International Rivers Network
Linking Human Rights and Environmental Protection

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Mekong Leaders to Sign Risky Power Trade Agreement on July 4-5
Analysis shows hydropower-based scheme creates risk for consumers

Leaders of Mekong countries are planning to sign a key Memorandum of Understanding at the Second Greater Mekong Sub-region[1] (GMS) Summit in Kunming, China on July 4-5, 2005. The MOU helps to establish an implementation framework that facilitates the development of a power grid and trading system which poses a serious threat to the economies, environment and local communities. A recent analysis shows that the multi-billion dollar scheme provides no guarantee of cost savings for consumers.

A flagship initiative of the Asian Development Bank's GMS program, the Mekong power grid involves the creation of a regional grid fueled primarily by hydropower plants in Lao PDR, Burma and Yunnan province of China to meet the growing demand in Thailand and Vietnam.

There is no certainty that investments in the regional grid, however, will bring the expected reduction in electricity prices. Creation of the regional grid could cost more than $1 billion, yet predicted benefits from lower cost generation may not be seen for many years, if at all. Several of the generation projects for which the grid is to be constructed have not yet been proven to be feasible or economically viable.

> Canadian power grid expert, Dr. Bretton Garrett says,
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> "The most serious concern with the [*PTOA-General Design, Final Report*] proposals is the wisdom of committing to an expensive, long-term electricity trade arrangement without certainty of the economic benefits. While from an engineering standpoint there is no doubt that interconnecting power systems can bring operating benefits, the costs may not always justify the benefits."

[1] The Greater Mekong Sub-region includes Thailand, Burma/Myanmar, Lao PDR, Cambodia, Vietnam and the Yunnan province of China

While countries are set to invest more than a billion dollars in the grid, the premise for building the scheme to meet growing demand in Thailand is questionable.

Says Witoon Permpongsacharoen of Foundation for Ecological Recovery, Thailand:

> “Past experiences have shown that demand forecasts on which EGAT's PDP and the indicative Master Plan are based tend to over-estimate the actual consumption. The latest forecast issued in 2004 has already overshot the actual peak demand by more than 600 MW or 3%. It was based on the unrealistic assumption that Thailand’s economy would grow at constant 6.5% per year for the next 12 years. If it were to provide any basis for future planning for the power system in Thailand or the GMS region, the forecast must be revised downward.”

Ten international NGOs have signed an appeal to the President of the ADB to halt the signing of the MOU on the power trade operating agreement and to examine more sustainable and economically viable energy options for the Mekong region.

Note: Dr. Garrett analyzed the "Indicative Master Plan on Power Interconnection in GMS Countries" (Norconsult, June 2002), and the "Study for a Regional Power Trade Operating Agreement" (Mercados&Soluziona, November 2004), commissioned by the Asian Development Bank ADB. A Summary of the analysis is attached. The full report can be downloaded from www.irn.org.