2017**

Landmark starting projects : first time break a long journey between potential, negotiations and implementations.



These are path breaking projects because :

Shows a new and more realistic and matured relations between India and Bangladesh

New trend of harmonized and coordinated approach among various ministries within a country.

Indicates a generational shift in the bureaucracy of both these countries. Sidelining of unnecessary national prejudices.

Strong commercial and professional elements in the exchanges.



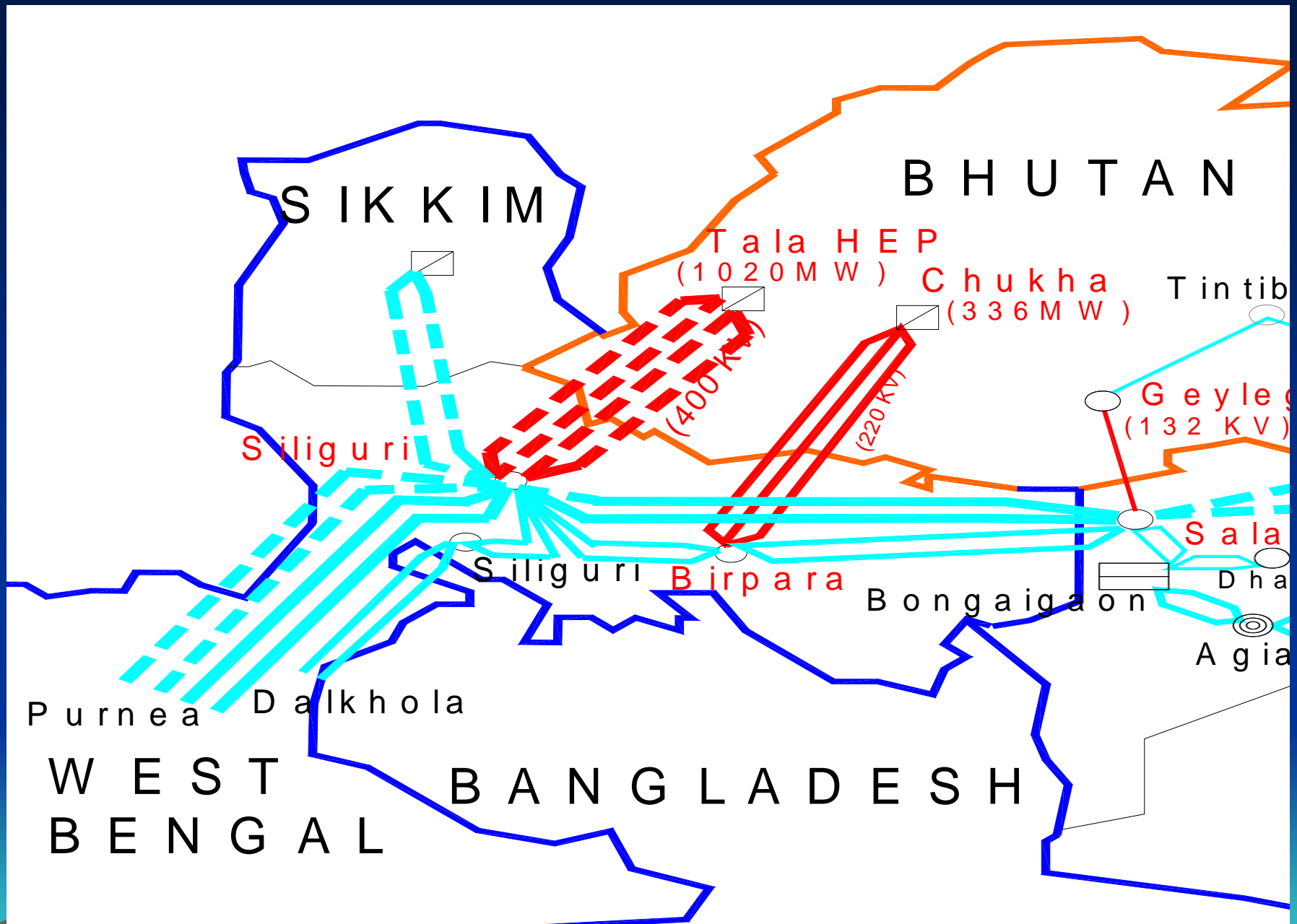
Issues of orthodox variety of national security are for the first time overwhelmed by more serious concerns about non-traditional security threats such as energy insecurity and human insecurity.

Leaders have discarded their traditional positions and showed unprecedented “political will”.

Borders are used as opportunities rather than sources of threats

Could lead to several such exchanges





Strong contents of sub-regionalism based on physical contiguity and socio-cultural exchanges. Moving to multilateral projects

Recognises the role of international agencies like ADB, World Bank, UNDP and USAID other private conglomerates.

Acknowledges the critical roles played and substantive contributions made by civil society institutions, universities, think tanks, academics, media and private sector like IPPAI and SAARC regional institutions like SAARC Energy Centre

Prime example of Track II transforming into a Track I diplomacy in a full-fledged manner.



How did we reach here ?

**“Conversation” as Harry Dhaul stated
and protracted dialogues on the needs and benefits**

Display of concrete projects

Public pressure

Multiple players including private sector

New Knowledge and Concepts

**Sensitisation and capacity building of both
political leadership and bureaucratic echelons**



Benefits of Institutional Linkages

Domino Effect : Several arrangements are in the offing including with Pakistan, Afghanistan, Nepal and Sri Lanka and Central Asian countries

Examples from others

- i) How Bhutan has gained ?**
- ii) What has happened in nearby Greater Mekong Sub-region**

Greater Mekong Sub-region – A Prime Example

5 countries

Cambodia, Lao People's Democratic Republic,
Myanmar, Thailand and Vietnam

+ 2 provinces in PRC

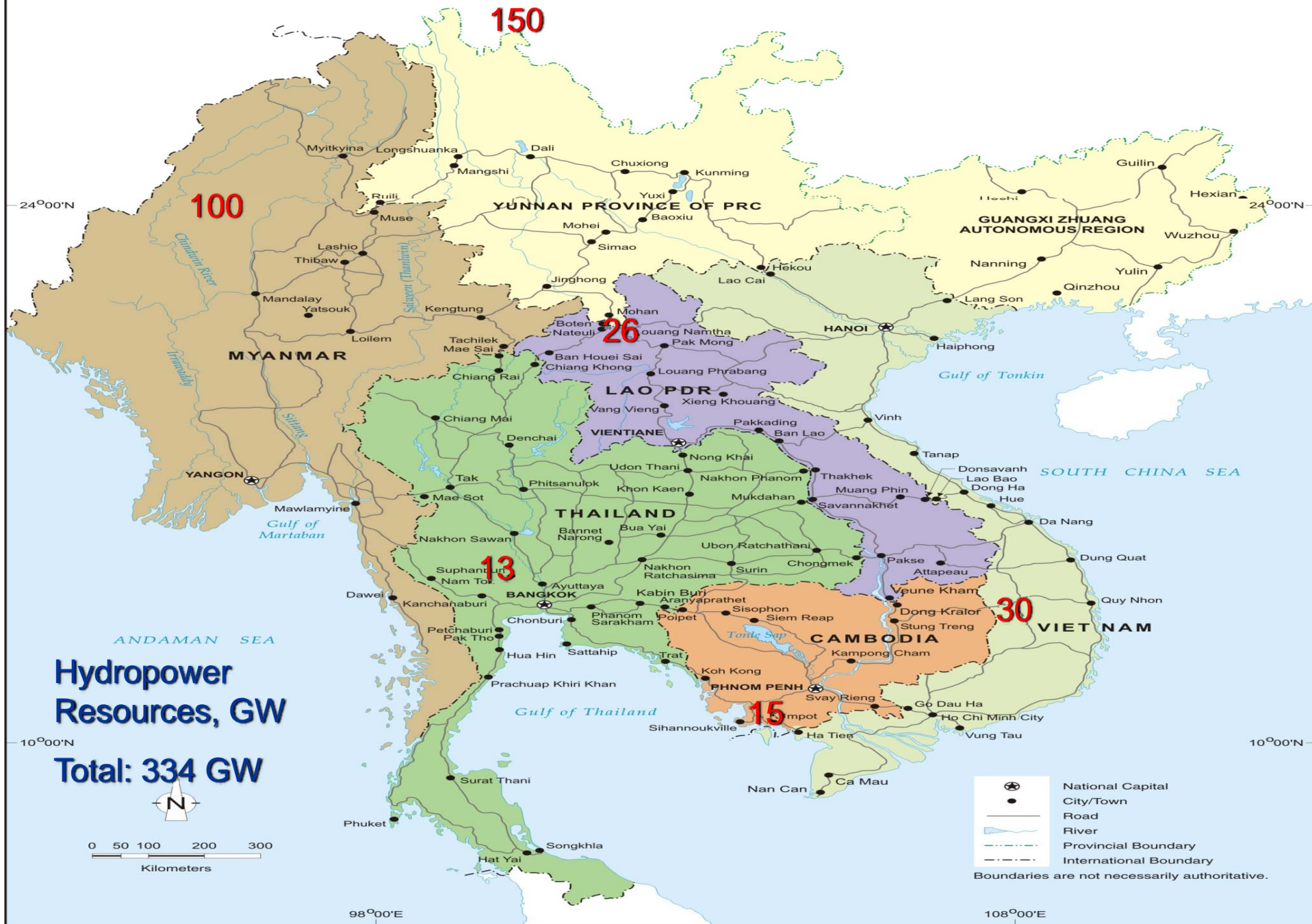
Yunnan and Guangxi Zhuang Autonomous
Region

Area 2.6 mn km²

Population >313 mn (~5% of world population)

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GREATER MEKONG SUBREGION



Generation in Laos, Thailand and Viet Nam (315 MW + 1,931 MW)

Transmission and distribution in Cambodia, Laos, PRC and Viet Nam

Present Power Trade

Bilateral agreements

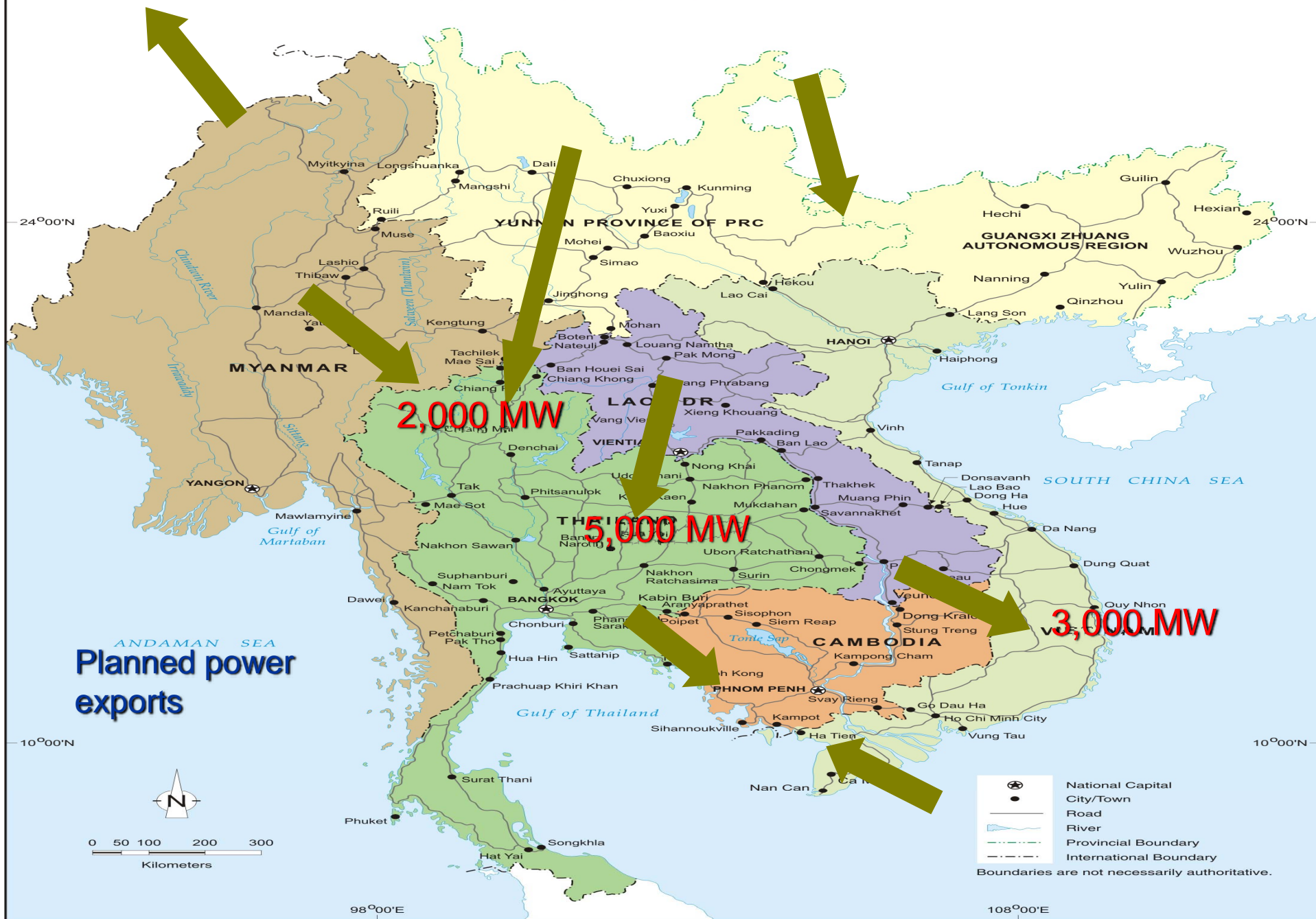
Hydropower export/import (150 MW Nam Ngum 1, 40 MW Xeset)

Hydropower exports from Laos to Thailand (e.g. 210 MW Theun Hinboun, 150 MW Houay Ho)

Various border power trade between countries (e.g. Malaysia-Thailand, Thailand-Laos, Laos-Viet Nam)

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GREATER MEKONG SUBREGION



**Started on Geo-political immunisation
of energy
sector cooperation**

**Tried to De-politicise and
De-securitise public interest,
Development and human security Issues**

**OUR CONSISTENT EFFORTS HAVE
STARTED PAYING**

**IN AN OTHERWISE CONSISTENTLY INCONSISTENT
REGION KNOWN AS SOUTH ASIA**

