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**ENHANCING REGIONAL ENERGY SECURITY: A CRITICAL
ANALYSIS AND RECOMMENDATIONS FOR THE SAARC
FRAMEWORK AGREEMENT FOR ENERGY COOPERATION
(ELECTRICITY)**

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Abstract:

The South Asian Association for Regional Cooperation (SAARC) Framework Agreement for Energy Cooperation represents a pivotal initiative aimed at fostering collaboration among member nations in addressing energy challenges, particularly in the realm of electricity. Regional energy security stands as a paramount concern for the sustainable development and economic prosperity of South Asia. This paper undertakes a comprehensive analysis of the existing framework established under the SAARC Agreement for Energy Cooperation, critically examining its achievements, shortcomings, and the underlying factors influencing its implementation. Drawing upon a range of scholarly literature, policy documents, and empirical evidence, this study identifies key areas for improvement and offers targeted recommendations to enhance regional energy security within the SAARC region. The analysis begins by assessing the

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progress made under the current framework, acknowledging its accomplishments in laying down foundational principles and mechanisms for energy cooperation among SAARC member states. However, significant challenges persist, ranging from political tensions and regulatory barriers to infrastructural deficiencies and institutional constraints. These challenges undermine the effective implementation of the agreement and hinder the realization of its intended objectives. Central to the discussion is the imperative of regional energy security, which entails ensuring reliable, affordable, and sustainable access to electricity across borders. The paper delves into the complex dynamics of energy infrastructure, demand-supply balances, and geopolitical considerations within the SAARC region, highlighting the interconnected nature of energy security challenges faced by member countries. Vulnerabilities such as dependence on fossil fuels, inadequate transmission infrastructure, and susceptibility to natural disasters underscore the urgency of collective action and cooperation in addressing energy security concerns.

Against this backdrop, the study presents a set of recommendations aimed at bolstering energy cooperation and enhancing regional energy security within the SAARC framework. These recommendations encompass various dimensions, including institutional strengthening, policy harmonization, promotion of renewable energy sources, facilitation of cross-border electricity trade, and fostering private sector participation. Emphasis is placed on the need for concerted efforts to overcome political differences, streamline regulatory frameworks, and invest in critical infrastructure to realize the full potential of regional energy cooperation. Furthermore, the paper draws insights from international best practices and case studies to inform the proposed recommendations, offering practical strategies and lessons learned from successful cross-border energy projects. It underscores the importance of knowledge sharing, capacity building, and technology transfer in fostering sustainable energy development and resilience within the SAARC region. In conclusion, the study underscores the significance of the SAARC Framework Agreement for Energy Cooperation in advancing regional energy security objectives and calls for renewed commitment and collaborative action from member states. By implementing the proposed recommendations, SAARC nations can unlock synergies, mitigate risks, and harness the transformative potential of energy cooperation to foster inclusive growth, enhance resilience, and promote prosperity across South Asia.

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Introduction

Regional integration offers an ideal opportunity to boost long-term growth by developing and sharing resources as a region, minimizing unsatisfactory development of these resources within national borders. In the context of the energy sector, this is especially relevant in South Asia, where there is immense potential in renewable energy sources such as hydropower, wind power, and solar power. Such cooperation in the energy sector will assist countries in strengthening their national energy security, lowering the costs of energy supplies, and mitigating the negative effects of energy price fluctuations. Energy is assumed to be a necessity for the country's economic chain to grow. In order to keep the SAARC countries' energy levels stable. The SAARC Framework Agreement on Energy Cooperation (Electricity) was signed on November 26 during the Eighteenth SAARC Summit. The agreement has given some hope for the realization of South Asian energy cooperation. On August 30, 2016, the Nepalese Parliament approved the SAARC Framework Agreement for Energy Cooperation, allowing cross-border electricity trade between the eight SAARC member countries. The agreement allowed for authorized entities of SAARC member states to buy and sell electricity within the region, including private or public power producers, power utilities, trading companies, transmission utilities, distribution companies, or other institutions established under the law, facilitate buying and selling of entities to negotiate the terms and conditions, payment security mechanism, and tenure of the electricity trade which are subjected to regulation by the laws of the concerned member states and provided for the member states to negotiate the terms and conditions, payment security mechanism, and tenure of the electricity trade also subjected to the regulation by the laws of the concerned member states. The preamble of the SAARC Framework Agreement stated for, "Recognizing the importance of electricity in supporting economic progress and raising living standards; Realizing the common benefits of cross-border power exchanges and trade among the SAARC Member States, resulting in the most efficient use of regional electricity generating resources, improved grid security, and electricity trade due to seasonal and peak demand variations". The agreement called for the creation of a system operations and settlement mechanism, as well as a regulatory and dispute resolution framework. The SAARC Arbitration Council is the last authority for resolving disputes between member countries over energy exchange and trade. The SAARC member states are required to evaluate

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the agreement every five years after it enters into force, according to the agreement. If the evaluation is deemed superfluous, SAARC member states can opt out and indicate this to one another in writing.

The agreement covers eight countries in partnership with South Asian governments. It was established in 2014 to aid in the coordination of regional grid operations across SAARC countries. The SAARC Framework Agreement defined the terms buying and selling, transmission access, and cross-border electricity trading. Recognizing the importance of electricity in promoting economic growth and improving people's quality of life in order to take full advantage of cross-border electricity exchanges and trade among SAARC members. For optimal utilization of regional electricity generating resources, improved grid security, and electricity trade resulting from peak demand diversity and seasonal variations. The SAARC energy agreement was done. This is critical because the underlying theme determines the impact of this agreement on future initiatives on the regional grid. One would hope that the outdated supply-centric and economic growth-focused understanding of energy has given way to a more comprehensive perspective. Energy and energy project agreements at the SAARC level must aim to increase accessibility and affordability among the underprivileged, as well as have an impact on reducing inter-state conflicts in the South Asian region, in addition to boost economic growth.

Background

In 2003, all SAARC member nations ratified the SAARC Framework Agreement for Energy Cooperation (Electricity). After that at the Twelfth SAARC Summit (Islamabad, 4-6 January 2004), the SAARC Heads of States emphasized the importance of strengthening regional energy cooperation for accelerated and balanced economic growth. The Summit directed that a study be conducted on the establishment of a South Asian Energy Cooperation in the energy sector.

Highlighting the value of intraregional and inter - regional energy trade, and at the request of SAARC member states for a study on that trade, the Asian Development Bank (ADB) endorsed a Regional Technical Assistance (RETA) project in December 2006 to promote energy sector trade and cooperation in the SAARC region, as well as to strengthen the SAARC Energy Centre. The study is an effort to supplement the SMSs' efforts to find the most appropriate and financially viable solutions to help achieve their growing demand for energy, to the extent possible through

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national resources and regional power trade. The Article provides concise and precise Articles that straightforwardly define what the Agreement was made for and entails what it means for the member states to do. The definition is provided at Article 1 of the agreement for buying and selling entities which lets all the parties know that they are any institution created and registered under the laws of any of the Member States with the authority to buy and sell electricity both inside and beyond the nation in which it is registered. The objective and scope are defined in Article 2 and Article 3 respectively which is basically to increase voluntary participation and trade of the member states. Article 4 is also in place in order to facilitate trade.

This agreement also promotes competition (Article 6) along with knowledge sharing and joint research in the electricity sector (Article 14) with a fixed regulatory mechanism (Article 15) and dispute settlement (Article 16) in place. Article 7 provides for the transmission planning agencies of the relevant governments to arrange cross-border grid interconnections by bilateral/trilateral/mutual agreements between the concerned states based on trade demands in the near future, through studies and sharing technical information required for the same. Following this, Article 12 provides that non-discriminatory access to the respective transmission grids be enabled for the purposes of cross-border trade, in accordance with existing laws, rules, regulations, and inter-governmental bilateral trade agreements. Just as this agreement promotes voluntary participation, it also provides for withdrawal by any states from this agreement at any time after its entry into force in Article 17. On November 27, 2014, the eight SAARC member countries signed the SAARC Framework Agreement for Energy Cooperation (Electricity) in Kathmandu, Nepal, immediately following the October 21, 2014 Indo-Nepal Electric Power Trade, Cross Border Transmission, and Grid Connectivity Agreement.

Reviewed Remarks

Energy and energy project agreements at the SAARC level must aim to increase availability and affordability among the underprivileged, as well as have an effect on reducing inter-state conflicts in the South Asian region, in addition to fueling economic growth. Second, the agreement is limited to the topic of electricity. Third, while the agreement is intended to be a broad cooperative scheme addressing broad issues such as enabling cross-border trade in electricity, developing a common regulatory mechanism, and waiving customs fees, energy

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projects are inherently sub-regional. According to this agreement, it is not necessary for the SAARC countries to plan and build a common transmission grid. Each country should be free to plan and build its own national transmission grid based on its own needs. The connection or connectivity of countries can be planned based on the amount of power that needs to be exchanged in a specific time frame and in a gradual manner. The goal of this agreement is to establish a SAARC arbitration council to resolve cross-border trade disputes.

The Agreement allows for:

- SAARC member states' authorized entities, such as private or public power producers, power utilities, trading companies, transmission utilities, distribution companies, or other legally established institutions, to buy and sell electricity within the region.
- Buying and selling entities will negotiate the terms and conditions, payment security mechanism, and tenure of the electricity trade, which will be governed by the laws of the respective member states.
- Member states should consider excluding export and import duties, as well as other fees, from cross-border trade and energy exchanges between reselling entities.

SAARC member states will provide non-discriminatory access to regional transmission grids in their respective countries under the terms of the Agreement. Negotiations will take place among member states to install cross-border transmission lines and cross-border interconnections for cross-border electricity trade via bilateral, trilateral, or regional agreements.

The Agreement called for the establishment of a system operations and settlement mechanism, a regulatory mechanism, and a dispute resolution mechanism. The SAARC Arbitration Council is the final arbiter in disputes involving energy exchange and trade among member countries. The SAARC member states are required to review the pact every five years from the date of entry into force, according to the agreement. However, if the review is deemed unnecessary, SAARC member states must notify one another in writing.

Impacts:

This agreement is extremely important and impactful, and examining it on a variety of levels will undoubtedly aid in:

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- A SAARC electricity market would result in resource optimization on a larger scale, as well as additional possibilities for SAARC member countries.
- Reconfiguration and restructuring in the electricity sectors of all SAARC countries would open the path for cross-country electricity transactions on a commercial basis, just like any other good or service;
- Reconfiguration and restructuring in the electricity sectors of all SAARC countries would open the path for cross-country energy transactions on a commercial basis, just like any other good or service. The SAARC Regulatory Forum's (SRF) role would be to provide a dispute resolution mechanism if any disputes arise during the transactions.

Trans-country grid connections would be established on a case-by-case basis and on an ongoing basis based on an evaluation of the quantum of electricity to be traded bilaterally or multilaterally. It is clear that the electricity market window that has already been established in India will be enhanced to include the SAARC member countries in order to create a bigger market place in which buyer and seller entities from each country will participate based on their own needs and potential benefits. Furthermore, the agreement lays the groundwork for electricity commerce in South Asia. According to the agreement, eight SAARC member nations will be permitted to conduct cross-border power trade on a voluntary basis, according to their individual member state laws, rules, and regulations, and based on bilateral/trilateral/mutual agreements. This ensures individual sovereignty as well as provide the countries with freedom to access the pros and cons of the action in doing so without giving pressure and forcing other member countries to comply with the decision of the summit.

The agreement also stipulates that member states might consider exempting cross-border trade and electricity exchange between buying and selling companies from export and import tariffs and other levies which leans in to provide benefits to the two nation's trade. To promote the cross-border power trading, member nations have committed to give non-discriminatory access to their respective countries' regional transmission grids which helps further in establishing cross-border transmission lines, cross-border interconnections, and launch various new projects. The agreement also calls for a system operation and settlement mechanism, as well as a regulatory and dispute resolution framework. Agreement provides that for the secure and

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dependable operation of interconnected grids, as well as to prepare scheduling, dispatching, energy accounting, and settlement procedures for cross-border trade, a system operation and settlement mechanism will be developed in collaboration with national grid operators.

Conclusion and feedback

In the 21st century, electricity has become the second need for any human's life besides the physiological needs. This can clearly show that electricity has affected almost every life on the planet. Such constant need for electricity also shows the market value it possesses and how it can stimulate economic growth and increase the quality of life. Despite all its economic value, electricity is something that cannot be stored and consumption fluctuates which requires for the stability of the electricity grid to be maintained. Countries nowadays take it upon themselves to promote electricity development as this inevitably is linked with the economic growth of the nation. The SAARC Framework Agreement for Energy Cooperation (Electricity) was signed in 2014, recognizing the role of electricity in stimulating economic growth and increasing quality of life. The approval of this agreement is a significant step toward establishing a regional SAARC electricity market. The major goals of this agreement are to increase the availability of electricity throughout the region and to make the regional electricity system more integrated. With respect to what Nepal has suffered for years despite being a hydropower rich nation, cross border trade does not just mean exporting the electricity from the nation but also a chance of exchanging knowledge and new technology within to increase the productivity of the electricity.

One of the major issues with our nation's electricity market is that our market, other than within Nepal, has always been India and India only. And history justifies how damaging it is for us to only be dependent on India as our electricity market and India sure have taken advantage of the monopoly with us in the one-sided bilateral Indo-Nepal treaties of Koshi (1954) and Gandak (1959) as well as when World Bank President McNamara was ready to proceed with the 10,800 MW Karnali Chisapani project in the early 1980s, India declined for "strategic, national, and economic" reasons. The multipurpose project was put on hold, with the intention of resuming it later. So it is of paramount necessity that this cross-border power trade agreement follows through and the market that Nepal once had limited could be expanded. Also, it is important to realize that just having agreement itself is not going to cut it out and it is required that

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implementation is properly carried out. This helps ensure that the agreement performs its function well. In addition to the timely reviews, amendments to the agreement must also be initiated so that the agreement could keep up with the changing international scenario. Therefore, there are some introductions, background, review, impacts and suggestions on my part on SAARC Framework Agreement for Energy Cooperation (Electricity).

This is critical because the underlying theme determines the impact of this agreement on future initiatives on the regional grid. One would hope that the outdated supply-centric and economic growth-focused understanding of energy has given way to a more comprehensive perspective. Energy and energy project agreements at the SAARC level must aim to increase accessibility and affordability among the underprivileged, as well as have an impact on reducing inter-state conflicts in the South Asian region, in addition to boost economic growth. Because this agreement is only about electricity, which will not suffice, provisions must be made for other energy to be traded among SAARC countries. The agreement only addresses the issue of electricity. This begs the question of whether pipeline projects like the IPI (Iran-Pakistan-India), TAPI (Turkmenistan-Afghanistan-Pakistan-India), and MBI (Myanmar-Bangladesh-India) have been excluded in order to divert resources for the realization of the SAARC Energy Grid, or if pipelines are no longer considered feasible in the current geopolitical context. As a result, we must define the parameters of this agreement.

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