

## Consolidated notes from 5 break-out discussion groups during 1<sup>st</sup> High-level Lao-Thai Hydropower Forum.

[Note that these notes reflect diverse viewpoints, and are not therefore necessarily mutually consistent.]

Observations	Recommended actions
<p><b>Principles:</b></p> <ol style="list-style-type: none"> <li>1. Some environmental and cultural losses are inevitable in large developments. It can be difficult to distinguish changes due to a project from general social changes underway amongst rural and ethnic people.</li> <li>2. Agreement that E&amp;S costs should be internalized (every developer wants to act responsibly) and passed to the end user. But differences of opinion over (i) whether a specific clean energy tariff increase should be levied or other cost-sharing mechanism used to cover E&amp;S mitigation costs, and (ii) what E&amp;S costs are “reasonable”.</li> <li>3. How should E&amp;S mitigation responsibilities be shared between government and private sector? Need to consider direct and indirect impacts, sovereign rights (often easier for developer to fund mitigation than implement it), uncertainty over future costs (how long should developer’s liability last?).</li> <li>4. Thai Banks are not very familiar with Equator principles, and have doubts about them.</li> </ol>	<ol style="list-style-type: none"> <li>1. Commercial Banks should establish environmental criteria.</li> </ol>
<p><b>Technical improvements in E&amp;S:</b></p> <ol style="list-style-type: none"> <li>5. Whose standards should be used? There is a lack of consistency - currently rely on IFI standards for large projects, and the cost of these leads to a preference for commercial lenders. Weak E&amp;S performance can be seen in some projects without IFI backing, however.</li> <li>6. Transaction costs should be reduced – i.e. made more streamlined, with less money paid to lawyers and foreign experts. Consistency of expectations amongst partners and reduced complexity of oversight arrangements were thought to be helpful.</li> <li>7. Downstream impacts are often not considered – particularly transboundary effects (Se San developments were used as an example, although these do not involve either Lao or Thai). Need to consider whole area of project footprint – NT2 is good example.</li> <li>8. Smaller projects have difficulty following NT2 standards, as they are at the wrong end of economies of scale for conducting studies, hiring specialists, etc. NT2 example should be a set of principles, but application needs to be tailored to other projects, and this will take some time. Should different standards be used for different sizes of projects?</li> </ol>	<ol style="list-style-type: none"> <li>2. IFIs should listen to client governments more than to non-constructive, advocacy NGOs.</li> <li>3. Conduct comparison of standards and practice in different projects. Make information on E&amp;S mitigation measures and performance easily available. International certification can help transparency</li> <li>4. Study economies of scale in E&amp;S mitigation, and provide general estimates of costs to improve consistency of expectations among developers and other partners.</li> <li>5. GOL must take lead in developing acceptable (practical and incrementally applied) standards.</li> <li>6. Need capacity development for environmental management in Laos.</li> <li>7. GOL and lenders should assist developers with disclosure and public communication.</li> </ol>

<p><b>Legal agreements:</b></p> <ul style="list-style-type: none"> <li>9. PPAs need to be flexible to reflect changes over time in prices, energy use, water resource availability (and variances in E&amp;S costs).</li> <li>10. There should be more flexibility to design currency profiles of debt structure. Lenders should manage exchange rate fluctuation risks by hedging.</li> <li>11. Project companies should be registered under Lao law. Publicly companies could be created in future.</li> </ul>	<ul style="list-style-type: none"> <li>8. Integrate EMP into CA. Obtain external auditor comments on EMP and provide a share of project revenue to contribute to the Lao EPF as part of the CA development.</li> <li>9. Ensure full compliance before allowing commercial operations.</li> <li>10. Use separate contractual arrangement between IFIs and developer to ensure full E&amp;S compliance.</li> <li>11. Include fixed review schedule for PPA.</li> <li>12. Thai parties will not interfere in EIA process but will consider if the project has appropriate environmental certification.</li> </ul>
<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>12. Make more use of Carbon Finance, to cover part of E&amp;S costs. Need to work out how to apply this to large hydro projects. Needs cooperation between countries and EGAT to compute baseline vs. alternative carbon emissions scenarios.</li> <li>13. Can the concession-granting process be made more competitive in terms of E&amp;S safeguards performance? Would separation of feasibility study from implementation help?</li> </ul>	<ul style="list-style-type: none"> <li>13. Bring two countries together to discuss CDM mechanisms and how to deal with large hydros. Division of benefits would need to consider whether E&amp;S costs are passed on in tariff rates.</li> </ul>