

Central Asia Regional Economic Cooperation
6th Energy Sector Coordinating Committee (ESCC) Meeting
September 14, 2007, Ulaanbaatar, Mongolia
Minutes of Meeting

The Meeting was attended by delegations from People's Republic of China (PRC), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan and Uzbekistan. The International Financial Institutions (IFIs) represented were Asian Development Bank (ADB) and the World Bank. The meeting was co-chaired by Mongolia (Mr.Sukhbaatar Tsegmid, Director General, Department of Fuel and Energy Policy and Planning, Ministry of Fuel and Energy) and the World Bank (Mr. Raghuvver Sharma, Team Leader, Central Asia Energy Programs). The List of Delegates is provided in Attachment 1.

After confirmation of the Agenda for the Meeting, Mr. Sharma summarized the outcomes of the energy related discussions that took place in the SOM meeting in Manila on Sep 8/9, 2007. Immediately thereafter, the meeting began the discussions of the "CAREC Strategy for Regional Cooperation in Energy" (hereinafter referred as the Strategy), with a lead presentation by Mr. Nikolay Nikolov of the World Bank which summarized the Strategy document. The discussions and the understandings reached on the Strategy are summarized below.

CAREC Strategy for Regional Cooperation in Energy

PRC delegation informed the meeting that the actual review of the strategy document would be done in China together with other colleagues from PRC government, and their participation was to observe the discussions of the strategy. Kazakhstan and Uzbekistan representation was limited to people from their electricity sectors, and since oil and gas sectors were also very important for these countries, further consultations are indeed needed back in their respective countries on the Strategy document. Kyrgyz Republic and Tajikistan representatives commented that the document is a very serious one, and although the delegates were ready to discuss elements of the Strategy document in depth at this meeting, they too would benefit from more consultations with their superiors and colleagues in their countries. *So the meeting concluded that the formal decisions on acceptance of the Strategy and comments from each of the countries would be sent [to the World Bank] before September 30, 2007.*

The discussions on the Strategy document were held under six topical heads: (a) Long Term Development Vision or Objective for CAREC energy sectors; (b) Contents of the Strategy; (c) Implementation of the Strategy; (d) Costs and Financing; (e) Performance Indicators; and (f) Steps to complete the Strategy Document.

- In terms of the Long term development objective, the meeting confirmed that the objective portrayed in the document is appropriate as it correctly portrays a country driven focus;
- In terms of content of the Strategy, it was confirmed that the three elements – Policy Measures, Capacity Building measures and Investment Measures (which may need some studies) – are the right ones. However, in terms of policy measures, the sequencing has to be given more thought and their priority and sequencing revised. As regards investments, the presentation should ensure that strategy is driving the investments (and investments should not be seen as driving strategy). Some countries, e.g., Mongolia wanted the inclusion of specific studies (e.g., diversification of sources of oil and gas imports) and projects/investments in the revised document. As regards Capacity Building

measures, these are very important and knowledge sharing among CAREC countries and with others (e.g., OECD) should be included. Also measures to address issues that could affect country C because of an agreement between Country A and Country B should be included. In addition the portrayal of studies should be as examples and not as a comprehensive list.

- In terms of implementation of the strategy, it was recognized that to understand the strategy from a practical implementation perspective, presenting the strategy in the 3 dimensions was right. However, importantly, a fourth dimension - Central Asia – Caucuses- Turkey - should be added in the revised document. It was recognized that the countries in particular wanted to see the emphasis on investments and projects, and the strategy document is attempting to bring a balance between the emphasis on Strategy/Policy and investments.
- Costs and Financing should be quantified and presented to the extent possible, as this would give a better idea for policy choices especially those that improve financing viability of the energy sector. Also it would inform private investors and financing institutions as to the opportunities and scale of financing.
- As regards Performance indicators, the set of indicators identified are appropriate. However, the document should provide the rationale as to why only the regional cooperation oriented indicators are chosen.

In terms of completing the document, it was agreed that all information to fill the gaps in the current document would be provided by September 22, 2007; and the formal comments by Sep 30, 2007. Based on this, the revised document would be sent to the CAREC secretariat by October 15, 2007 for distribution to the November SOM and MC (in Dushanbe). The respective delegates have agreed to complete information requirements related to specific data provided in Attachment 2 by September 22, 2007. Country Consultations on the Strategy would take place between November and March of 2008.

Country Presentations

All the country delegations present at this meeting made presentations on their respective energy sectors. The focus of PRC presentation was that country's strategy to increase clean and renewable energy share in the energy mix. The focus of Kazakhstan was that country's electricity development plan 2007-2015 approved by Kazakh government in May 2007. Kyrgyz Republic presented the status of the sector, including recent developments such as the Parliamentary approval of private sector participation in generation and distribution. Mongolia's presentation focused on their energy sector development strategy, including some progress made in legal framework, renewable energy promotion, coal development program with a concept to export electricity to China; and development of Egiin Hydropower project. The emphasis of Tajik delegation presentation was on the current status of the sector; and the strategy for the development of the sector, in which regional cooperation, private sector participation, as well as export of electricity are integral. Uzbekistan's presentation focused on the electricity sector and the specific projects oriented towards rehabilitation. Also, Uzbekistan's strategy calls for increasing coal use within the electricity system; as well as hydro; and expanding transmission investments to meet new demands. The Meeting concluded that all these presentations would be very useful for the finalization of the CAREC strategy for Regional Cooperation in Energy.

Summary of CMERF Activities

ADB's Rune Stroem reported on the outcomes of the CMERF activities held in Ulaanbaatar. During the Capacity Building workshop the participants requested the level of capacity building

raised, by, for example, including sensitive and difficult issues, such as how to value water in domestic as well as trans-boundary situations; and harmonizing regulations for domestic and regional projects. In addition the annual meeting of CMERF confirmed that Kyrgyz Republic would chair CMERF for 2008; and two additional capacity building workshops are planned – one in Baku, Azerbaijan in March 2008; and the other in September 2008, in conjunction with the next CMERF Annual Meeting in Bishkek, Kyrgyz Republic.

Attachment 1



Central Asia Regional Economic Cooperation Energy Sector Coordinating Committee (ESCC) Meeting 14 September 2007; Ulaanbaatar, Mongolia

People's Republic of China

Mr. Huang Xuenong
Deputy Director General
Power Transmission Regulation Dept.
State Electricity Regulatory Commission of China

Ms. Wang Lifen
Program Officer
International Cooperation Dept.
State Electricity Regulatory Commission of China

Kazakhstan

Mr. Nigmatzhan Makazhanov
Vice President
Kazakhstan Electricity Grid Operation Company /JSC "KEGOC/

Kyrgyzstan

Mr. Batyrkul Baetov
Acting State-Secretary
Ministry of Industry, Energy and Fuel Resources

Mongolia

Mr. Ts. Sukhbaatar
Director General
Department for Energy Policy and Strategy Planning
Ministry of Fuel and Energy

Tajikistan

Mr. Narzuloev Mahmadkhuja
Head, Economic Division
Ministry of Energy and Industry

Uzbekistan

Mr. Viktor Kim

Deputy Head
Department of Energy Sector Development Prospects
UZBEKENERGO State Shareholding Company

World Bank

Mr. Raghuv eer Sharma
Central Asia Energy Programs Team Leader
Sustainable Development Department,
Europe and Central Asia Region

Mr. Nikolay Nikolov
Operations Officer
Sustainable Development Department,
Europe and Central Asia Region

Mr. V. Krishnaswamy
Consultant/ Advisor on Policy and Strategy
Central Asia Energy Team

Mr. Sodiq Haitov
Operations Officer in Energy and Infrastructure
Sustainable Development Department
Tajikistan Country Office

Asian Development Bank

Mr. Rune Stroem
Head of Energy Operations, Infrastructure Division
Central and West Asia Department
Head of ADB Delegation to Annual Meeting

Mr. Bayanjargal Byambasaikhan
CMERF Team Leader, Infrastructure Division
Central and West Asia Department

Attachment 2

Central Asia Regional Economic Cooperation (CAREC)

Energy Sector Coordinating Committee (ESCC)

14 September 2007; Ulaanbaatar, Mongolia

Required Information from Member Countries for Finalizing the Strategy Document

1. Comment on the policy, capacity building and study proposals contained in the draft document.
2. Review Appendices 1, 2 and 4 and:
 - (a) eliminate items already implemented,
 - (b) indicate in respect of ongoing schemes, anticipated completion dates, and incremental investments (without including amounts already spent),
 - (c) include any new scheme (relevant to energy trade or cooperation) not found in the appendices, and indicate for them details of the scheme, expected output and outcome, total cost in 2007 USD terms, completion dates, disbursements in the short, medium and long terms, and sources of finance, and
 - (d) in respect of the schemes already found in the appendices, review and correct the above-mentioned information.
3. Fill the Performance Indicator Baseline Data and targets for the short, medium and long term in the format given in the document.