Challenges and Issues of Renewable Energy Projects in Myanmar by Private Developers

TIN MYINT
Director
Suntac Technologies

Naypyitaw 12th July 2017
Agenda

• Background
• Challenges and Issues
• Way Forwards
Background

• Existing Laws & Regulation
  – Electricity Law - 2014
  – Electricity Rules - 2015
  – Electricity Regulations (being drafted by ADB)
  – Myanmar Investment Law (2016)
• National Energy Master Plan – 2016 (drafted by ADB).
• National Electricity Master Plan – undertaken with the assistance of JICA
• National Electrification Plan (NEP) – undertaken with the assistance of the World Bank – 2014
• Options available to Power Generation sector investment
  – Sole investment by the Ministry
  – Investment by local entrepreneurs on B.O.T basis
  – Investment by foreign companies on J.V/B.O.T basis
Background continued

• Relatively long existence of thousands of private utilities in Myanmar (especially with small and medium size hydropower plants, biomass gasifiers, off-grid,)

• Access to Electricity/Energy is still very low.

• Investment required to fulfill the NEP Target
  – Distribution Portion : USD 5.4 Billion (for 6.767 million Household)

“Private sector investment is very important”
Challenges and Issues

• Challenges
  – National Energy Policy
    • Should be reviewed and updated to create an enable environment for RE.
  – Tariff
    • Heavily subsidized by government (about USD 300 million per year)
  – Laws, Rules and Regulations
    • Public Awareness, Comprehensiveness and Consistency
    • Electricity Law:
      – “No one is allowed to engage in electricity activities without having obtained a license (§44)
      – States/Regions shall issue licenses for small and medium sized electricity activities (§7 and §9)
  – Government Guarantee
    • Almost no practice for Sovereign Guarantee from Union or Regional government bodies.
Challenges and Issues continued

• Financing Mechanism
  – Project financing is difficult
  – Interest rate (local market) is extremely high (max 13%)
  – Local private banks have no prior experience on RE financing or limited experience and collateral is needed.
  – Foreign banks still have to work through the local bank and consequently the rate is still relatively higher (~8%)
  – Some Development Agencies are targeting more on bigger projects. (USD 1 to 50 millions or more)
Challenges and Issues continued

• Grid Arrival
  – Electricity Law: Currently no provision.
  – Not sure when the grid will arrive
  – Not known what could happen to the existing business
    • Technically
      – Too small to be connected to the grid
      – Grid stability issues
      – Grid ready/ grid code
    • Economically
      – PPA/ Business model

• Tariff Structure
  – Standardized PPA procedure
  – Same to different technologies or not
Way Forwards

• National Energy Policy
  – Especially National Renewable Energy Policy

• Independent Electricity/ Energy Regulatory Authority / Commission
  – Cost reflected tariff level
  – Transparent tariff structure for private developers

• Financing Mechanism to enable the private developers to access comfortably.
Thank You

tinmyint@suntactechnologies.com