

Summary of Discussion: Energy Session

1. Regional Projects: Tajik and Kyrgyz delegations confirmed that the 54-km Batken-Kanibodom transmission line (37 km of which lies in Tajik) is planned to be completed in 2005. The Kazakh delegation confirmed that the North South Line in Kazakhstan is planned to be completed in 2007.
2. Water Energy Nexus in Syr Darya: The delegations confirmed that in recognition of the average and multi-annual base flows in the Syr Darya basin, the existing and planned hydro-technical facilities, and the potential for growing power exports from Central Asian countries, which are facts, and in light of the above agreed that the irrigation and energy regime for the Syr Darya basin would be reviewed by the countries in accordance with the existing agreements and programs. The delegates emphasized that such review should encompass the facilities in the entire Syr Darya basin, including Kairakkum, Andijan, Chardara, Arnasai etc. – not just Toktogul.
3. Recognizing that despite the potential for increased water flows in winter (under a modified irrigation regime), there would still be winter energy shortages in Kyrgyz Republic, the delegations agreed that the options to meet this deficit in a least cost way would be reviewed. These options would include bringing Bishkek – I thermal power plant to operate properly with adequate fuel supplies and completing the Bishkek – II thermal power plant. The Kyrgyz delegation said that: (a) if Bishkek II proves to be the better option to meet the winter deficit in Kyrgyz, it is most likely to happen under private investors' auspices; and (b) even with Bishkek II, Kambarata is still needed to meet the long term demand in the country and this was the reason why the Kyrgyz Government was actively partnering with Russian institutions (e.g., RAO UES) to develop Kambarata.
4. The Tajik delegation noted that the construction of Sangtuda HPP-1 is planned in accordance with agreements with Russia's RAO UES and the Ministry of Energy and Water Resources of Islamic Republic of Iran, and would contribute to enhancing Tajikistan's ability to export electricity.
5. The delegates agreed that when analyzing the development of the energy (including oil and gas) sector, trade with countries to the east and south Asia, including China, Mongolia, Afghanistan, and Pakistan should be taken into account. In addition, energy conservation and efficiency improvements, together with use of all available renewable energy sources should be considered as an important component of a country's energy strategy, hence delegates agreed that future energy reviews will explicitly include these potentials.

Water Energy Consortium

6. Delegates recognized that the work on water-energy cooperation is complex, with a need to seek innovative solutions, and where compromise, cooperation and patience are needed. Kazakhstan emphasized the need to prepare an Agreement on the Water Energy Consortium. Delegates acknowledged that the water-energy dialogue is currently carried within three major forums (CACO, CAREC, and the Eurasia Economic Community) that have only

partially overlapping membership. Further progress with the establishment of the WEC consortium does need additional consensus building and decisions at the Heads of State level.

Establishment of the CAREC Members Electricity Regulators Forum (CMERF)

7. All the CAREC member countries have designated departments, agencies or ministries for electricity regulation, but there are differences in their responsibilities and authorities. Recent trends in power sector reform require the strengthening of regulatory functions, which brings greater transparency and predictability in operations, and thereby improves decision making related to large investments in creating infrastructure. Members welcomed ADB's proposal to establish a forum of electricity regulators to: (i) share regulatory experiences, (ii) build regulatory skills and conduct training programs for members and stakeholders, and (iii) cooperate to harmonize electricity regulations. An action plan has been agreed whereby ADB will start consultation for a draft MOU regarding shared goals, objectives and institutional arrangements. The regulatory experts will consider the draft MOU during their next meeting in June 2005. The agreed MOU will then be submitted to the member government for review and comments so that a consensus is possible.