

# Northeast Asia Power System

## Interconnection

Introduction of Technical Assistance and  
Financing Aspect

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# Introduction of Technical Assistance

## Mongolia: Strategy for Northeast Asia Power System Interconnection

# Outline of Technical Assistance

- Purpose:

Prepare **action plan** and **road map** for power interconnection in Northeast Asia

- TA amount : **\$1.75 million**

- Implementation period:

**1 April 2016 to 30 April 2018 (25 months)**

- Executing agency:

**The Ministry of Energy, Mongolia**

# Consulting Services

- **Consulting firm** (sets of international – 27 person months and national experts – 30 person months)
- **Individual country coordinator** for the PRC, Japan, ROK and Mongolia – 5 person months each
- Please look for more detailed information at: <http://www.adb.org/projects/48030-001/main>

# Current Implementation Status

- Consulting firm: Inviting interest for consulting services—deadline for submitting expression of interest is **30 September 2016**.
- Individual consultants: Under preparation of long list.
- Shortlisting of consulting services will be done by the Ministry of Energy and ADB

# We are looking for.....

- **Interested partners** to be part of a regional knowledge and investment platform for Northeast Asia power interconnection through **financial and/or non-financial contributions**
- For example, potential roles could be.....
  - Review and provide comments on the reports prepared by the consultants
  - Co-host/organize the regional/international workshops

# Financing Aspect

# Potential Business Entity

Korea-Japan/China-Korea:

**JV of power utilities, transmission companies, and/or manufacturers of transmission lines**



# Example: Case of China-Mongolia Interconnection

**Purpose:** Power export to China using Mongolia's renewable sources

**Business entity:** JV of both Chinese and Mongolian companies or 100% Chinese capital company incorporated in Mongolia (i.e., transmission company, utility company, transmission suppliers, and solar and wind manufactures)

# Example: Case of China-Mongolia Interconnection–Financial Arrangements

Equity (i.e., 30% of total project cost) from JV

Debt financing (i.e., 70% of total project cost) by:

- (i) bilateral financial institutions (i.e., China Exim),
- (ii) international financial institutions (i.e., ADB–private sector lending arm, EBRD, and IFC), and
- (iii) commercial banks.

# Example: Case of China-Mongolia Interconnection—Other Potential Key Players from Mongolian Side

- Ministry of Environment—EIA
- Local government—land usage rights and water access
- Energy Regulatory Commission—construction and operation permissions
- Ministry of Energy—align with energy policy
- Others—authorities related to business registration, tax and duties, and legal (arbitration)

# Example: Case of China-Mongolia Interconnection—Other Potential Key Players from Chinese Side

- National Development Reform Commission—import permit??
- National Energy Agency—align with national energy development policy??
- Others— (i) standardization of grid code, (ii) cross-country transmission corridor permission, (iii) electricity price import regulation??, and (iv) tax authority.

# Typical Due Diligence Imposed by Financiers

- **Environment safeguard** - should meet ADB's safeguard policy requirements
- **Social safeguard** - land acquisitions
- Technical aspects
- Project and corporate financial analysis
- Economic analysis

# Potential ADB Roles

- **Financing arranger:** Leverage on ADB financing to bring more financing partners
- **Catalyst between JV and Governments:** Facilitating business activities to the government, when needed
- **Advisor for both JV and Governments:** Provide legal and financial advices through in-house knowledge and technical assistance

**THANK YOU !!**

**For further information**

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