

July 1, 2005

Mr. Haruhiko Kuroda
President
Asian Development Bank
P.O. Box 789
0980 Manila
Philippines

Dear Mr. Kuroda,

We, the undersigned organizations, are writing to express concerns with the plan to push forward with the Greater Mekong Sub-region Power Trade and Interconnection initiative. We understand that the Asian Development Bank (ADB) is facilitating the signing of a Memorandum of Understanding on the Implementation of Stage I of the Regional Power Trade Operating Agreement (RPTOA) at the Second GMS Summit in Kunming, China on July 4-5, 2005.

This multi-billion dollar initiative to create a regional power grid and trading system is proceeding without opportunity for the public to debate its costs and benefits. Cheaper, sustainable and more equitable energy options are available but have not been adequately considered. A recent report also indicates that the initiative's economic benefits are marginal and implementation plans have not been rigorously studied. We urge you to encourage GMS leaders to postpone signing of the MOU until a thorough and participatory analysis of regional energy options has been completed.

Geared primarily to meet growing energy demand in Thailand and Vietnam, the initiative's premise is based on overoptimistic power demand projections. The initiative relies largely on hydropower, although cheaper and more viable electricity options for China, Thailand and Vietnam exist, including demand side management, biomass, biogas, cogeneration, and optimizing the efficiency of existing plants.

According to the ADB-funded study "Indicative Master Plan on Power Interconnection in GMS Countries," the financial benefits of the initiative would be marginal, only about 1 – 2% compared to the exorbitant investment costs of over US\$43 billion. Meanwhile, the potential costs to local communities and the environment from the grid and the hydropower plants fueling the grid would be considerable.

A recent analysis of the Master Plan and RPTOA by a Canadian power transmission expert further reveals that the costs for implementing the grid have been underestimated and that the claimed benefits were based primarily on assumptions made without field studies to allow for the verification of the cost estimates. (Please see the attached executive summary of Dr. Bretton Garrett's analysis. Full report is available at www.irn.org.) This is a serious concern in light of the financial costs of this multi-billion dollar initiative.

Given the concerns outlined above, we urge you to halt this initiative by postponing signing of the agreement until careful analysis of effective, environmentally sustainable and economically

viable regional energy options has been completed and the public has had opportunities to debate these options. We appreciate your attention and look forward to your reply.

Sincerely,

Aviva Imhof
Campaigns Director
International Rivers Network
USA

Tim O'Connor
AID/WATCH
Australia

Naing Htoo
EarthRights International
Burma

Ulrike Bey
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CC: ADB Executive Directors