



U.S.-ASEAN Energy Connect Concept Note *June 15, 2016*

Overview

U.S.-ASEAN Connect is a new unifying framework for U.S.-ASEAN economic engagement announced by President Obama at the U.S.-ASEAN Leaders' Summit in Sunnylands, CA. U.S.-ASEAN Connect will strengthen the United States' economic engagement with the Association of Southeast Asian Nations (ASEAN) and the private sector. Our engagement under U.S.-ASEAN Connect will encompass and build on our ongoing programs and future U.S. government economic programs and economic engagements within ASEAN. Connect combines the expertise and resources of the U.S. government and American private sector to increase U.S.-ASEAN economic relations and assist ASEAN and the ASEAN Member States (AMS) in achieving the economic integration goals of the ASEAN Economic Community (AEC). The four pillars of Connect – Business, Innovation, Policy, and Energy – provide an organizing framework for most ongoing and future U.S. government programming and policies.

As AMS embark on the next phase of the AEC, adequate, reliable electricity supply will be a cornerstone for continued economic growth and integration, as the International Energy Agency (IEA) projects a tripling of electricity demand in the region by 2040. The ASEAN Connect Energy pillar will focus on this challenge, harnessing American innovation and entrepreneurship in the power sector to better integrate our shared energy objectives with broader economic and strategic goals.

Detail

Energy Connect will promote and support the development of power sectors built around clean, sustainable, efficient, and innovative technologies. Emphasizing increased integration and harmonization in the energy sector, the energy pillar establishes the next phase of the U.S.-Asia Pacific Comprehensive Energy Partnership (USACEP, original commitment was through 2016); extends and expands upon the existing Asia Pacific Clean Energy Program (ACEP) launched under USACEP; and facilitates implementation of the 2016-2020 U.S.-ASEAN Energy Cooperation Workplan. These initiatives are designed to build capacity and policy frameworks that allow ASEAN economies to upgrade power sector infrastructure to help implement member states' Nationally Determined Contributions (NDCs) to dramatically reduce greenhouse gas emissions while supporting a more prosperous region. Deepening engagement with ASEAN as an organization will also strengthen collaboration with ASEAN's technical energy committees and key decision-making bodies. Energy Connect will be built around three primary areas of engagement: integration, harmonization, and commercial support.

Integration: Energy Connect's integration work intends to support ASEAN's own internal objectives to achieve greater sub-regional electrical interconnection and trading through the ASEAN Power Grid initiative, development of a regional gas market through the Trans-ASEAN

Gas Pipeline (TAGP), greater interconnectivity through the ASEAN Energy Market Integration initiative, and greater utilization of renewable energy resources. Pursuant to these efforts, the United States will enhance engagement with the ASEAN institutions responsible for implementing these projects including the ASEAN Council on Petroleum (ASCOPE, for gas market development) and the Heads of ASEAN Power Utilities and Associations (HAPUA, for regional interconnection and power trade). In practical terms, this work will initially entail the following engagements:

- Maintaining power sector engagement and capacity building among AMS through ongoing foreign assistance programs, including the Power Sector Program that leverages technical assistance to enhance utility and power sector functioning that can improve prospects for greater interconnection and power trading.
- Cooperation with ASCOPE Secretariat to better integrate LNG infrastructure, gas market efficiencies, and gas-to-power considerations into the TAGP.
- Collaboration with ASEAN's energy institutions and individual AMS to harness political support for energy market integration.
- Technical assistance through the USAID's Clean Power Asia (CPA) program, which is a five-year, \$15 million program that will begin in 2016 and will work to accelerate the regional transition to high-performing, low-carbon power sectors in the ASEAN region. CPA will assist ASEAN member states develop integrated resource plans that increase the share of grid-connected renewable energy into their power mix; support inclusion of countries' NDC targets into the mainstream energy and power sector planning process; support the development of smart incentives for grid-connected renewable energy; and also work to mobilize public- and private-sector investment into grid-connected renewable energy in the region.
- Contributing to better-integrated, multi-stakeholder, regional development of environmental safeguards for hydropower.

Harmonization: Energy Connect will promote ASEAN's efforts to harmonize policies, standards, and regulations to achieve clean and efficient energy targets established in the ASEAN Plan of Action on Energy Cooperation 2016-2025. Greater harmonization is particularly needed in key areas such as energy efficiency standards, grid codes, policies regulating and incentivizing renewable energy, and natural gas standards. Collectively, ASEAN will be a significant market (\$330 billion by 2040) for global clean energy financial flows and technology developers provided it can synchronize incentive schemes and regulations. In addition, standardizing critical elements like power purchase agreements, foreign ownership provisions, and government guarantees for clean energy could markedly improve efforts to attract financing and project developers to this burgeoning market. U.S. engagement will offer technical assistance, capacity building, and insights on best practices to assist ASEAN in key areas of harmonization, including:

- A proposed new program focused on air conditioner efficiency standards among AMS, building off of work initiated under the ASEAN-Shine Program.
- Renewable energy technical assistance focused on the standardization and development of bankable power purchasing transactions, development of appropriate guarantee programs, and enabling increased investment in renewable energy through Treasury's Office of Technical Assistance.

Commercial Support: Centered in the existing Asia Pacific Clean Energy Program (ACEP) in Embassy Bangkok, Energy Connect's commercial efforts will complement the Business Connect

pillar as well as Energy Connect pillar harmonization and integration engagements for sustainable energy sector projects. A new U.S.-ASEAN Center, led by a new resident director with additional dedicated staff, is being established as a part of the U.S. Mission to ASEAN in Jakarta. The Center will work closely with strategic Connect locations with regionally focused staff in Bangkok and Singapore to drive the implementation of U.S.-ASEAN Connect. The Center will also be a conduit for easier and more efficient responses to requests for information, expertise, capacity building and technical assistance, including optimizing evaluation of alternative technologies and investment proposals for investment life cycle costs, efficiency and sustainability. As the next phase of USACEP, the United States remains committed under the Energy Connect umbrella to deploying clean energy financing through the Export Import Bank and Overseas Private Investment Corporation and to expand clean energy programming by the U.S. Trade and Development Agency. ACEP commercial support under Connect aims to catalyze private U.S. clean energy investment in the Asia-Pacific region by offering a range of tools, such as financing, insurance, project preparation and technical assistance support, while enhancing U.S.-ASEAN business partnerships. As part of this initiative, USTDA will soon host the Natural Gas Sector Reverse Trade Mission, highlighting U.S. technology and service capabilities for gas-fired power plants to representatives of Vietnam's energy sector, and similar activities that the Agency will develop targeting clean energy opportunities in ASEAN.