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](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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