



Political Aspects of International Electricity Grid Interconnections

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Outline of Presentation

- Introduction
- Potential Political Benefits of Interconnection
- Potential Political Liabilities of Interconnection
- Types of Political Cooperation Required
- National/Regional Attributes that Help Support Grid Interconnection
- Barriers to Political Cooperation on Grid Interconnections
- Overcoming Barriers to Political Cooperation
- Conclusion



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 reduce internal political costs
- Political costs of tariff rationalization
 - Hard-currency payment requirements may force changes in tariffs, collections, with internal political consequences 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