

**CAREC Energy Sector Coordinating Committee Meeting (ESCC)
2-3 September 2009, Almaty, Kazakhstan**

**Moving From Energy Strategy to Action Plan
(Backgrounder)**

1. Background

In November 2008, the Ministerial Council of CAREC approved the *Strategy for Regional Cooperation in the Energy Sector of CAREC Countries* ("Energy Strategy"). The Energy Strategy vision emphasizes energy security through cooperation and integration and realizing economic growth through energy trade. The strategic approach recognizes the need to overcome the impact of uneven distribution of energy resources and the benefits of hydropower development in the context of regional energy market development. The strategy notes the goal of least cost solutions to energy constraints at the regional scale, seeking cooperation through forms such as market relations, new energy market opportunities, joint use and protection of trans-border rivers, as well as knowledge sharing.

In May 2009, the CAREC Senior Officials meetings requested multi-lateral institutions to work together with countries to prioritize actions under the Energy Strategy, in the form of an Action Plan. The Plan is to be discussed at the 8th Ministerial Conference in October, 2009. The Action Plan is the focus of the September 2009 meeting of the ESCC.

2. Parameters of the Energy Action Plan

A number of parameters are suggested in moving from the Energy Strategy to an Action Plan.

Geographic Scope: The Energy Strategy identifies five main energy corridors. Among these, it is proposed that this Action Plan focus on "Cooperation opportunities in Central Asia", with consideration of export opportunities.

Timeframe: It is suggested that the Action Plan focus on the next three years (2010-2013) to realize immediate gains while also identifying and initiating long term investments beyond 2013.

Action Plan elements: Consistent with the key elements in the Energy Strategy, the Action plan will focus deliverables in terms of (i) investments, (ii) knowledge and capacity building and (iii) policy environment which would include strengthening regional institutions. The underlying principles emphasize regional ownership and sustainable capacity to manage highly valuable energy assets.

Core Issues: While ensuring deliverables in terms of investments, knowledge and capacity building and policy/institutional development, the Central Asia Action Plan will be structured along three key issues:

- **Energy Demand/Supply Balance and Infrastructure constraints:** This issue directly addresses the most efficient use of energy resources across the region to meet the needs of its people in a reliable, affordable, financially sustainable and environmentally sound manner. This issue will examine such factors as use of renewable energy resources, energy efficiency and demand side management, intra-regional and extra-regional trade opportunities and least cost planning. It will take into consideration seasonal supply/demand balances and transmission constraints.

- *Regional Dispatch and Regulatory Development:* This issue directly addresses sector restructuring, regulation, and contractual arrangements (i.e., commercialization). It covers the policy, institutional and infrastructure needs to facilitate trade and efficient transit of energy across the region. The focus will be initially on the electricity sector.
- *Energy-Water Linkages:* As recognized in the Energy Strategy, hydropower brings a valuable dimension to the region's energy assets. As also recognized in the Energy Strategy, the particular distribution of hydropower resources in Central Asia raises complexities of transboundary water management. This issue focuses on developing a strong analytical base to support coordinated management of energy and water resources.

Donor Involvement: The Action Plan will encompass numerous opportunities for technical assistance and investments. ESCC will explore avenues for coordinating donor and IFI contributions to implementation.

Implementation: The ESCC will provide coordination and oversight on implementation of the actions items identified in the Plan. It will monitor and report on progress on a regular basis, sharing of outputs, and discussing key conclusions/initiatives of both technical and investment activities. Regular (bi-annual) meetings will be held, with an agenda that covers reports on action items, progress on the three core themes, and updates on regional energy projects currently under planning and execution by both country participants and IFI representatives, including CASAREM investment projects.

Key Performance Indicators: The Energy Strategy identifies eight performance indicators to monitor implementation of the Energy Strategy. This Action Plan, focusing as it does on the Central Asia energy corridor, would emphasize indicators 1,2,3,and 7, that is:

- (1) Agreements reached (riparian)
- (2) Agreements reached (energy trade)
- (3) Agreements reached (energy transit)
- (7) Volume of exports and imports for electricity.¹

It should be recognized that results may not emerge numerically within the three-year timeframe of the Action Plan. However, the indicators provide a framework for monitoring progress, with specific linkage back to the Energy Strategy. Specific performance indicators would be developed for individual actions within the Plan.

¹ Less emphasis will be placed on littoral agreements reached, and volume of trade in oil and coal.