PARO DECLARATION
ENERGY, CLIMATE CHANGE AND WATER RESOURCES IN SOUTH ASIA

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The South Asian region is one of the fastest-growing economic regions of the world, owing to increase in demand for energy to keep pace with desired growth. Compatible amount of energy would be needed to ensure sustainable development. Despite the fact that South Asia has been blessed with enormous potential in solar, wind, hydropower in addition to fossil fuel, the region overall faces acute shortage of electricity and is termed as “poorly served” economic bloc of the World. In addition to scarcity of energy, climate change and inadequate water resource management remain the contemporary challenges, posing serious threat to socio-economic development of the region.

Being the apex organization of the private sector of South Asia, SAARC Chamber of Commerce & Industry is fully conversant of these issues and realizing gravity of the situation and its impact on trade and economy, the organisation has imparted pertinent focus on these areas since 2010. A council on energy, climate change and water management, aiming at desired targets and corrections has been constituted under umbrella of SAARC CCI. A number of Seminars/ Conference/ deliberations and publications have contributed the efforts towards understanding these issues. The association with think-tanks and organization like SAWTTE, SDPI, CUTTS International and ICIMOD has remained integral too.

Keeping the momentum, SAARC CCI organized conference under the theme “Cleaner and Greener South Asia: Managing Energy climate Change and water Resources” with a particular focus on renewable and hydropower as an environmental friendly source of energy. The business leaders, practitioners, experts and public sector representatives shared their knowledge and vision in context of the SAARC Energy Agreement signed in November 2015 during 18th SAARC Summit at Kathmandu-Nepal.

The Conference focused on promoting renewable energy that could meet increasing demand in a cost-effective manner amidst increasing oil prices, and minimizing pollution of the local and global environment. The conference held extensive deliberations and worked out set of policy proposals, which were adopted as part of declaration, here under:

ENERGY

The SAARC CCI appreciated the vision of South Asian leadership for inking SAARC Framework Agreement for Energy Cooperation during the 18th SAARC Summit and regarded it as a “new ray of hope” to deepen regional cooperation mechanism in South Asia.

The Private Sector emphasised for an effective roadmap for swift implementation of SAARC Framework Agreement on Energy.

While considering the need of uninterrupted supply of energy at affordable cost as an effective tool for perpetual economic and industrial growth, the private sector demanded for equitable, fair and mutually agreeable rationalized price mechanism to encourage and promote energy trade in South Asia.

The Private Sector realizes that conceptualization of energy security policy under the agreement has still not been revealed, which should have been dealt as extremely important task as such underlying theme determined the repercussions that this agreement would have on future initiatives on the regional grid. It apprehends that the outdated supply-centric and economic growth-focused understanding of energy has been discarded and hence needs attending more comprehensive view.

The Private sector was of the opinion that agreements on energy and energy projects at the SAARC level must aim to increase accessibility and affordability among the under-privileged, and should have an impact on reducing inter-state tensions in the South Asian region, in addition to fueling economic growth.

In order to promote energy cooperation, the private sector emphasises the Governments to create enabling environment for investment. The platform like SAARC CCI can be effectively engaged in encouraging and promoting potential investments

The SAARC CCI is of the view that present infrastructure, transmission and distribution of electricity is a gigantic task. The working of SAARC Energy Grid may be initiated in a phased-manner, by creating sub-regional energy grid, which subsequently can add surplus to Regional Grid.
The South Asian Governments need to cooperate more closely in following areas:

1- Improve the integration of their energy markets through feasible electricity or/and gas interconnections,
2- Provide transparent open access to energy transmission infrastructure,
3- Agreement on common protocol, and move toward standardization of rules and procedures to simplify transaction mechanisms to reduce energy trade costs.

In operationalizing the regional cooperation agenda it is necessary to

(i) Harmonize legal and regulatory frameworks,
(ii) Carry out more detailed studies and develop a comprehensive energy database,
(iii) Identify the opportunities for private sector participation and financing mechanisms,
(iv) Enhance regional institutional capacity, and implement projects already identified, in the interest of the region.

The SAARC Energy Agreement although provide common will to promote energy trade in the region, it needs to define the policy objectives and the basic framework conditions for developing regional energy trade. In this context, SCCI recommends creation of Electric Power Forum to promote energy trade in the SAARC region. The Power Forum comprising representatives from Public and Private power companies, experts and practitioners, and representatives of SCCI. The Power Forum may be tasked as follows:

(i) Promote efficient development of the SAARC energy sector;
(ii) Promote opportunities for economic cooperation between SMEs in the energy sector;
(iii) Facilitate the implementation of priority energy sector projects;
(iv) Address technical, economic, financial, and institutional issues relevant to SAARC energy sector development; and
(v) Protect and improve the environment through the adoption of appropriate technologies and plans.

THE PROPOSED ENERGY CHARTER TREATY FOR SAARC

In order to create an investor-friendly environment favorable to the flow of investments and technologies, the SAARC CCI proposes adoption of Energy Charter Treaty (ECT) to implement SAARC Framework Agreement on Energy Trade in most befitting manner. The ECT aims at promoting long-term energy cooperation through stable and predictable “rules of the game.” in accordance with the international trading rules including WTO rules, specifically for the energy sector. The ECT may focus on following six broad areas:

(i) Protection and promotion of foreign investments in energy, receiving an extension of national treatment;
(ii) Provision for free trading in energy-related materials and products and energy related equipment in SAFTA;
(iii) Freedom of energy transit through pipelines and grids;
(iv) Reducing negative environmental impact of the energy cycle through improving energy efficiency, and promotion of renewable energy resources like wind, solar, hydro etc;
(v) Regional Mechanisms for the resolution of state-to-state or investor-to-state dispute for direct trade as well as transit trade mechanism i.e. through intermediate state;
(vi) Guarantee security of supply through reliable and well-defined transit rules.
The SAARC CCI recognizes climate change and water management as serious challenges for trade and industry. Human and health, food security may also severely impact on socio-economics of South Asian society, the challenges are not properly addressed/attended to.

The SAARC CCI welcomes the initiative of SAARC for transforming its four centres i.e. SMRC, SCZMC, SDMC, SFC into one Centre i.e. “SAARC Disaster Management and Environment Centre” which will be more useful and productive to address climate change and Disasters issues.

The Private sector strongly feels the need for Regional visualization and monitoring system that could integrate earth observation information, such as satellite imagery and forecast models, together with in situ data and other knowledge for improved and timely decision-making.

Need for inter-organizational cooperation i.e. amongst metrological departments in South Asian countries was strongly felt, the Conference henceforth, Emphasizes for the need of exchange of scientific data, information on climate change to improve climate services and support sound investments particularly for infrastructure development.

The conference observed that response to disasters have been limited to ad hoc providing support whenever a disaster strikes and therefore urged for the immediate need for a regional mechanism on response within and amongst the organizations involved.

There is also need for an overall mechanism/portfolio to streamline disaster risk reduction in the various initiatives through “Disaster Risk Reduction framework" to bring in all the various elements together in response, research, implementation, policy influence and capacity building of organizations.

Public and the Private sector need to work together to bridge the technical and policy gaps. Private Sector may support the public organizations in technical innovations for reducing the adverse impact on disasters by managing water resources.

Regional mechanism for investment in Joint projects i.e. construction of dams and infrastructure development particularly in remote areas on preferential basis.

The private sector asserted for strengthening institutions and adoption of good governance to improve the coordination, collaboration and performance of the institutions for responding to climate change and disaster management.

Realising scarcity of water particularly drinking water, the private sector suggests regional treaty on water sharing and distribution mechanism in line with International protocols, in order to address the pertaining issues in a regional solution spirit.

In order to share technical expertise and knowledge and to facilitate the Government, the need for involvement of the Private Sector of South Asia under the umbrella of SAARC CCI was strongly felt, the conference henceforth demanded of the inclusion of SAARC CCI representative to attend working groups and technical committees of SAARC as observers.

Adopted
Saturday, the 25th July 2015
Paro- Bhutan