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**Economic and Social Commission for Asia and the Pacific**  
Second Asian and Pacific Energy Forum

Bangkok, 3–5 April 2018

Item 2 of the provisional agenda\*

**Review of the draft ministerial declaration on regional cooperation for energy transition towards sustainable and resilient societies in Asia and the Pacific**

**Report of the Regional Preparatory Meeting for the Second Asian and Pacific Energy Forum\*\***

**I. Introduction**

1. The Regional Preparatory Meeting for the Second Asian and Pacific Energy Forum was held on 15 December 2017 in Bangkok with a view to reviewing the outcomes of the two expert working groups established by the Economic and Social Commission for Asia and the Pacific (ESCAP) in its resolution 73/8 on strengthening regional cooperation for sustainable energy development in Asia and the Pacific. The Expert Working Group on Energy Connectivity met on 13 December 2017 and the Expert Working Group on Universal Access to Modern Energy Services, Renewable Energy, Energy Efficiency and Cleaner Use of Fossil Fuels met on 14 December 2017. The Chairs of the Expert Working Groups reported on the outcomes of their respective meetings to the Regional Preparatory Meeting.

2. The Chairs' summaries of the Expert Working Group meetings formed the foundation for deliberating on the structure of the draft ministerial declaration of the Second Asian and Pacific Energy Forum.

3. The Regional Preparatory Meeting requested the secretariat to develop the first draft of the ministerial declaration by taking into consideration inputs and comments from the participants of the Meeting.

4. The present document is being submitted to the Second Asian and Pacific Energy Forum for information.

**II. Report of the Regional Preparatory Meeting for the Second Asian and Pacific Energy Forum**

5. At the Regional Preparatory Meeting, representatives of ESCAP member States discussed the organization of the Forum and considered inputs for the draft ministerial declaration that would be presented to that Forum.

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\* ESCAP/APEF/2018/L.1.

\*\* Reissued for technical reasons on 26 January 2018; previously issued under the symbol E/ESCAP/APEF(2)/INF/1.

6. The Executive Secretary of ESCAP opened the Meeting and highlighted the urgency of addressing the challenges the region faced in considering strong growth projections for energy demand. The Executive Secretary also stressed that energy connectivity could be a significant tool in helping member States to achieve Sustainable Development Goal 7.

7. The Vice-Chair of the first session of the ESCAP Committee on Energy, Mr. Talyat Aliev, was invited to chair the Regional Preparatory Meeting. In his opening remarks, he outlined the objectives of the Meeting and strongly encouraged all representatives to provide their perspectives on the topics, standpoints and main messages that might be included in the ministerial declaration.

8. After the opening session, the participants of the Regional Preparatory Meeting were informed by the secretariat of matters regarding the organization of the Second Asian and Pacific Energy Forum. In particular, they were informed that three pre-session documents would be produced, namely, the “Review of the implementation of the Plan of Action on Regional Cooperation for Enhanced Energy Security and the Sustainable Use of Energy in Asia and the Pacific, 2014–2018”, the “Energy transition in Asia and the Pacific: pathways to ensure access to affordable, reliable, sustainable and modern energy for all” and the draft ministerial declaration on regional cooperation for energy transition towards sustainable and resilient societies in Asia and the Pacific. The secretariat also shared the proposed agenda and timeline for the preparations for the Forum.

9. Participants of the Regional Preparatory Meeting were briefed on the first meetings of the Expert Working Group on Energy Connectivity and the Expert Working Group on Universal Access to Modern Energy Services, Renewable Energy, Energy Efficiency and Cleaner Use of Fossil Fuels by the respective Chairs of each Working Group. The briefings included information on the proposed terms of reference and workplans of the Expert Working Groups, as well as the main outcomes of their deliberations. Both briefings were well received by the Regional Preparatory Meeting. The Chairs’ summaries of the Expert Working Group meetings were considered and taken note of by the Meeting.

10. The Regional Preparatory Meeting considered the proposed outline of the ministerial declaration of the Second Asian and Pacific Energy Forum presented by the secretariat. Participants provided their perspectives on the topics, standpoints and main messages that might be included in the draft declaration. The secretariat was requested to develop the first draft of the ministerial declaration while taking into consideration all the inputs received at the Regional Preparatory Meeting.

11. The Regional Preparatory Meeting discussed the timeline for the development of the draft ministerial declaration and agreed on the following points:

- Participants of the Regional Preparatory Meeting were encouraged to provide feedback and inputs to the secretariat on the outline of the draft ministerial declaration before 15 January 2018. After that date, the secretariat would develop a first draft of the ministerial declaration with a view to sharing it with the ESCAP membership through the Advisory Committee of Permanent Representatives and Other Representatives Designated by Members of the Commission in early February 2018.

- The Regional Preparatory Meeting recommended that ESCAP members might consider holding another meeting to consider the draft ministerial declaration. One option might be to hold a meeting in the sidelines of the Global Preparatory Meeting on Sustainable Development Goal 7, which would be held in Bangkok from 21 to 23 February 2018.

12. Member States would continue to consider the draft ministerial declaration during meetings of the Advisory Committee.

## Annex I

### **Chair's summary of the first meeting of the Expert Working Group on Energy Connectivity\***

The Expert Working Group on Energy Connectivity discussed on 13 December 2017 the challenges and opportunities for moving forward regional power interconnection. The Expert Working Group hopes that this will serve as an input for the development of a regional road map on cross-border electricity connectivity.

The Director of the ESCAP Energy Division opened the meeting by giving a background on the current status quo of cross-border energy connectivity in Asia and the Pacific, highlighting the electricity sector as the potential cornerstone in facilitating the transition of regional energy systems to attain sustainable development. Connectivity could also mitigate pressing challenges, such as the significant growth of regional energy demand and regional energy security issues.

The Chair of the Expert Working Group on Energy Connectivity, Ms. Xiaowei Wei of the National Energy Administration, China, underlined the necessity of green development and of securing reliable, affordable, sustainable and modern energy for all. Cross-border electricity connectivity benefits include optimization in the allocation of energy resources that helps to connect energy rich and poor countries, formation of a strong power system in order to improve power supply, and meeting growing demand. Moreover, she highlighted that the EWG should be taken as a great opportunity to establish a permanent expert network.

The following discussions of the EWG identified the major challenges for regional connectivity which can be grouped into four categories:

- Political: lack of trust and political will to collaborate; energy security challenges related to concerns about energy dependency; lack of a regional multilateral institutional mechanism to facilitate cooperation among countries; and conflicting national interests among member States
- Financial: lack of investment and financial support for cross-border electricity projects; and the necessity to attract foreign direct investment and financing from international banks to boost the development of the power sector
- Economic and power market development: national impediments to the promotion of power trade; legislative restrictions on electricity trading through the national boundaries; and capital intensive cross border inter-connection infrastructure
- Technical and legal: different technical standards for transmission grids; difference in legal and regulatory frameworks; lack of independent dispute resolution mechanisms; need to harmonize rules and regulations among member states; provision of non-discriminatory open access in transmission infrastructure for multinational connectivity; and lack of institutional and human capacity and the need for capacity-building activities.

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\* The present annex is being issued without formal editing.

Given that major players in the energy market are state owned entities, overcoming political challenges is an especially important step in energy market development and regional integration. The EWG members cited good practices implemented by their respective governments, as well as multilateral regional power cooperation initiatives. They highlighted the importance of ongoing bilateral cross-border connectivity initiatives that have a potential to be expanded to subregional and regional levels.

The second session focused on reviewing the region's progress towards energy connectivity and regional integration. The secretariat introduced a presentation on the potential of cross-border electricity connectivity, noting the existing achievements and gaps.

EPPEI presented a proposal on developing a regional road map on energy connectivity which covered existing connectivity arrangements among ESCAP member States and highlighted existing favourable conditions for power interconnection in the subregions. The platform provided by ESCAP can be used as the building block to tackle energy connectivity challenges on governmental, expert and private sector levels.

In the open discussion, the EWG members made the following suggestions: economic cooperation and trade could serve as the first building block for countries to develop cross-border power interconnection (following the successful example of European, South East Asian and African power entities). The need to develop a unified regulatory framework and policies in order to address the existing challenges in power connectivity was also noted. For instance, the first step could be a careful analysis of ongoing power connectivity projects, their ranking in terms of benefits and selecting the first priority projects that could be most beneficial for the whole Asia-Pacific region. It was also highlighted that a change in the mind-set of policymakers is needed to build trust.

Moreover, it was suggested to conduct joint feasibility studies; to explore the option of a multilateral dispute settlement mechanism; to elaborate a model of unified energy market design, a technical interconnection blueprint; and to stipulate the security guarantees to address energy security issues. In addition, the EWG members highlighted the necessity to diversify the energy mix in particular renewable energies in the context of regional connectivity and to explore the potential of innovative energy storage technologies.

In the final session, the meeting discussed the future work programme of the Expert Working Group. The secretariat introduced the proposed terms of reference and the workplan for further discussion. The proposals stress the need to engage experts from member States in research that would support the development of a regional road map on cross-border electricity connectivity. This is especially important since the outputs of the EWG will be utilized in preparing reports for the intergovernmental discussions at the Committee on Energy and the Second Asian and Pacific Energy Forum. The EWG reviewed the proposed terms of reference and workplan and suggested the involvement of the experts to further develop the concepts and outlines of the joint feasibility studies.

The EWG agreed to propose to the RPM including in the draft ministerial declaration the development of the regional road map through joint studies and present the regional road map at the second session of the Committee on Energy.

## Annex II

### **Chair's summary of the first meeting of the Expert Working Group on Universal Access to Modern Energy Services, Renewable Energy, Energy Efficiency and Cleaner Use of Fossil Fuels\***

The Expert Working Group on Universal Access to Modern Energy Services, Renewable Energy, Energy Efficiency and Cleaner Use of Fossil Fuels discussed on 14 December 2017 the challenges and opportunities for the energy transition in Asia and the Pacific with a focus on Sustainable Development Goal 7. The Expert Working Group hopes that this serves as an input for developing a regional position and declaration on matters to be addressed under the Second Asian and Pacific Energy Forum outcomes. The Director of the ESCAP Energy Division opened the meeting by outlining the importance of regional cooperation for a successful energy transition in Asia and the Pacific. This was echoed during the review of the regional progress towards achieving Sustainable Development Goal 7.

On energy access, experts highlighted the progress made on electricity access and also the substantial shortfall on access to clean cooking. Improving access to clean cooking requires the consideration of local cooking habits and fuel stacking. As one of the main challenges to achieve universal access by 2030, the current low investment rates were mentioned. This calls for more finance from all stakeholders: national Governments, development partners and the private sector. However, the affordability and sustainability of access must be fully considered; this requires a fair balance: a fair price and a fair return on investment. Scarcity of data was mentioned as another challenge. New mapping facilitates the identification of economically viable areas for electrification projects. Off-grid is particularly suitable for reaching remote locations. Education, national policy and standards were identified as mediums to overcome this challenge. Furthermore, a more granular measurement is required, which is offered by the multi-tier framework extending beyond the traditional binary energy access definitions.

Regarding renewable energy, experts highlighted the leadership of Asia-Pacific in many aspects of renewable energy development but also stressed the importance of accelerating efforts given that shares of modern renewable energy in Asia and the Pacific are still low and largely limited to the power sector. Reductions in the cost of solar and wind products have led to increased competitiveness of renewable sources with more conventional energy sources, but resource assessment is highly important to identify each country's potential. The crucial role of Governments in identifying the right mix of policies was emphasized. Furthermore, limited renewable energy resources, limited renewable technology, limited data access and data collection capacity, high investment costs, limited research and development funding for ocean technologies were all identified as challenges to renewable energy uptake. Best practices identified included: duty exemption to improve affordability, the use of smart meters and grids, and the utilization of renewable heat energy. Specific emphasis was placed on a strong, clear vision for renewable energy integration and a recent decline in prices through renewable energy auctions.

Experts on energy efficiency noted that the 2012–2014 performance of the region on energy intensity improvement was above the historical trend

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and stressed that this should be maintained and extended across sectors. Energy efficiency faces an investment gap which will require directed national policies on energy efficiency and implementation of bankable projects. Energy efficiency initiatives, if integrated in national energy policies, can lead to multiple benefits such as improved energy security, health benefits and many others. Moreover, Governments can regulate inefficient products in the markets by implementing voluntary standards and moving towards mandatory standards. Capacity-building at all levels is crucial to address these challenges and develop energy efficiency road maps and strong energy efficiency regulations – the noted best practices within the region. The potential synergies between renewable energy and energy efficiency as well as the role and revenue mechanisms of utilities need to be taken into account more strongly.

Reviewing progress on the Plan of Action on Regional Cooperation for Enhanced Energy Security and Sustainable Use of Energy in Asia and the Pacific, 2014–2018, experts noted that enhancing energy security requires a comprehensive viewpoint for policy frameworks that recognize national circumstances and priorities. Conventional energy resources cannot be ignored while developing renewable resources. Fossil fuels will continue to supply a large share of the energy mix until 2030 and beyond. This should take advantage of cleaner fossil fuel solutions, such as gas. Interlinkages should be recognized between energy access, renewables and energy efficiency, while efforts are needed to strengthen means of implementation, such as statistics, sound fiscal policy, investment and technology development.

Looking into how to accelerate progress on Sustainable Development Goal 7, latest outlooks and forecasts were reviewed with a focus on Asia and the Pacific. National, regional and international cooperation in the energy sector is needed to improve global interconnection and ensure the reliability and security of energy available for assisting all countries in their energy transition. Enhancing the capacity of energy regulators, utility companies and the private sector, while establishing and enforcing legal frameworks and policies aimed at alleviating barriers within the energy sector, are also priority areas of Asia-Pacific countries. Continued support from the international community on financing, training and technical support is important, while measures such as smart grids, energy storage and policy prioritizing integration are important for member States that are moving forward. Furthermore, ongoing energy data collection and management that is regularly published and accessible is crucial for making the energy transition happen – this could facilitate cost recovery and investment gaps. Solutions for island states need special attention. Enhanced policy commitments for clean cooking are essential.

Experts discussed the future work programme of the Expert Working Group. The secretariat introduced the proposed terms of reference and the workplan for further discussion. The proposed way forward was to work more on the energy transition in Asia and the Pacific with increased data, information- and knowledge-sharing, capacity development and regional cooperation mechanisms. Implementing Sustainable Development Goal 7 is the first step towards the energy transition and can serve as a milestone, but the energy transition in the region has also to take into account the role fossil fuels currently play. The energy transition needs a vision that incorporates access, renewable energy, energy efficiency and cleaner use of fossil fuels into reality and aims for a paradigm shift in the way energy systems are designed from now to 2030 and beyond.