



Regional Cooperation Strategy

In the Energy Sector of
CAREC Countries
April 2008



Guidance Received from SOM for Preparation of Sector Strategies

- March 2007 SOM said sector strategies should:
 - Provide a long term vision/ shared objectives;
 - Include specific and measurable actions;
 - Outline policy actions required;
 - List priority investments possible sources of Finance;
 - Be clear, practical and project-oriented; and
 - Be developed with the close involvement of CAREC countries



Process of Development of CAREC Energy Sector Strategy

- World Bank:
 - provided guidelines and samples to each country to prepare their respective Strategic Action Plans
 - Followed up vigorously and rigorously to receive the information
 - Received information from all CAREC countries
 - developed the Strategy Document



Process of Development of CAREC Energy Sector Strategy

- Strategy document was discussed at the ESCC in Sep. 2007
- Received written comments generally endorsing the Strategy
- November 2007 SOM provided additional guidance to de-emphasize projects
- The revised draft attempts to bring a balance



Long Term Vision of the Sector

- Energy security: adequate energy for all reliable, affordable, sustainable and environmentally friendly
- Economic growth through energy trade



Strategic Approach

- Drivers for cooperation
 1. Uneven distribution of energy resources
 2. Optimizing energy interdependencies
 3. Least cost solutions
 4. Attractiveness of hydro energy
 5. Attractive markets



Strategic Approach

- Principles of Regional Cooperation
- Forms of Regional Cooperation
- Benefits of Regional Cooperation



Strategic Approach

Principles of Regional Cooperation

- sustained political will for reforms and cooperation
- multilateralism
- mutual benefits for all
- gradualism, voluntarism, and consensus
- prudent, marginal and diversified dependence on outside energy resources to maintain adequate energy security
- mutually compatible regulatory arrangements based on evolving experience,
- pursuit of sector reforms, governance and operations conducive to regional cooperation on a commercial basis;
- adherence to adequate level of transparency and disclosure standards, and
- respect for regional/global commons (environment) through collective action with regards to international river basins; climate change and littoral space.



Strategic Approach

Forms of Regional Cooperation

- Market/trade
- transit
- investment
- riparian and littoral relationships and
- knowledge sharing



Strategic Approach

Benefits of Regional Cooperation

1. Energy surplus states (Azerbaijan, Kazkhstan, Uzbekistan)
2. Hydropower rich states (Kyrgyzstan, Tajikistan)
3. Transit countries (Afghanistan, Mongolia)
4. Importing states (China)



Strategy Implementation

- Dimensions

- Central Asia-China

- China invests in energy production in CA and imports energy

- Central Asia-South Asia

- Electricity trade

- Intra Central Asia

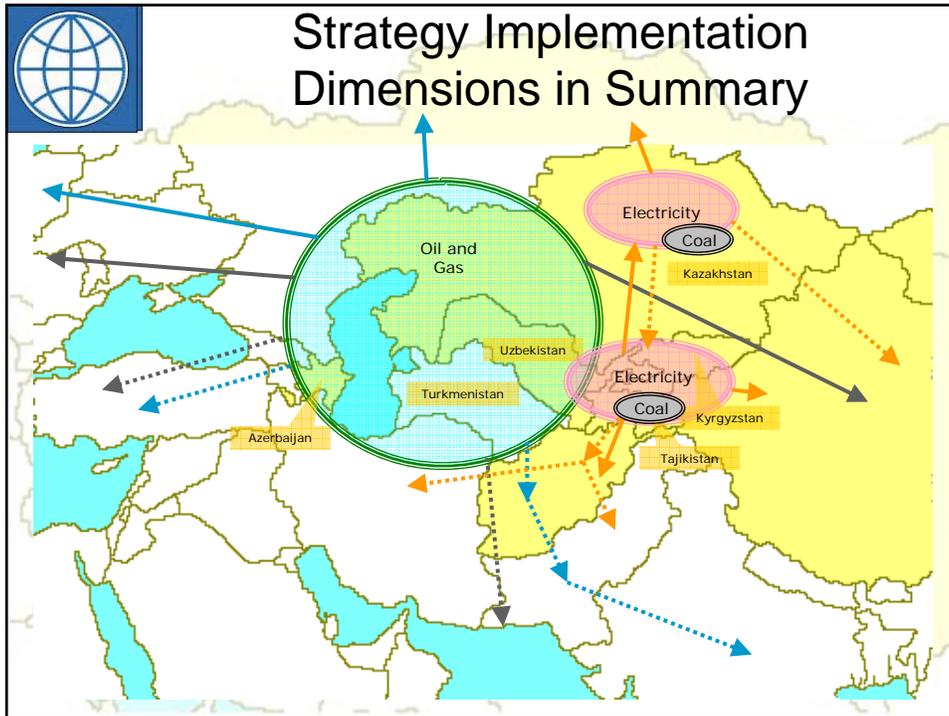
- Energy trade

- Central Asia-Russia

- Russia invests in oil and gas exploration and production, pipelines and hydro, imports, CA oil & gas

- Central Asia-EU

- Exports of CA and Azeri oil & gas to West





Costs and Financing

- Phasing
 - Short term 2008-2009 25%
 - Medium term 2010-2014 50%
 - Longer Term 2015-2027 25%



Progress Indicators

- Number of Agreements reached-riparian, trade, transit and littoral
- Volume of imports and exports for electricity, oil, gas and coal within the defined market area



Risks and Risk Mitigation in Regional Cooperation

Risks	Risk Mitigation
Project site risk – geology, hydrology, environmental and social impact	Adequate feasibility analysis, adherence to IFI's safeguards
Investment – related risk	Sound economic policy, IFI financing & guarantees, Energy Charter membership, bilateral investment agreements
Trade – related risk – markets, payments	Adequately crafted contracts, inc. arbitration
Country performance	Sound stabilization and economic and social development programs
Geo-political – diverging positions of major players in the region	Adherence to standard International Law, relevant UN Conventions