

ASEAN ENERGY MARKET INTEGRATION (AEMI):

ASEAN ENERGY SUBSIDIES

PROJECT PROPOSAL: SUMMARY

SUBMITTED BY THE AEMI GROUP

A pre-condition for the creation of ASEAN Energy Market Integration (AEMI) and its development is to address the challenges from removing energy subsidies at the national levels, while providing remedial action to protect the most vulnerable. The core objective of this proposal is to analyze the impacts of energy subsidy removal at the national and ASEAN levels in the framework of AEMI, with a view to developing relevant policy recommendations for the new APAEC (2016-2020).

The AEMI Group, in association with Chulalongkorn University and the Norwegian Institute for Foreign Policy (NUPI), held an AEMI Forum on 27-28 February to discuss the analytical approach to deliver its objective. The Forum included academics from across ASEAN, as well as expert advisors from Australia, Belgium, Iran, Norway and Taiwan.

The AEMI Forum concluded that the project requires building a set of ten cohesive Computable General Equilibrium Models (CGEs) at the national level, based on consistent data and with enough disaggregation to allow the study of the impacts of energy subsidy removal from the economic, social and environmental perspectives. At the same time, on a second parallel track, these national-level CGEs would form the basis for the creation of an ASEAN-level CGE, joining them all together through the ASEAN Economic Community (AEC) and AEMI linkages. These 10+1 analytical CGEs would then be used to consider the impacts of subsidies under coherent scenarios and assumptions.

The creation of these 10+1 consistent CGEs would provide, for the first time, analytical tools that could be used well beyond this study on subsidies. Once in place, these CGEs could help analyze a number of economic, social and environmental policy responses at the national levels, as well as at the ASEAN-level in the framework of the AEC and AEMI. In particular, they would provide the ASEAN Center for Energy (ACE) with capacity to assist in policy formulation regarding all general equilibrium economic policies nationally and ASEAN-level within the AEC, including energy prices, use of renewable energy, setting targets for energy efficiency, evaluating the impact of connectivity, or addressing energy poverty.

Project implementation can start as soon as funding is secured. Already 10+1 teams are formed to conduct each of the 10 national CGE and the ASEAN-level CGE. Teams are committed to delivering this work through the next two years, and each team has identified its leader and national participants. Nevertheless, this two-track approach will require establishing mechanisms for close coordination and continuous interaction across teams for the work at the national and ASEAN levels. It will also require clear division of labor and proper sequencing of outputs within a defined timeframe. Most of all, it will require significant technical support to ensure consistency across, and to support those teams who would need to build a CGE from scratch (technical workshops, and “hot line” to respond to technical questions).

This proposal provides the context in which the project is conducted, its technical components and methodology, its outputs, as well as team membership and division of labor. The total budget amounts to US\$1.3 million over the next two years.

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