Mekong Vision 3.0: Stakeholder Consultations

***Interview with Robert Allen Jr, Managing Director, Theun-Hinboun Power Co. (Lao PDR), October 17, 2020***

**Note**: This interview was **not** recorded. **Note**: Unless indicated as a direct quote, these notes are not verbatim, and reflect the interviewers’ interpretation of what was said.

The interview was introduced by Klomjit Chandrapanya, who summarised the World Bank’s (WB) history of engagement in the Mekong, and provided a background to the Mekong 3.0 initiative. She then handed over to the Mekong Futures interview team.

**Question 1: What do you think are the current challenges to sustainable development in the Mekong –Lancang region?**

Mr Allen felt that there were three key issues: first, that development has been progressing very rapidly that has led to both positive and negative impacts on the river. Industrial development has led to pollution, agricultural development has led to large amounts of water being syphoned off and agricultural runoff increased, housing development has led to increased demand for sand, etc. There hasn’t been a systematic look at the potential impacts of development and where these will occur– and no one talks about this. Other countries that have experienced rapid growth provide valuable lessons.

Second, demand for electricity is growing regionally. It will be a big challenge to get the countries to talk with each other about power generation and supply, and for power systems to work together. Most decision-makers don’t know anything about power production. By way of example, he pointed out that there is almost no storage hydropower in Laos (mostly one year) – most of it is run-of-river. This casts up questions of coordination and planning between countries.

Third, the issues of national sovereignty, and planning for individual countries rather than the region as a whole. He referenced what he saw as the US problems around water supply, expensive litigation and conflict, and his concerns around ‘water wars’ implying that something similar could happen in the Mekong.

**Question 2: What does regional cooperation mean to you? What are the opportunities for regional cooperation to support sustainable development in the Mekong- Lancang?**

Mr Allen felt that technical cooperation was something that was really missing from between the countries. The technical side of things gets too politicised. Political and technical cooperation gets mixed up, which, he felt, should not happen. The bigger problem is that the countries should be looking for ways to cooperate on, for example and generation demand planning, so that there is a net benefit for the region as a whole, rather than privileging individual nations.

Forecasting (power) demand is very difficult. “I don’t know of a single utility in the world that’s got it right”.

The Chinese have multi-year storage behind their dams; in Thailand, the dams have perhaps a year’s storage. This needs to be taken into account when it comes to planning discussions. Forecasting is nearly always national, and not regional. He pointed out that demand growth in NE Thailand is nearly always twice national demand – and this rarely appears in the data.

Laos doesn’t have the technical capacity or an effective national grid to move electricity around. He also complained that weather forecasting is very poor in Laos. How El Niño or El Niña will affect Laos is something he can never find out, and this is data he needs to run his plant. Laos doe shave a national coordination group that meets to discuss export needs and likely dam water discharges

**Question 3:** **From your experience, are there examples where some or all of the Mekong-Lancang countries have cooperated to yield a clear and positive trans-boundary river management outcome?**

Maybe the Xayaburi and its redesign to manage sediment flushing: not sure if those releases mimic natural sediment flux as no information has been forthcoming. But no, he can’t really think of an example.

**Question 4: What are the relative advantages/merits of the different mechanisms for cooperation, and do you see any opportunities for improvements?**

There is a huge opportunity for technical data cooperation. Technical cooperation is not contentious. If you blend in the political it all becomes challenging. The LMC, he felt, could foster technical discussions in the Mekong. It is very hard to get treaties between more than two countries – the political side of such conversations will be long and difficult. So, it is best to separate out technical cooperation from political – this way, the technical cooperation can advance, while the political cooperation happens more slowly.

Kim Geheb [Mekong Futures] asks if some data does show to governments things that they do not want to here. Mr Allen replies that such data does not have to be made public; but it does have to be discussed. When cooperation does not occur, then decisions are made in isolation. That is a very bad outcome.

“Engineers gossip with engineers. Engineers do not gossip to scientists”.

In Laos, the peak (hydropower production) months are April and May; while in China they are in July. This provides opportunities for cooperation around power supply and sharing. The data from this can be discussed – confidentially, although I have my reservations about this – and then recommendations fed upwards to decision makers. A regional “technical” forum would be useful.

The private sector is often consulted by the Lao authorities for national-level issues but not so for regional discussions. HP dam safety is current theme.

For us, the basin committees (in Laos) are ok for agriculture but useless for hydropower. Again, no one understands hydropower or how it works.

**Question 5:** **In your opinion, when cooperation occurs between Lancang-Mekong countries, what indicates its success? How do you know if cooperation is successful?**

“Other than their press releases?” (Joke). I think changes in policies or procedures agreed upon between the countries. For example, we have for some years been asked (by the government) to indicate how much of the water we release will reach the Mekong. I believe that this is because of agreements between the countries off the back of LMC discussions, prompted by political and media pressure.

**Question 6:** **From your experience, for what types of Lancang-Mekong problems has cooperation been most effective?**

The Xayaburi (hydropower dam) probably. It revealed cooperation in the MRC PNPCA process that yielded a technical outcome. In my view, this is a very strong outcome. The MRC’s review of the dam’s planned revealed shortcomings that then resulted in external pressure. It was important that this occurred right at the start – once construction has commenced, then nothing can be changed. A design change was surprising – this is not something I have ever seen in the hydropower world. What is unclear, however, is if the Xayaburi is now regarded as a standard for Lao hydropower now.

Most of the “noise” re the PNPCA was from external science lobbying (eg World Fish), which did upset national representatives but introduced a dam review.

If the review process and dam design guidance translates into new projects that will be real sign of cooperation success.

**Question 7:** **In your view, which factors prevent cooperation? And which factors enable it?**

When it comes to hydropower, regional conversation is between the utilities. This inhibits long-term sustainable development planning. In Laos, it’s between EGAT and EdL. The kinds of committees that the need for such discussions creates – they do not work (and very limited focus). These need to be high-level discussions on sharing resources for hydropower discussion or production, rather than keeping this at the technical (utility) level. Regional trade-offs can then be considered – for example, the trade-offs needed to address the region’s massive carbon footprint, and whether or not addressing it is desirable; and if so, what needs to be traded-off to reduce it.

When we discuss things at technical levels, we are focused on efficiencies, or quality – of the cement we use, for example. “Reality is a policy decision”. “You never ask an engineer if it’s possible, because they’ll say that *everything* is possible”.

Coal and gas plants are very easy to build. They come out of a box, use existing technologies and components and can be funded by source countries (China and possibly Japan).(note previous mention of increasing coal and gas plants in Vietnam and Cambodia to meet projected industrial demand and avoid brown-outs). The lack of an interconnected grid (discussed in Laos since 2000) is an impediment to effective energy cooperation.

**Question 8:** **From your experience, when Lancang-Mekong countries cooperate for sustainable development of the basin, who are the most influential actors?**

I don’t know. I’d say that the two that have the greatest potential – and who have exercised it – are China and Vietnam. Vietnam’s economy is growing very fast and I think that they will become a regional economic power house and are similar to Thailand in the 1980’s. They are also at the end of the system, with the delta providing much of their food. There is no empty space in Vietnam. I think they’re going to making many more demands in the region. They (Vietnam) have a young demographic, and increasing exports to the US and EU.

China is the main source of money in the region. As long as they have this, they will remain influential.

But Mr Allen also mentions Myanmar, which he says has the highest (untapped) energy potential in the region. If it begins to address this, it could become very influential – supplying power also to South Asia.

Kim Geheb [Mekong Futures] asks if hydropower is actually cheap green energy – are the prices not just kept down because they exclude downstream externalities? Mr. Allen responds that it depends on the hydropower site. A plant on a ‘good site’ (characterised in part on plant factor and economic feasibility) has room to accommodate additional charges. Their managers might not like it, but the room exists. Plants on not as good sites should be left alone until prices improve – to, say, US$0.2/KWh in all markets.

In Laos, hydropower concessions last for a maximium of 30 years. If they were to do away with this system, and developers then plan for the lifetime of the plant (75 years, say) then they might look to spreading additional (external) charges over this period, which would also make them more manageable. The bottom line for investors is whether or not they can service their loans.

Vietnam, Mr Allen mentions, has ‘turned on its nuclear programme again’.

**Question 9:** **In your opinion, how can governments balance natural resources sustainability with economic development goals?**

We look at (prioritize) economic development too much. People need food, shelter and clean water. This is the core that we should focus upon meeting and addressing. Beyond that, we can look to generating profits or economic growth. He provides the example of BC Hydro in British Colombia (in Canada), where their main goal is to supply the province with electricity at an affordable (low) price. Any surplus is for them to do with as they wish. BC Hydro has, therefore, started sending power to the US. So, we have to focus on the core (food shelter and clean water); everything beyond that is just bonus.

Mr. Allen asked why fish protein deficiencies occurred in Cambodia before dam construction? We’’ never get a balance between development and the environment”. There will always be too much conflict. But perhaps if we focus on the core, this is acceptable. I don’t know.

We need to plan and evaluate “what will be the new”.

Outside of China, the Thai banks have cash and seeking projects to make loans. But the Chinese banks have more, which is why they’re driving development here (in Laos). But right now, it is almost impossible to get a dollar out of China.

(Referencing China Southern Power Grid’s purchase of 90% shares in EdL-Transmission) – they will introduce efficiencies into the Lao power sector. He says he has heard rumours that they want to run the line as far as Phnom Penh.