The Political Economy of Energy Governance in South Asia

Suparna Karmakar

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Suparna Karmakar
Visiting Research Fellow
ISAS, NUS
Some Basic Statistics

- In the 2006-2030 reference period (EIA data):
  - Global energy consumption demand to increase 44%
  - Emerging non-OECD to account for most of the increased demand (average 2.3% per annum)
  - Non-OECD Asia to grow 104% - China & India leading
  - Natural gas and coal sources for electricity
  - Oil (incl. bio-fuel) main source of transportation fuel
  - Share of renewables low; nuclear only $\frac{1}{24^{th}}$ of total new renewable supply

- South Asian demand mainly from India, to dominate global demand esp. in 2015-2030 period (demography)
  - Consumption low per capita, highest per unit of GDP
Why Energy Governance (EGov)?

- Energy Security in South Asia
  - Net importer of commercial energy resources
- SAARC positions on Energy Cooperation
  - Cross-border trade in energy – low (seasonal demand?)
  - R&D Cooperation on Renewables
  - Creation of SAARC Energy Centre through Dhaka Declaration in 2005 to establish SAARC Energy Ring
- Missing an institutional mechanism to govern these initiatives – since efficient coordination and management calls for multi-disciplinary approach
  - Only proposal so far is sharing Members’ pricing and institutional reform experiences in energy
Why EGov? (contd…)

- Move from declaratory to implementation phase
  - SDF funding for regional and sub-regional projects could be channelised in setting up regional institutions and regulatory mechanisms in energy

- Concerns and challenges:
  - Growth concerns
    - Energy mix – impact of renewables
  - Environment, Climate Change and Green economy
    - Energy efficiency and sustainable development
  - Transit issues – Conflict and regional security (Straits of Hormuz and Malacca)
Key Elements of EGov

- Any formula for legitimate EGov must include:
  - Implementation of the concept of sustainable development
  - Strengthening coordination and cooperation among states in the energy field
  - Regional cooperation in the field of energy efficiency

- Creation of regional regulation/oversight mechanism for compliance vs cooperation of national regulators
  - More integrated approach – sectoral and country

- Can South Asia transcend political baggage for this ‘public good’?
  - Use of energy as security/foreign policy tool can backfire
Key Elements of EGov (contd...)

- To manage resource challenges need for institutionalising transparent, multi-stakeholder and universal governance mechanisms in energy – at every step from extraction/generation to end user
  - Present national energy policies based on ad-hoc mechanisms of input collection

- Also governance of related interdependent resources:
  - Water policy
  - Food policy
  - Other climate change mitigation policies (viz. cap and trade; energy efficiency norms of consumer durables, building standards)
Regional EGov ought to focus on

- Management of Externalities call for regulation
  - In a regional context how to devise the compensation mech without a regional institutional set-up (social cost-benefit vs compensation principles in market power based system)

- Rules of the game (regulations, governance and management initiatives) should address
  - Regulations for demand-supply management
  - Inter-sectoral coordination of regulatory mechanisms (viz. food-fuel conflicts, energy-water conflicts)
  - Competition (anti-trust) policies
  - Mechanisms for investment and coordinated research policies in green and affordable energy, esp in biomass development
Regional EGov to focus on (contd…)

- Coordination of national energy efficiency policies/regulations
- Need for structuring the right kind of incentives and penalties (help fair bargain for weaker members)
- Enforcement agencies at the regional level for ensuring compliance
  - Arbitration and dispute settlement mechanisms to be formalised
  - Joint responses of mediating resource conflicts/security issues
Designing a South Asian EGov model

- All of above elements, plus
- Use of home grown solutions and innovative best practices
  - ‘made for’ rather than solutions customised from developed country modes – the EU model may not work
  - Involve local governments/stakeholders for efficient delivery/implementation
Thank You
Commercial Energy Mix in South Asia

Composition of Total Primary Energy Supply

Source: Calculated by Worldwatch Institute with data from BP, IEA, REN21, F.O. Licht, 2008
Note: 'Other' includes biomass & waste combustion, geothermal, and wind power