

Address by Mr. Krasit Karnasuta
Governor, Electricity Generation Authority of Thailand
At the Opening Ceremony of High Level Forum on Thai-Lao Partnership
In Sustainable Hydropower Development
September 7, 2007-09-13
Shangri-La Hotel, Bangkok, Thailand

His Excellency, Dr. Bosaykham Vongdara, Minister of Energy and Mines, Lao PDR
His Excellency, Dr. Piyasvasti Amranand, Minister of Energy, Thailand
Mr. Ian C. Porter, World Bank Country Director
Distinguished Colleagues and Participants
Ladies and Gentlemen,

It is my great pleasure and honor for the opportunity to address this forum participated by high level key stakeholders to the Thai-Lao bilateral energy cooperation. This event is very timely and reflects a strong interest by all of us in our regional well-being associated with the development of hydropower projects in Lao PDR and how it should be enhanced to sustain the cross-border cooperation between Lao PDR and Thailand of shared power generation schemes and at foremost achievement in contribution to sustain economic growth and social development in Lao PDR.

Today I shall briefly sharing EGAT's perspectives in the hydropower development in Lao PDR as we play a vital role in the capacity of power purchase and project developer. The power cooperation between the two countries dated back to 1968 with the construction of Nam Ngum 1 Project. Thailand supplied power and cement required for the construction of the dam and power plant under barter trade agreement. In October 1968, 115 kV transmission system connecting Udon Thani of Thailand and Vientiane of Lao PDR was completed. The inaugural ceremony in December 1968 was graciously presided over by the monarchs of the two countries. After the Nam Ngum 1 was completed and started operation in 1971, the power was delivered to Thailand in return for the use of electricity and materials for the project construction. It took only 3 years for GOL to remit all the expenses. Afterwards, Thailand began purchasing power from Nam Ngum 1 until today. Although, the power transaction of Nam Ngum 1 is only a small scale, it marks the first of its kind in the Southeast Asia region and a big step for later cooperation.

The power interconnection on a commercial scale began much later following the MOU which initially engaged a 1,500 MW for power transfer across the border. The MOU has been revised later to increase the power transfer to 3,000 MW and currently bilateral power trading agreement to import electricity up to 5,000 MW.

Under the existing MOU, Theun-Hinbun and Houay Ho Hydropower have been supplying power to Thailand's grid on the firm power purchase agreement (PPA) and Nam Ngum 1, Xeset 1 and Nam Leuk as non-firm PPA. Electricity imported from Lao hydropower presently accounted about 66% of the total imported power from neighboring countries. Based on the Power Development Plan 2007, EGAT plans to enter into PPAs with several Lao hydropower projects from 2011 to 2015 to meet the electricity demand of Thailand.

Lao PDR is centrally located in the Greater Mekong Subregion with well position to harness its hydropower potential for export to its neighbor countries. Power sector development strategy in Lao PDR aims to increase access to electricity for the country's largely rural population and earning foreign exchange from the export of electricity to support the country economic development and foremost to improve the quality of life of its people. However, as a power purchaser, EGAT recognizes the environmental and social issues and concerns associated with large scale hydropower development. With extensive experience and lesson learned from hydropower development in Thailand, EGAT believes that sustainable approach to hydropower development can be achieved. And through close cooperation between our tow countries, we also acknowledge the great efforts and deliberations from Lao Government and concerned authorities improving and strengthening of policy, regulatory and institutional instruments to better manage and protect its valuable natural resources and environment. Lao Government requires that for each hydropower project, comprehensive environmental and social impacts must be identified and mitigated.

Developments of hydropower project also require large capital investment and normally obtaining support from an international financial institutions and commercial bank. These international lenders such as World Bank, Asian Development Bank (ADB) or Japan Bank for International Cooperation (JBIC) have intensive project evaluation process to assess project viability as well as the appropriate safeguards for project's associated environmental and social impacts. Before EGAT enter to power purchase agreement with power project developers, such project must meet environmental and social safeguard requirements by Lao Government and lenders.

With an extensive experience in the designing, construction and operation of large-scale hydropower projects in Thailand, EGAT has jointed a consortium led by Kansai Electric Power Co. Inc of Japan and Lao Holding State Enterprise on behalf of Government of Lao PDR to develop the Nam Ngiep 1 hydropower project with generating capacity of 282 MW to be located in Bolikhamxay Province. As the project developer, EGAT's successful practices and lesson-learned in environmental management and social development at our existing hydropower operation has been a great asset to the planning of hydropower project in Lao PDR.

Being close both in culture and physical environment for the two countries, EGAT's experience can be efficiently transferred and facilitate the hydropower project development in Lao PDR to meet requirements of both Lao Government and international lenders. And as the project developer, EGAT, to our due diligence, will make all the efforts to ensure that the environmental and social impacts associated with the construction and operation of the hydropower project be prevented and appropriately mitigated.

EGAT's existing hydropower facilities and associated resettlements across the country can be observed and learned from our best practices and pitfalls. EGAT and our neighboring ASEAN countries have long been in cooperation for technical training and capacity building in the area of electricity facility operation and maintenance, environmental management and community development. EGAT pledges to support the capacity building and institutional development that would benefit both Lao and Thai staffs to effectively and adequately responsive to all obligations for environmentally sound and sustainable development of the power project.

Thank you for your attention.