



**Central Asia Regional Economic Cooperation
Energy Sector Coordinating Committee (ESCC) meeting
5-7 July 2010, Ulaanbaatar, Mongolia**

MEETING SUMMARY

I. Introduction

1. The ESCC Meeting was convened in Ulaanbaatar, Mongolia, on 5-7 July 2010. Delegations from all eight CAREC countries, representatives from CAREC partner multilateral institutions and other development partners, and international energy experts participated in the meeting. The meeting was opened by H.E. Mr. Dashdorj Zorigt, Minister of Mineral Resources and Energy of Mongolia and chaired by Mr. Tudev Tserenpurev, Director General, Energy Policy Department, Ministry of Mineral Resources and Energy (MMRE) of Mongolia. Plenary sessions were moderated by MMRE, Asian Development Bank and World Bank. The objectives of the ESCC meeting were to update the initial activities under the CAREC Energy Action Plan, to seek agreement on the subcommittee work program, and to share experiences and build capacities among participating countries in the subjects of energy regulatory reform and power system operation.

II. CAREC Energy Investment Projects Pipeline

2. The ESCC agreed in principle to formulate, regularly monitor and update a 5 year rolling program of priority CAREC energy investment and technical assistance projects, to be regularly updated. The rolling program will be based on the energy strategy and action plan, including the ongoing diagnostics studies and outcomes of subsequent work on each of the three pillars of the plan. The rolling program will be submitted for endorsement at the CAREC Ministerial Conference.

3. **Mongolia's Energy Investment Opportunities.** The ESCC was briefed on Mongolia's energy sector strategy, regional cooperation policy, investment environment and the pipeline of priority projects. The ESCC noted Mongolia's active pursuit to invest in developing its abundant coal resources and renewable energy potential.

III. Implementation of the Action Plan

A. Energy Supply/Demand and Infrastructure Constraints (Pillar 1)

4. The ESCC was updated on the current status of the diagnostic study on energy supply/demand and infrastructure constraints. The ESCC agreed to further cooperate with the CAREC Institute experts who are conducting the diagnostics study which will be completed by October 2010 and presented to the ESCC and ultimately to the Ministerial Conference.

5. ADB has approved a regional technical assistance for \$2.5 million for developing the Regional Power Sector Master Plan covering Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan and for studying Afghanistan's synchronization with the Central Asian power grid. A team of consultants will be mobilized in October 2010 and the study will be completed by

November 2011. The ESCC discussed and endorsed the terms of reference (TOR) of a subcommittee for relevant countries under Pillar 1 to facilitate the implementation of the study. ADB will chair the subcommittee which will comprise of representatives from relevant countries (ministry, power utility) and development partners, and the consultant.

B. Regional Dispatch and Regulatory Development (Pillar 2)

6. The ESCC was briefed on the progress and preliminary findings of the diagnostic study on regional energy trade being undertaken under contract to the World Bank. The United States Agency for International Development (USAID) briefed the ESCC on the status of Regional Electric Market Assistances Program II (REMAP II). Relevant countries of the ESCC endorsed the TOR of a sub-committee under Pillar 2. The ESCC suggested the sub-committee to include system operators and minimum one member from each relevant country. The ESCC was requested to advise on coordinating mechanisms among sub-committees under the three pillars.

7. The ESCC noted the similarities between the diagnostic studies under Pillar 1 and 2 and urged coordination among partners to avoid overlap of activities. The ESCC noted the importance of prioritizing regional power modeling software and capacity training, and requested it to be addressed by ADB, World Bank, or USAID urgently.

8. The ESCC agreed on the integration of the CAREC Members Electricity Regulators' Forum (CMERF) with the ESCC. Regulators from the energy sector, especially from the electricity sector, will be permanently represented in the ESCC and specific activities will be planned and implemented under Pillar 2. This recognizes and continues the work of CMERF that was established in 2005.

C. Energy Water Linkages (Pillar 3)

9. The ESCC was updated on Phase 1 of the energy-water linkages modeling. The ESCC discussed and endorsed the TOR of a sub-committee for relevant countries under Pillar 3, which will play a significant role in the Phase 1 activities. The ESCC reiterated the need to take advantage of previous work and experience for this pillar. For the Sub-Committee, the ESCC confirmed the need for multiple disciplines, in particular water, energy and environment specialists, and suggested a size of 20 members should be adequate.

D. Effective Coordination between Pillars

10. The key issue of coordination across the three pillars of the action plan was discussed in the context of consolidated results and avoiding mistakes of past efforts. The following suggestions were made:

- For data collection on diagnostic studies: Requests for data should be consolidated, with a single information request made to countries on behalf of all developers of diagnostic studies; and
- National Focal Points for CAREC should play an active role in establishment of the sub-committees, facilitation of data, information collection and arranging meetings if needed.

IV. CAREC Program Results Framework – Energy Sector Indicators

11. The ESCC endorsed the following level 2 initial indicators for the energy sector that will form part of the CAREC overall results framework; (i) transmission lines $\geq 110\text{kV}$ (some countries may report only $\geq 220\text{kV}$, which was accepted by the committee because it will

underreport performance), constructed or upgraded (km), and (ii) Increased energy generation capacity (MW).

12. The ESCC discussed the proposed ESCC Results Framework that will enable the ESCC to monitor the performance in implementing the work program under the ESCC Energy Action Plan. The ESCC Results Framework specifies the sector's outcome, output and input and activities associated with the long-term vision of the CAREC Energy Strategy of "Energy security and economic growth through energy trade". The ESCC agreed to four indicators as specified in the Energy Strategy document. The ESCC agreed to discuss the next level of indicators (output indicators) at the next meeting. The four agreed indicators are:

- Agreements reached (Energy transit)
- Agreements reached (Energy trade)
- Agreements reached (Riparian)
- Volume of exports and imports of electricity.

V. Capacity Building Sessions

13. The ESCC was given two capacity building sessions on energy regulation experiences in Mongolia and Kazakhstan and system operation and regional market integration experiences in India and Turkey. The ESCC welcomed and supported the continuation of the capacity development activities.

14. Future capacity building events will increase the sharing of experiences among ESCC members on specific topics, with international experts invited to comment and share international perspectives. Committee members were requested to provide suggestions for capacity building topics by 21 July 2010 to Ushio Tashibu of the CAREC Secretariat (utashibu@adb.org).

VI. Conclusion and Next Steps

15. Key deliverables for the 9th CAREC MC will include the results of the Energy Sector Progress Report and Work Plan, the Diagnostic Study for Energy Supply/Demand and Regional Dispatch/Regulatory Development, and initial results of Phase 1 of the energy-water linkages activities.

16. ESCC members will identify alternates to assist in the continuity of participation.

17. The next ESCC meeting will be hosted by the Kyrgyz Republic on September 22-24, 2010, during which the ESCC will review and finalize the energy sector deliverables for the 9th CAREC MC

18. The ESCC participants express their gratitude to the Ministry of Mineral Resources and Energy of Mongolia, Ministry of Finance, Energy Regulatory Authority of Mongolia, and the organizers for the good organization of the meeting.

This summary of the meeting has been approved by members of the ESCC.