Political Aspects of International Electricity Grid Interconnections

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Introduction

- International power grid interconnections are extremely complex undertakings, with technical, economic, legal, political, social, and environmental issues that must be taken carefully into account.
- Political agreement and cooperation is needed to forge the necessary legal framework for an interconnection.
- Grid interconnections offer both potential political benefits and liabilities.
- Country attributes play a role in determining the political feasibility of an interconnection.
Potential Political Benefits of Grid Interconnection

- Grid interconnection as a spur to additional international cooperation
  - Provides channel, experience with intergovernmental communications for further economic, security, political, social, cultural interchanges

- Presence of power interconnection as a force for avoidance of conflict
  - Sets up economic interdependency between nations, thus increases stakes of conflict
Potential Political Benefits of Grid Interconnection

- Grid Interconnections may help to encourage democratization
  - Demonstration of participatory decision-making in planning and implementing power grid interconnections as democratic model

- Grid interconnections may have a positive impact on political stability
  - Positive effects on employment, education, medical care reduce dissension
  - Security needs, income may prolong regimes
Potential Political Liabilities of Grid Interconnection

- Protection of the power line as an excuse for internal political oppression
  - Securing the power line infrastructure might be used by central government as a rationale for preemptive action against a local group

- Effects of interconnections on international political relations
  - Grid interconnection may give one country excessive political leverage over another, particularly if dependence on interconnection is disproportionate between partners
Potential Political Liabilities of Grid Interconnection

- Heightened vulnerability to political difficulties in another nation
  - Interconnection increases exposure to partners’ internal/external political situation
  - Exposure enforced by non-storable nature of electricity, non-movable nature of power line

- Proceeds from interconnection may provide temptation for diversion by officials
  - Diversion for purposes legitimate (such as social subsidies) or illegitimate (graft)
Potential Political Liabilities of Grid Interconnection

Political costs of power line protection

- Power line protection may require concessions to local groups, weaken control
- Transparency in distribution of benefits, planning, plus communication are tools to reduce internal political costs

Political costs of tariff rationalization

- Hard-currency payment requirements may force changes in tariffs, collections, with internal political consequences as a result
Types of Political Cooperation Required for Interconnection

- Agreements in principle as to sharing power resources
- Agreements on moving forward with the interconnection project, including contractor selection
- Agreements as to how firms included in the interconnection project will be paid, and by whom
Types of Political Cooperation Required for Interconnection

- Agreements as to how benefits and costs of the project will be shared
- Agreements as to how the interconnection will be operated and secured
- Agreements as to the sharing of information necessary to plan, operate and protect the interconnection
National/Regional Attributes to Support Grid Interconnection

- Culture of regional cooperation
  - Neighboring countries with active trade in key commodities, transport links, programs of cultural exchange, are more likely to work smoothly together on grid interconnection

- Culture of long-term planning
  - Experience with planning makes it easier to incorporate interconnection in electric infrastructure plans, understand need to adhere to international agreements
National/Regional Attributes to Support Grid Interconnection

- Clarity of internal energy policy goals, and internal energy sector structure
  - Internal agreement on energy policy goals eases path to agreement on interconnection
  - Utilities not threatened by imports, anxious to export make agreement easier to reach

- Willingness to formally ratify and adhere to international agreements
  - Prior willingness to ratify, adhere to pacts on trade, transport, criminal justice, environment, security an indicator of reliability as partner
National/Regional Attributes to Support Grid Interconnection

- Demonstrated willingness to enter into cross-border trade in a key commodity
  - Co-dependence for supplies of petroleum, food, other key commodities may improve acceptability of electricity link

- Common membership in strong regional organizations
  - Offer common experiences in cooperation
  - May help to provide the basis for interconnection agreements themselves
Barriers to Political Cooperation on Interconnections

- Longstanding national rivalries and related distrust
  - Lingering antipathy from wars, disputes over refugees, territorial disputes…

- Religious or tribal rivalries and related distrust between nations
  - May be a barrier when rival groups control the governments of potential grid partners
Barriers to Political Cooperation on Interconnections

- Internal national disunity
  - Disunity makes it harder to reach agreements on interconnections, keep political promises in the medium and long-term

- Substantially different political systems between countries
  - Difference can serve as a barrier to reaching political agreement
  - Legal and economic systems may not operate in the same way, posing further barriers
Barriers to Political Cooperation on Interconnections

- Emphasis on national energy self-sufficiency, energy sector organization
  - Emphasis on self-sufficiency creates political argument against interconnection
  - Energy sector organization—entrenched interests and practices—may lead some political actors to oppose interconnection

- Corruption, political interference in the power sector
  - Corruption, endemic illegal consumption of power may discourage potential partners
Overcoming Barriers to Political Cooperation

- Make all dealings between parties in the agreements open and transparent
  - Draft agreements and related documents available for convenient public review
  - Meetings between parties announced in advance, open to representatives of all parties

- Include all affected parties in early stages of project formulation, throughout project
  - “Advisory Group” with representatives of local governments, groups within areas hosting line
  - Groups may need support to participate
Overcoming Barriers to Political Cooperation

- Establish protocols for data collection and distribution to parties that require data
  - Transmission system data, project costs, costs of options, modeling results
  - Provide resources so that groups are capable of meaningful review of information

- Make sure benefits and costs of project are fairly distributed
  - Make a general assessment of what benefits/costs of project are, open negotiation as to who bears costs, receives benefits
Overcoming Barriers to Political Cooperation

- Work with and through respected international organizations and other intermediaries where appropriate
  - In project planning and formulation
  - Support from international organizations to assistance participation of parties to an interconnection
  - International financial institutions involved to help overcome reticence to begin discussions of interconnection, and as a source of technical, financial expertise
Conclusions

- Grid interconnections offer both political benefits and liabilities
- Political agreements needed on issues ranging from economics to security, contractor selection, benefits distribution
- Potential partner nations, individually or in their relationships with neighbors, may have political characteristics that encourage or discourage interconnection
Conclusions

Overall strategies for reaching political consensus on projects include:

- Transparency
- Inclusive planning processes, including provision of capacity to participate
- Comprehensive data collection and open distribution of information
- Fair distribution of project costs and benefits
- Work with and through international and regional institutions