Prospective Development of Energy Sector of Tajikistan

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Outline

- Overview of Tajikistan economy
- Energy Sector of Tajikistan
- Strategy for energy sector development
- Projects and opportunities
  - Sangtuda 1
  - Other Projects
  - Transmission lines
- Policies
Overview of Tajikistan’s Economy

- Politically very stable
- Consistent and outward oriented economic policies
- Continuance in economic team
- Consistently high rates of economic growth
- Situated in the middle of the growth quadrangle of China, Russia, India and Kazakhstan – spillover effect?
- Possesses vast amount of energy resources
- Result – attractive to foreign investment
Energy Sector Development

- Is a very high priority for Tajikistan
- Will greatly affect economic growth
- Has the potential to enable diversification of export earnings
Prospective Development of Energy Sector of Tajikistan

- Foreign investments in the form of soft credits attracted to the energy sector of Tajikistan in 2007 amounts to more than US$1 billion.
- GoRT with the aim of curbing the unlimited increase in the state debt will encourage FDI investments to the entities and actively seek BOT arrangements in implementation of new energy projects.
- President of the Republic of Tajikistan, in his speech made during Second CASAREM Conference, declared about open door policy in terms of investment in the energy sector of the country.
- GoRT pays especial attention to the construction of Sangtudah-1 HPP, which after its completion, will serve as an example of a successful Public Private Partnership and IFI cooperation in implementation of hydroelectricity projects in Tajikistan.
Energy Resources of Tajikistan - Hydro
Energy Resources of Tajikistan - Coal

- There are more than 40 coal mines identified in the territory of the country. Almost all varieties of coal are represented:

  - brown coal: 315.4 millions of tonnes;
  - coking coal: 1321.7 millions of tonnes;
  - stone coal: 2301.0 millions of tonnes;
  - anthracite: 514.8 millions of tonnes;

- Total: 4452.0 mlns of tonnes.
Thermal power stations in the vicinity and structure of the coal mining enterprises

Advantages: excludes cost prohibitive transportation of coal and reduces the generation cost

Most attractive in this context are Fon Yaghnob, Nazar Ailok and Shurob mines.
Coal Industry of Tajikistan

- MOEI, with support of the World Bank, has announced request for expression of interest in January 2007
- EOIs from 13 firms were secured
- Roundtable meeting of prospective investors, IFIs and bilateral donors planned for May 2007
A two-track strategy

- First track focused on the improvement of the domestic energy sector
- Second track focused on development of large projects whose majority production would be exported
- But some of it will be used to meet domestic demand
Measures on Strengthening Domestic Energy System

- Program for Development of Fuel and Energy Complex Subsectors during 2007-2015:
  - Calls for continuation of implementation of projects on rehabilitation and modernization of major facilities of the energy system, incl. power plants, transformer substations, transmission lines
  - Energy Loss reduction, efficiency improvement and conservation

- Projects on upgrade of power plants, concurrently with their rehabilitation:
  - Increase in the capacity of units by an incremental 10%
  - Increase in the design capacity of HPPs by 350-400 MW
  - Works are completed on:
    - Rehabilitation of Centralnaya HPP (30 MW, ADB credit), development of feasibility study for modernization of Kairakum HPP (126 MW), Varzob HPP cascade (25 MW) [USTDA grant]. Preparation of Nurek HPP (3000 MW) upgrade and rehabilitation feasibility study is nearing completion.
Program of Micro-HPP Construction with Involvement of Domestic and Foreign Investors during 2007-2020:

- Was adopted by the GoRT in October 2006
- 71 small HPPs with aggregate capacity of 75.6 MW and generation output of 800 million kWh per annum.
- IsDB, ADB, UNDP already financing 23 micro-HPPs (should be commissioned by 2010)
Second Track of the Strategy

- Focus on Large projects
- Majority of production export oriented
  - But also to meet domestic demand
- Private and/or foreign financing driven
- Multi-country cooperation needed
- Sangtuda – 1 Hydroelectric project is the first of these projects
Sangtudah-1 HPP, Main Parameters

- Design Capacity: 670 MW
- Dam type: rockfill/earthfill with loam soil nucleus
  - Dam parameters: Height - 70 m
  - Crest length - 520 m
- Reservoir volume on Vakhsh River:
  - FRL - 258 mio m³, URL -16 mio m³
  - Reservoir mirror area – 9.75 km²
- Nominal capacity of each of the 4 units – 167.5 MW
- Average Annual Electricity Output – 2.733 TW/h
Sangtudah-1 HPP

- **Two starting complexes:**
  - 1\(^{st}\) SC = first unit
    - Planned to be commissioned in Dec 2007
  - 2\(^{nd}\) SC = second, third and fourth units.
    - Planned to be commissioned in Apr 2009.
Sangtudah-1 HPP, Economic and Financial

Views of Government of Republic of Tajikistan:

- 55% to 60% of electricity generation output which will be in the summer will be dedicated for export to the countries of South Asia.
- The share of Tajikistan should not be less than 25% + 1 share.
- Attracting IFI financing is highly preferable.
- GoRT is committed to do whatever necessary on its part to realize IFI financing.
Other HPPs Under Construction

- **Sangtudah-2 HPP (220 MW) on Vakhsh river:**
  - Preparatory works for construction are on-going,
  - Build-Own-Transfer Contract Holder is Farob Co (Iran).
  - Islamic Republic of Iran Credit ($180 M).
- **Zarafshan HPP (150 MW) on Zarafshan river:**
  - EPC Contract with Sinohydro Corporation (China).
  - Credit financing from China is expected.
- **Roghun HPP (3600 MW) on Vakhsh river:**
  - Bankable Feasibility Study had been conducted by Lahmeyer International (Germany) under the financing of Russian Aluminum (Russia)
  - GoRT did not agree with the conclusions of Lahmeyer in terms of incomplete construction valuation and construction parameters and type of dam.
Endeavors of GoRT in Implementation of Large Projects

- GoRT has requested the World Bank to render advisory assistance in energy sector;
- GoRT is seeking new investors to set up a consortium for Roghun HPP construction.
Export orientation of Large Projects

- Sangtudah-1, Sangtudah-2 and Roghun HPP generation is oriented to export
- It is important to concurrently construct the Transmission lines and execute electricity trade agreements with the countries of Central and South Asia.
Tajikistan has already begun the construction of TL

1. **500 kV TL “South-North”**
   - Length – 386 km;
   - Project cost – US$282M;
   - Chinese credit – US$276 M;
   - Construction period – 3 yrs;
   - Transmission capacity – 8.6 billion kWh per annum;
   - The Project includes two 500 kV substations: one in Dushanbe and one in Khujand;
   - Rehabilitation of 500 kV SS «Regar».

2. **220 kV TL “Lolazor-Khatlon”**
   - Length – 90 km.
   - Project cost – US$58M;
   - Chinese credit – US$56 M;
   - Two 220 kV SS.

Official Commencement of Construction: Sept 15, 2006
500 kV TL
“South-North”
Tajikistan – Afghanistan Exports

- Dual Circuit 220 kV TL “Sangtudah-Puli-Khumri (Afghanistan)”
  - Commencement date: March 2007
  - Credit financing: ADB
  - Feasibility study on-going.
  - Transmission capacity: approx 4 billion kWh annually ➔ will ensure transport of 300 MW electricity, as requested by Afghanistan for 2008-2010 (summer season).
Dual Circuit 220 kV TL “Sangtudah-Puli-Khumri (Afghanistan)”
Coal Projects Launched

🌟 Government of Republic of Tajikistan:

♦ Is seeking interests from private and foreign investors

♦ Key policies:
  • Integrated – mine and power plant development
  • Purely private or Public Private
  • Export orientation of at least 70%

♦ Will complement hydro exports
Tajikistan Playing Critical Role in Development of Regional Electricity Market

- **Potential electricity markets identified:**
  - Governments of Afghanistan, Iran and Pakistan confirmed their interest in electricity imports.
  - Higher electricity tariffs + peak consumption coincides with summer period, when the energy system experiences the most of the surpluses.

- **First (Islamabad, 05/2006) and Second (Dushanbe, 10/2006) Conference on CASAREM Development:**
  - Committed to undertake specific measures for development of hydro energy in Tajikistan.
500 kV TL “Roghun-Sangtudah-Kunduz-Puli-Khumri-Kabul-Peshawar (Pakistan)”
Policies for Development of Energy Sector

Government has adopted:

- A Medium Term Tariff policy for electricity (and gas)
- A concomitant Social Protection Policy
- Measures to improve financial discipline
- Industry Structure policy whereby the transmission grid and the Nurek – Baipaza generation assets will remain in the state’s hands
- Private sector participation is sought in distribution, and in smaller generation plants
  - Large projects will of course be developed with private sector participation
Electricity Tariff Policy

Electricity Tariffs

- **Objective**: increase electricity tariff levels to cost recovery level of 2.5 cents per kWh (in 2006 terms)
  - Program of sequenced increase of electricity tariffs during 2007-2010 to attain a cost recovery level
  - First such increase – a 38% increase in US$ terms has been made effective February 1, 2007 tariffs for all consumer groups
Government contemplating measures to improve fiscal revenues from energy sector

A royalty or other fiscal regime on use of water and fossil resources of the country being contemplated

- Will be non-discriminatory
- Will be set to ensure competitiveness in export markets and affordability in domestic market
Proposed Royalty System

Royalty

- Credit Financing
  - 100% state

- IPP
  - PPP
    - Private investors
    - Barki Tajik
  - BOT and other concessions
    - 100% private capital
Thank you for your attention!