Comments on ADB's
Energy Strategy (version May 2007)

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Section 2 Para 51:

Mentions Cambodia as an example of a mainland DMCs dependent on oil for power generation. The unique situation of Sri Lanka too should be stated in this para. Suggest the following revision:

51. Oil is a major source of power generation in most Pacific DMCs (PDMCs), some mainland DMCs like Cambodia **and Sri Lanka**, and for captive use by the industrial sector. Oil imports form a large component of the import expenses of these countries who remain vulnerable to the price fluctuations in the oil market. **For example, Sri Lanka has the highest cost of electricity generation in the whole of South and SE Asia.** In most PDMCs, oil consumption for power is more than that for transportation. Oil-based power generation continues to be a technically viable solution for providing electricity in remote areas, island communities, and sparsely populated areas, but PDMCs need to reduce their dependence on imported oil by developing alternate renewable sources of energy **and other baseload conventional options.** Price considerations and pollution aspects will be partly mitigated with such an energy mix. DMCs like Cambodia need to develop energy trade with neighbors or explore other least cost energy options to reduce its dependence on imported oil, **while DMCs such as Sri Lanka need to rapidly build lower cost baseload generating facilities** . Industrial use of diesel sets for captive generation is mainly to secure energy supply. This can be addressed only when sufficient generation capacity is available to meet the demand of the industrial sector or through appropriate captive power policies.

52. It is technically incorrect to say "load demand". The correct term in the context is "load."

and in 52 later.... On the downside, gas prices are increasing and gas **-fired power plants** will face competition from coal based plants. Use of LNG for gas **-fired power plants** is also an option, but insufficient infrastructure is a bottleneck.

54. There are no opinions at all that large hydropower is not to be considered as renewable. Who says so and what definition is the ADB strategy adopting to the term "renewable"? "load demand" again !

56. Contradiction! The para implies storage reservoirs are bad and then continue to say pumped storage is economical. It is not possible to have a pumped storage without two reservoirs.

Para 10 pg 70: It is incorrect to say "tariff prices". Say "tariffs".

Para 80: This should further qualify that larger island economies (such as Sri Lanka) would be supported for RE as well as other conventional baseload power generation facilities.

General:

(1) The strategy is silent on the need of electricity tariffs to end use customers to be competitive to ensure that customer businesses and industrial operations are regionally and globally competitive, and the low-income groups are provided with life-line rates. There is no comparative analysis of electricity costs and prices of the DMCs, and examination of why there are large disparities between countries in both costs and prices. Particular examples are the regionally non-competitive costs and prices of electricity in Nepal (predominantly hydroelectric) and Sri Lanka (predominantly oil-based). It is necessary for ADB to take stock at what has gone wrong in such county electricity sector development, segregate the determinants of unfavorable costs (generation mix, T&D losses, mismanagement, ownership issues, IPP policies) and address them in the strategy. This should include the associated issue of large investments required for baseload, cheaper power plants, and the constraints on the economy of scale faced by larger island economies (Sri Lanka) and land-locked economies (such as Nepal).

(2) The strategy does not analyse the positive and negative impacts of private sector participation (or IPPs), promoted by ADB and other multilateral agencies over the past two decades. It should highlight the plights of countries such as Nepal and Sri Lanka, where the IPP policies promoted by the agencies and ad-hoc implementation by national Governments have landed the countries with a proliferation of high cost hydroelectrics (Nepal) and diesel-burning power plants (Sri Lanka), and the strategy should elaborate what corrective actions would ABD promote in these countries to ensure transparency of the IPP process, he IPPs would be elements of the least-cost plan, and in what situations ADB would assist DMCs to implement least cost generation in such countries as special cases when IPPs cannot be attracted for such power generation.

(3) The analysis is focused on the cleaner sources of energy and the strategy too is focused on ADB's promotion of cleaner fuels and technologies in the DMCs. However, the document fails to recognise that the developed member countries continue to obtain a significant share of the electricity from conventional, low-cost baseload power plants (Australia: coal, Japan: Nuclear and coal), enabling such countries (now with lower demand growth rates than DMCs) to afford cleaner and greener electricity generation to meet their smaller incremental demand each year. DMCs have higher growth rates and require to establish their baseload facilities, while developed member countries have already done that in the 1950-1970 window. In the strategy, this distinction must be addressed.