

# South Asia Regional Initiative for Energy Integration (SARI/EI)

## Theme Presentation Session -III

### Investments in Infrastructure for Cross Border Projects: Catalyzing Private Investments and Mitigating risks

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## Outline

- **Investment Requirement in Electricity in South Asia.**
- **key risk and Challenges associated with Investment and Financing for CBET Projects and mitigation measures.**
- **SARI/EI research study on Regional Investment Framework and Guidelines for promoting investment in South Asia Power Sector and in CBET Projects.**
- **Suggested Investment Guidelines**
- **Points for Discussions**



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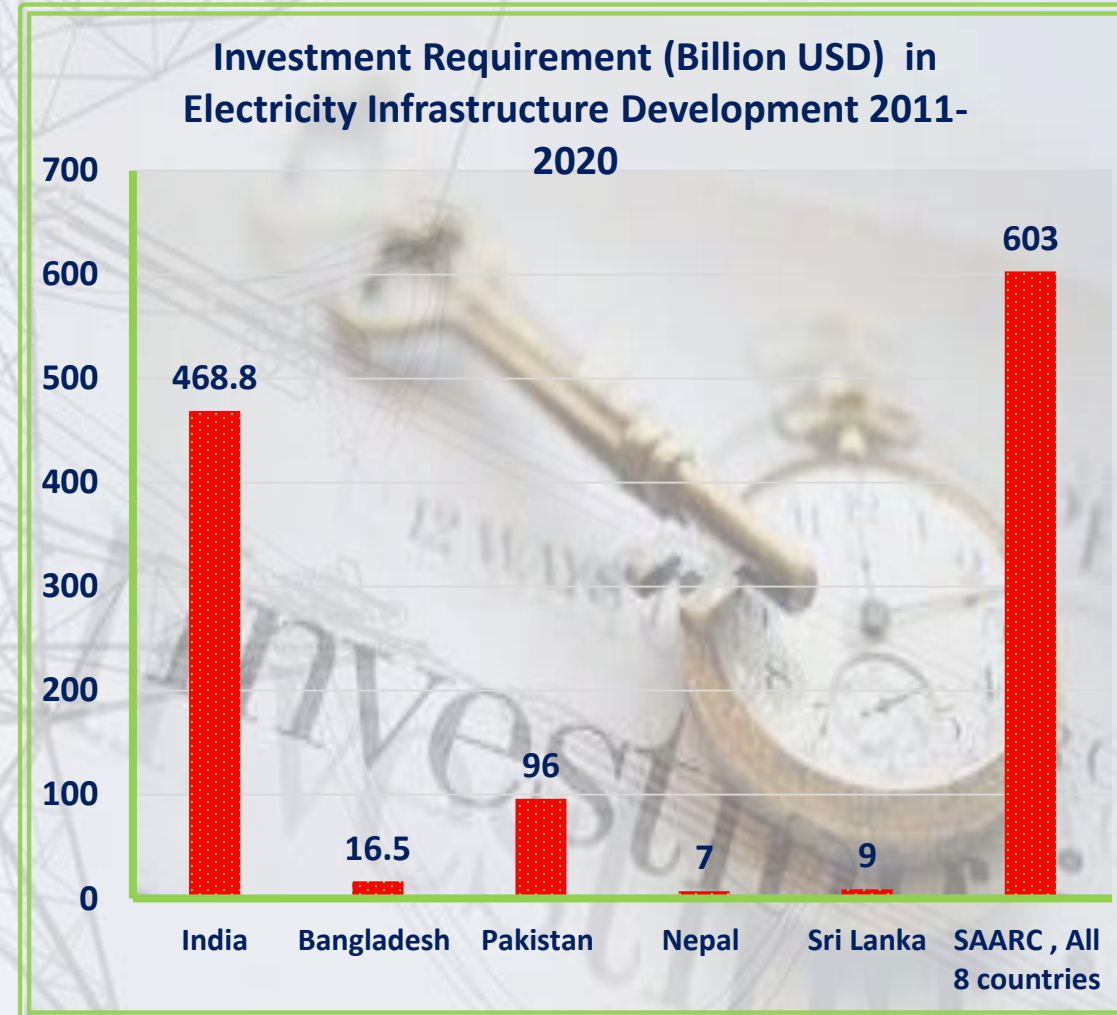


# Investment Requirement in Electricity in South Asia



## Investment Requirement in Electricity in South Asia 2020

- ✓ South Asia is one of the fastest growing regions in the world.
- ✓ As per world bank estimates, SA countries needs to invest in the range of **USD 1.7 trillion to USD 2.5 trillion( 2011-2020)** to bring its power grids, roads, water supplies up to the stranded needed to serve the population.
- ✓ Total investment of **USD 603 billion** is required for SAARC countries for Electricity Infrastructure development.
- ✓ Bangladesh, India, Nepal , Pakistan and Sri Lanka are expected to invest around **US\$ 16.5 Billion, US\$ 468.8 Billion, US\$ 7billion, US\$ 96 Billion and US \$ 9 Billion** respectively by 2020.



## South Asian Power Sector- Investment Requirement for the 2015-2040 Period

Investment Requirement for the 2015-2040 Period (Billion US\$)

Country	Investment (Generation)	Investment (Interconnection)
Afghanistan	16.36	0.18
Bangladesh	105.12	0.63
Bhutan	32.08	0.54
India	929.67	27.93
Nepal	10.75	0.00
Pakistan	276.96	0.00
Sri Lanka	18.67	0.00
<b>Total</b>	<b>1,390</b>	<b>29</b>

South Asia is projected to require 1,390 billion US\$ for expanding electricity generation from 2015-2040 period (to increase to 750 GW of generation capacity).

Already committed and planned inter-grid connection, especially within India would require around 29 billion US\$.



# Investment Scenario in South Asia

Foreign Direct Investments have been low in the region

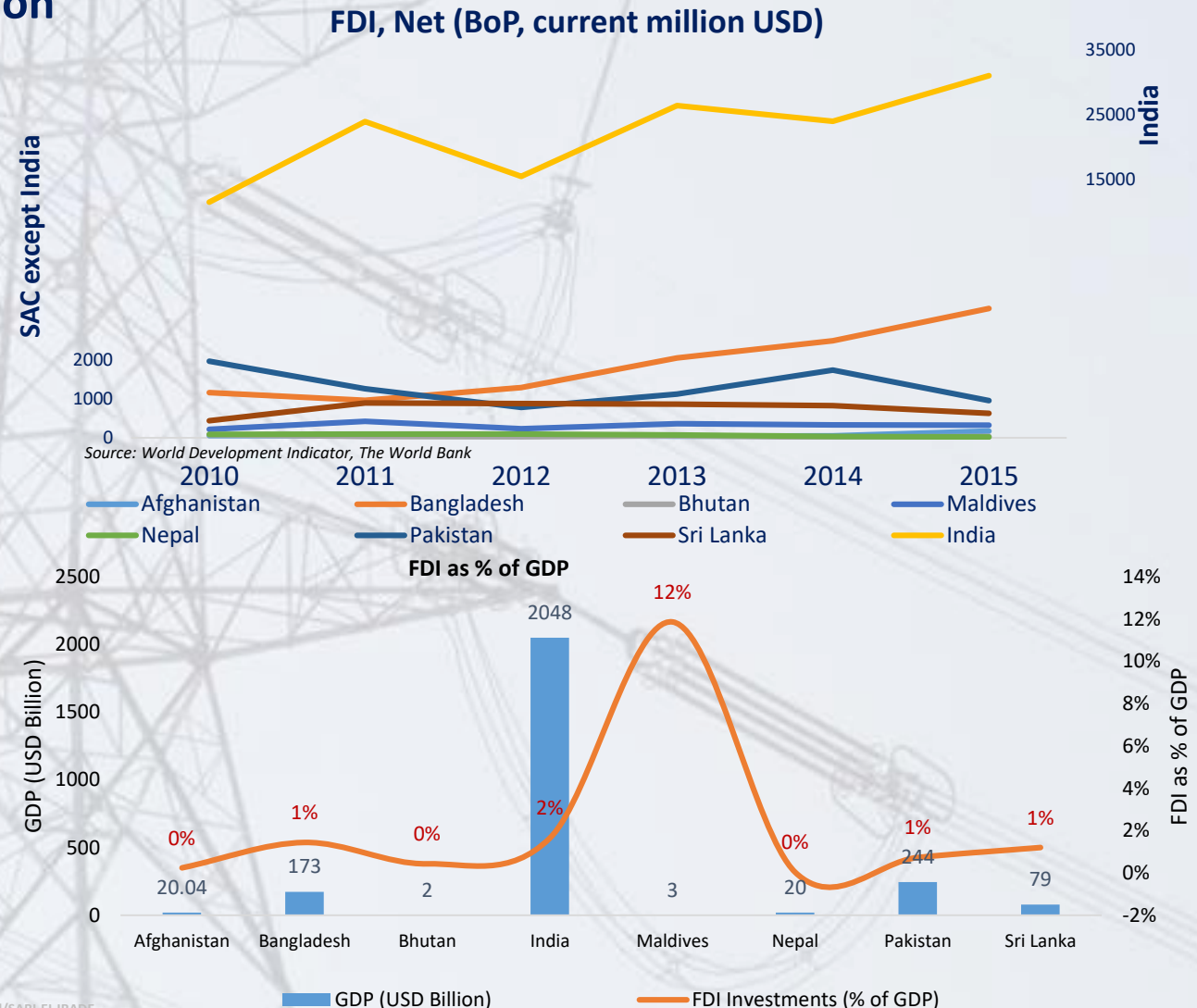
- The region witnessed mixed trends in net FDI inflow across countries during the period 2010-15

➤ Bangladesh (23%) had one of the highest growth in FDI inflows followed by India

- India has the highest share of FDI inflow in absolute terms followed by Bangladesh

- Remaining countries contribute less than 10% to the net FDI inflows in the region

- The FDI contribution to the overall GDP is well below 2% for all the countries in the region except for Maldives

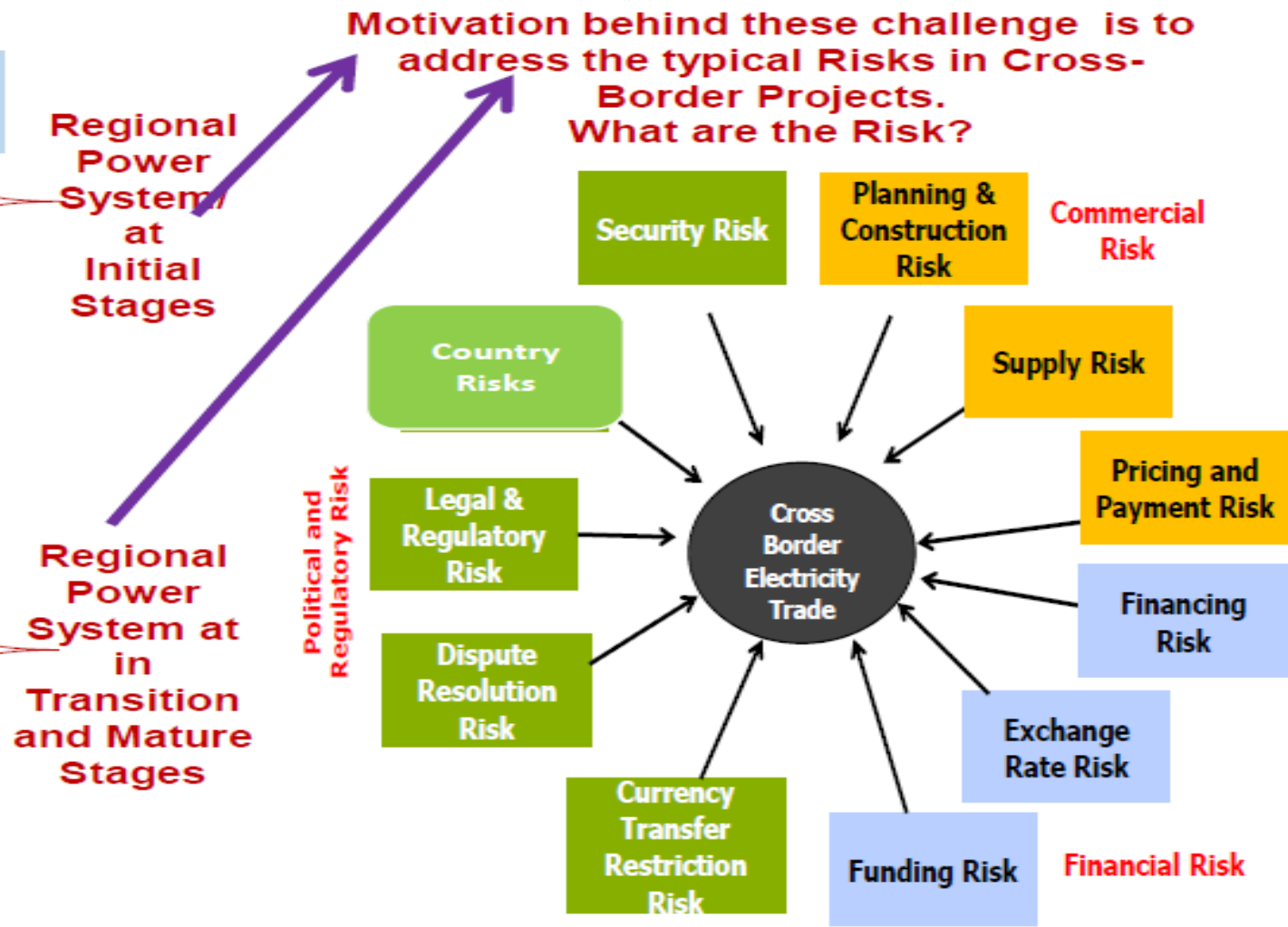


# key Challenges and Risks associated with Investment and Financing for CBET Projects and Mitigation Measures

# Key Challenges & risks for CBET

## Key Challenges

1. Political Conesus : Regional Cooperation and Recognition of CBET/Trade in the National Policy, Law
2. Government Commitment & Policy Coordination
3. Financial Challenges, Investment , Financial Viability
4. Mechanism of Inter-connection
5. Market form of Trade
6. Regional Cooperation on Regulatory and Contractual Aspects
7. Open Access in Transmission
8. Transmission Charges/Pricing
9. Transmission Plan
10. Commercial Mechanisms to Settle
11. Dispute Resolution







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# **SARI/EI research study on Regional Investment Framework and Guidelines for promoting investment in South Asia Power Sector and in CBET Projects**

# SARI/EI study on Regional Investment Framework

- To develop investment framework and policy guidelines for regional investment framework for South Asia power sector and CBET

**Propose an investment framework and policy guidelines for regional investment framework and regional policy guidelines**

Review **the current investment scenario and trends** in South Asian Power Sector with focus on Cross Border Electricity Trade Projects

Review **the power sector investment related policies, guidelines, regulations and frameworks covering environment, Land Acquisition, FDI, R & R etc.** prevailing in each South Asian Countries (SACs) country for impact on regional power & CBET Projects

Focus **on energy resources development** particularly relating to Hydro power resource and associated transmission infrastructure (including Cross Border Transmission Links)

Analyze **the international best practices** on investment policies / guidelines/ regulations including innovative mechanisms

Develop a **regional investment framework** and regional investment **policy guidelines** to promote investments in South Asian power sector

# SARI/EI Suggested Investment Guidelines



# SARI/EI Suggested Investment Guidelines

1

**Regional CBET investment facilitation forum**

- Designate or set up a regional CBET investment forum to act as a facilitator
- Project identification and prioritization, coordination of CBET investments
- Mobilize MFIs for low interest financing options and facilitate financial closure.

2

**Promote policy, regulatory and market instruments for mobilizing investments**

- Enactment of policies/laws for promoting investment in CBET.
- Provision for Dispute resolution through regional framework
- Harmonize tax incentives and other benefits across the region
- Harmonize regulations, grid operation, pricing, energy accounting, standards etc.
- To create forum association of electricity regulators for cross cutting of regulations

3

**Managing country risk & project development risks**

- To develop guidelines for mitigating political risks such as expropriation, war etc.
- Regional Investment guidelines, leveraging Instruments available with MFIs like MIGA
- Legal safeguards for contract enforcement
- Standard PPAs

4

**Fast track project approvals and clearances**

- To provide single window clearance for necessary approvals and licenses
- Government to provide support for issue related to land, environment and R&R etc.

# Suggested Investment Guidelines

5 **Facilitating development of hydropower projects and associated infrastructure**

- To work for minimizing off-take risk and providing payment security mechanism for hydro projects
- Tap the green energy funds for hydropower projects and MDB funds
- Regulatory incentives to address tariff issues to improve competitiveness of hydro vis-à-vis other resources.
- Upfront tariff to minimize lenders risk.
- Develop Public Private Partnership (PPP) frameworks for regional projects

6 **Harmonization in financial regulations and institutional capacity building**

- Harmonizing of regulatory requirements for mobilizing investments within the region and overseas
- Support the development of capital markets in the region for mobilizing long term debt funding.
- Support investor friendly FDI policies
- Institutional strengthening and capacity building of institutions in the member countries

7 **Promote regional investment and protection arrangements**

- International and bilateral treaties and investment protection to support investments

# Points for Discussions

- **How to accelerate the development of hydro power and mobilisation of investment in power/energy sector ?**
- **What are the innovative market instruments/ financing mechanisms?**
- **Role of Government for fast track development ?**
- **Concerns of Lender, private power project developers ?**
- **Role of Private sector, Public private partnerships, Joint Ventures etc. ?**
- **Need of South Asia Regional Investment Facilitation Forum ?**



**Thank You**