

**FIRST HIGH LEVEL FORUM ON LAO-THAI PARTNERSHIP
IN SUSTAINABLE HYDROPOWER DEVELOPMENT**

JOINT COMMUNIQUE

Preamble

1. Representatives of the Government of the Lao Peoples' Democratic Republic (GOL) led by His Excellency Dr. Borsaykham Vongdara, Minister of Energy and Mines, the Royal Government of Thailand (RTG) led by His Excellency Dr. Piyasvasti Amranand, Minister of Energy, Developers and Investors of proposed Hydropower Projects in Lao PDR, Commercial Banks, International Financial Institutions, Civil Society Organizations and other interested stakeholders met in Bangkok on September 6 and 7, 2007, to review the emerging experiences of hydropower development in Lao PDR. Besides taking stock of good practices, the participants also discussed the way forward on enhancing the quality of investments to make the hydro power sector both environmentally and socially responsible and sustainable in Lao PDR.
2. The participants acknowledged the suite of policy, legal, regulatory and institutional instruments that govern the development of hydropower projects both in Lao PDR and Thailand. These include: (a) Environment Protection Law of Lao PDR of 1999; (b) Environmental Impact Assessment (EIA) Decree of Lao PDR of 2000; (c) National Environmental Quality Act of Thailand of 1992; (d) EIA Regulations of Thailand; (e) Memorandum of Understanding between GOL and RTG, dated December 18, 2006, that extends the energy cooperation between the two countries, first established in 1993, wherein, Thailand intends to buy 5000 MW of power from Lao PDR between 2006 and 2015; and (f) Lao PDR National Policy on Environmental and Social Sustainability of the Hydropower Sector (565/CPI of June 7, 2005).
3. The effective use of these instruments, learning from current practices and addressing future challenges guided the deliberations of the High Level Forum, and participants collectively agreed to pursue goals and actions that will lead to furthering of developmental outcomes for the current and future generations. This communiqué is intended to support the effective implementation of the above mentioned Memorandum of Understanding.

Moving Forward

4. Thailand and Lao PDR will continue their energy cooperation as agreed in the Memorandum of Understanding and amended from time to time, and will implement its provisions in a fair, transparent and responsible manner. In doing so, very careful consideration will be given to ensuring that new investments in hydropower development will protect the environment, contribute to reducing poverty, and enhance the living standards of project affected people in Lao PDR. These outcomes, and actions needed to achieve them should be embedded with

the necessary specificities in the contractual documentation, such as concession, power purchase and financing agreements.

5. The *developers and sponsors* of hydropower projects in Lao PDR commit to respect environmental standards and norms specified in the relevant legal and regulatory instruments of Lao PDR and Thailand; and build on the good practices that have emerged in Lao PDR through the Houay Ho, Theun Hin Boun and Nam Theun 2 projects. The developers and sponsors of projects will commission studies in a timely manner to assess environmental and social impacts, and design of mitigation measures, and also provide adequate information and consult with local communities on the project's benefits, impacts and risks. The developers/sponsors of a project will integrate the mitigation measures in the overall design, include in the financing plan, and specify obligations in the relevant contractual documents.
6. The *buyers*, namely the Electricity Generating Authority of Thailand and Electricite du Laos, will give due consideration to feasibility studies, tariff structures and environmental and social impacts assessments before finalizing power purchase agreements with developers. The tariff rates for each project should be structured in a fair way taking into account the risks and rewards to both countries. The development of power purchase agreements for successive projects should ensure consistency by building on the experiences of earlier agreements.
7. The *commercial banks and international financial institutions* will employ state of the art credit appraisal techniques (including the Equator Principles) to review financing proposals proposed by developers. In doing so, they will ensure that investment proposals are technically feasible, financially viable, environmentally sound and socially acceptable, and sufficient safeguards and in place to ensure that construction and operation risks could be adequately managed with appropriate contingency arrangements.
8. The two Governments will continue their cooperation to further strengthen institutional capacity of government agencies in both countries to make hydropower development sustainable.
9. Representatives of GOL and RTG with support from development partners will define an Action Plan and associated Indicators to guide the implementation of this Communiqué. A bilateral task force will coordinate the activities which will be co-chaired by GOL and RTG. The two co-chairs will also serve as the focal points.
10. The second High Level Forum will be held in Vientiane in the last quarter of 2008 hosted by GOL's Ministry of Energy and Mines and supported by the development partners and private sector. The action plan will be discussed and finalized at the Second Forum.

Bangkok, September 7, 2007

