INTERVIEW WITH RAINER BEHNKE[i]

TEAM LEADER OF THE PROJECT ON DEVELOPMENT OF COORDINATED NATIONAL ENERGY POLICIES IN CENTRAL ASIA WITHIN THE INOGATE FRAMEWORK[ii]

By Natalia Mirimanova, senior researcher/outreach officer EUCAM/CEPS

Q: What was the idea behind the project on Development of Coordinated National Energy Policies in Central Asia?

RB: The targets set out by the Baku initiative and the Astana declarations are quite ambitious.[iii] Cooperation among the Central Asian republics on a common regional energy market requires substantial legislative, technological and economic reforms. In addition, the EU wants to support the transfer of best energy technologies and know-how on project preparation to the countries of Central Asia.[iv]

The overall objective of the project was to assist the national governments in Central Asia in the development of national energy policies, which are coordinated with neighbouring countries and reflect the objectives of Partnership and Cooperation Agreements (PCAs) between the EU and the relevant countries. It was recommended that we utilise the success of the European energy market as a model for developing the common energy market in Central Asia. The objectives of the project were to develop recommendations and action plans for the regulatory, legislative and strategy change at national level in accordance with EU best practice and international standards especially in the energy sectors (oil, renewable energy, electricity), to establish a regional forum for discussion of coordinated national energy policies and regulation, preparation and discussion of a draft Energy Community Treaty, assessment of the feasibility and viability of an EU-Central Asia Energy Technology and Know-how Transfer Centre and recommendations for its institutional set-up with the aim of developing and reaching agreement on a future regional energy dialogue between the EU and the Central Asian Republics.

Q: It must be difficult to develop coordinated national energy policies, given strained relations between the Central Asian states in the water and hydroelectricity sectors…

RB: We are fully aware of the challenges between the countries regarding water resources and the purchase of power from hydropower plants. Hence we proposed to the states involved that the most reasonable way to make some progress on the energy dialogue was not to concentrate on the energy-water confrontation, but rather to think of an energy sector that is equally accessible to all parties.

Besides, as EU consultants, we could not intervene in the highly politicised bilateral negotiations between the states over water and energy. Indeed, Kazakhstan has its own oil and gas sphere, which at present is at odds with the Uzbekistan fuel sector.

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Hence the oil and gas sectors do not seem to offer much promise of bringing together all Central Asian states.

The development of a common electricity market came up as a mutually agreeable topic to be explored in the format of a regional dialogue. We were open to the incorporation of ad-hoc requests for support into the consulting project.

Q: Are small and medium hydropower stations a viable alternative to large hydropower plants?

RB: Tajikistan and Kyrgyzstan have a serious potential for the development of small and medium hydropower plants. I am absolutely in favour of the diversification of the electricity sector. Smaller, decentralised energy-generating units make sense economically, socially and technologically. They are close to the user and can efficiently solve energy shortages in Tajikistan and Kyrgyzstan.

The problem here is that smaller hydropower should be considered as a long-term investment. For instance, in Europe, 15 years is regarded as an acceptable cycle for receiving a return on one's investment, whereas in Central Asia no one tends to think beyond 5 years.

The establishment of a regional electricity market will improve the economic feasibility of small hydropower plants. If there is a cascade of such hydropower stations, they can sell electricity to the nearby regions (border regions); they are close to the generator and to the consumer. This would attract more investment. In this way, a local operator would be provided with cheap electricity irrespective of the overall power shortages that may occur in Kazakhstan.

Q: What would be the strategies to sustain the common electricity market?

RB: First, our task is to explain the idea that cooperation makes sense from a technical point of view, because the power transmission system was designed to function as a single entity, and to outline the benefits of its operation as a whole system for all Central Asian countries. We learned in Scandinavia and in South-East Europe how the power system could benefit from a real common electricity market. Kazakhstan and Kyrgyzstan have begun to work on a bilateral agreement. We have developed a draft of an Energy Community Treaty for Central Asia based on the European experience. Now it is in their hands.

Second, a way to develop a sustainable common electricity market is to start with two or three countries, building a working, economically sound system, and others will follow suit.

However one needs to bear in mind that it is a long process. Look at the experience of the Former Yugoslav Republics where it took a decade for them to agree on a common electricity market. The Central Asian Republics would need to agree on methodologies, structure, regulation and models.

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Q: Dialogue on the common electricity market is a long-term process. However electricity shocks and regular electricity cut-offs are commonplace occurrences in the region. Are there additional short-term measures that the countries in Central Asia could undertake to enhance their energy security and not harm the environment?

RB: I would say there is no need to build new, large power-generation capacities if money is spent wisely on energy efficiency. The specific expenditure in energy efficiency measures cost ½ the expenditure of building new plants with the same result. At present the waste of energy at the consumer end is enormous in Central Asia. The energy intensity is three times higher than that in EU-25. It is not proven that the current energy tariffs cover the whole generation costs.

There are different opportunities to meet growing demands. Sustainability and environmental aspects should be introduced as key in the planning and development of the national economies and energy market in Central Asia.

Q: What are the results of the project? What is the role of the EU in building on the first efforts in the development of the common Central Asian energy market?

RB: A regional Working Group on a Central Asian Regional Energy Market was established, composed of experts from all the Central Asian Republics, with the exception of Turkmenistan, drawn from ministries overseeing the electricity sub-sectors, electricity companies and the Regional Power Dispatch Centre. Six regional Working Group meetings were conducted over the course of one year (April 2008-April 2009). Technical and legal aspects as well as market factors for the common electricity market were discussed. We have now a platform. The EU intends to follow-up to maintain this level of this dialogue because the established platform has enabled us to make visible progress in our understanding of the common electricity market.

An EU-Central Asian Energy Technology and Know-How Transfer Centre will be established with the support of the EU. The business plan has been accepted by regional implementation partners, and the shareholders of this centre will be Kazyna-Samruk, of Kazakhstan.

The EU should maintain a leading advisory role in the development of an energy dialogue among the Central Asian Republics. We recommend that the EU should follow up on some issues on the basis of the results of our project. The know-how that is transferred in the process will also be followed up. The EU is planning to support the Energy Technology Centre and has confirmed co-financing and technical assistance for the establishment phase with commencement in 2010.

There are several programs that are currently being implemented or planned in the energy sector of the Central Asia. For example, there is the Regional Energy Markets Assistance Program (REMAP) of the US Agency for International Development (USAID) aimed at developing a regional electricity market in Central Asia. They take a different approach yet their clients are the same as ours. If uncoordinated, these programmes may cause confusion. It is dangerous for politicians, because they may receive contradictory recommendations. Let me give you another example: in

December, we were asked to review and comment on the draft Kazakhstan energy efficiency law and discovered that other international donors, such as the British Embassy, UNDP and EBRD, have a stake in this project as well. We encouraged the EU to organise a dialogue to utilize synergies and see who does what.

ENDNOTES

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[ii] INOGATE originated in 1995 as an EU support mechanism dealing with **IN**terstate **O**il and **GA**s **T**ransportation systems. It was particularly concerned initially with oil and gas pipelines running from and through Eastern Europe and the Caucasus to the EU. Following a conference in Baku, Azerbaijan in 2004 and a conference in Astana, Kazakhstan in 2006, it has since evolved into a broader energy partnership, concentrating on four key topics:

- enhancing energy security
- convergence of member state energy markets on the basis of EU internal energy market principles
- supporting sustainable energy development
- attracting investment for energy projects of common and regional interest.

The INOGATE programme is a joint initiative of three units within the European Commission: Directorate-General for Transport and Energy, Directorate-General for External Relations and the EuropeAid Cooperation Office. Since 2007, the INOGATE programme has been financed by the European Neighbourhood Programme Initiative (ENPI).

[iii] The aim of the Baku Initiative is to enhance integration of the energy markets of participating countries with the EU energy market, so as to create transparent energy markets, capable of attracting investment and enhancing security of energy supply. The partner countries' objectives are: to harmonise legal and technical standards so as to create a functioning integrated energy market in accordance with EU and international legal and regulatory frameworks; to increase the safety and security of energy supplies by extending and modernising existing infrastructure, substituting outdated power generation infrastructures with environmentally-friendly systems; the development of new infrastructures and implementation of modern monitoring systems; improvement of energy supply and demand management through the integration of efficient and sustainable energy systems; and promoting of the financing of commercially and environmentally viable energy projects of common interest. A 'road-map' towards the achievement of these and related objectives was adopted at the Astana Ministerial Conference.

[iv] Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan

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