

**- Output of Discussions of Group 4 -  
On Lao-Thai Partnership in Sustainable Hydropower Development  
06-07 September, Bangkok**

8 persons in the group : 5 Lao ( MAF, MoEM, EDL, Developer ), 2 Thai  
and One staff from World Bank

Co-chairs Dr. Parisak ( MAF ) & Dr. Virawan Sombutsiri ( EGAT )

1- Main Points and Issues of Concern raised for further consideration:

- Host Country :

- 1) Project costs vis-a-vis E&S costs : impact of project costs and implication to tariff – lower revenue for host country ( in case buyer does not increase tariff )
- 2) E&S Safeguards vis-à-vis Efficiency in implementation : in the case of protected area, where there is poverty – difficult to enforce rules if protected area does not go hand in hand with poverty eradication – so poverty eradication costs to be incorporated not only in CA but also in PPA ( internalization of these costs ??? )
- 3) E&S costs should be shared by all stakeholders...that is not only by the host country, buyers and developers should shoulder the costs also.
- 4) Carbon credit – how to materialize this in the case of hydropower development in Laos
- 5) Commercial Operation Date full compliance

Proposed Actions :

- Host :

- 1) Revenue to cover all costs = Higher Tariff + Lower Interest Rate + Longer Repayment Period so internalization of increased costs in PPA
- 2) Materialize CDM Methodology for Laos

- Buyer :

- 1) Unfavor the idea to increase tariff to co-shoulder the costs of E&S Safeguards
- 2) Commercial Operation Date – need to ensure full compliance

Proposed Actions :

- Buyer :

- 1) Consider sharing costs of E&S = higher tariff by making it transparent to consumers to agree on sharing the responsibility in sustainable E&S
- 2) All parties to comply with the project master schedule ( even though it is in the CA )

- Developer :

- 1) High E&S costs – cannot shoulder alone. Ask buyer and other stakeholder to contribute ( host, developer, lender, buyer as against present arrangement given directly to host and developer) - Tariff vis-à-vis extra costs in E&S Safeguards
- 2) Too high expectation on E&S standards
- 3) Non constructive INGOs and NGOs– over-demanding. Ask IFIs not too listen ONLY to INGOs & NGOs but also to host country and developers problems, expectations and aspirations
- 4) Tariff ( internalization of all costs ??? )
- 5) Project schedule delay due to Buyer and Host review process

Proposed Actions :

- Developer :

- 1) All stakeholders too shoulder the extra-costs = find a feasible strategy

- 2) Implement realistic E&S Standards to different projects = no blue-print formula
- 3) GoL and Lender to help in information disclosure and public communication
- 4) Internalization of E&S costs in PPA
- 5) Fixed review schedule

- Lender :

- 1) Capital structure at acceptable level and Debt service
- 2) Acceptable E&S Safeguard Standards
- 3) Accountability to Donor and NGOs/CSOs

Proposed Actions :

- Lender :

- 1) Improved equity
- 2) Ensure efficient implementation of E&S – if not, oblige for a separate contractual arrangements with the developer to ensure full compliance on E&S safeguards.