

European cogen programme nears end

The third phase of a programme launched by the European Commission to facilitate the building of cogeneration plants in southeast Asian countries will end this December, bringing to a close a project that began more than a decade ago.

The EC-Asean Cogen 3 programme, as the current phase is known, is managed by Sweden's Carl Bro International and the Thailand-based Asian Institute of Technology. These two help develop partnerships between Asian industry and power producers and European suppliers of cogeneration equipment to increase the use of biomass, coal and gas-fired units. Sponsorship of the programme comes from the commission and regional organisation Asean.

The Cogen programme was developed because the commission viewed the significant increase in the region's energy demand as having repercussions on the EU's security of energy supply and environmental programmes. The EU's dependence on non-EU energy supplies is expected to rise to 55pc of requirements in 2005 and up to 75pc in 2015.

"The commission has decided to have a follow-up of the full-scale demonstration projects, but which agency will do it is unclear," says Bo Engle Persson, Carl Bro's European co-ordinator overseeing the third phase. Asean interest in the project remains high, meaning a continuation of funding for the building of the cogeneration demonstration projects will probably continue, he says.

"All of our full-scale demonstration projects have been biomass, but we notice a strongly growing interest in gas, while coal projects often are opposed by NGOs for environmental concerns despite the availability of clean-coal technologies and despite the abundance of cheap coal in some

countries, Persson says, adding that it takes about 18 months to implement a cogeneration project.

Natural gas would be a logical choice for cogeneration in Malaysia and Indonesia, but there may be conflicting interests between independent power producers and utilities. "You need to connect to the grid to enhance the financial viability of many projects. If you go for biomass, project developers and financiers are concerned about security of supply. You must also keep in mind that cogeneration is not a familiar technology in some countries, which slows down project preparation," he says.

A strong economy along with appropriate legal and regulatory frameworks and incentives to support efficient energy production are needed for the programme to work successfully, says Carl Bro's senior technical adviser, Olle Nystrom. The programme has been particularly successful in Malaysia and in Thailand.

The commission has approved 24 full-scale demonstration projects in seven countries — Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam, 15 of which have been launched. Roughly 80 potential projects are being assessed.

The Cogen project also offers a matchmaking service that started up last year. The service brings together European companies looking for a subcontractor, operating and maintenance operator, and/or sales representatives in Asean countries for their cogeneration technologies. Interested Asean companies have met at various Cogen conferences in the region. A similar conference will be held in Laos in mid-October.

Tax breaks benefit India's power sector

India's power sector could see additions in the next few years, boosted by expectations that tax benefits currently available to large-scale projects will be extended to smaller developments.

Only projects of a minimum 1,000MW currently enjoy income tax breaks and customs and excise duty waivers. But the government aims to extend the benefits to all projects of 250MW and above, as an incentive to stimulate more power projects and boost generation capacity that is currently about 30pc below demand (*AGP*, 26 May, p1).

Indian companies, private sector and state owned, are proposing capacity additions that could total about 10,000MW. State-owned Gail is already looking to

diversify into power generation and plans to invest up to 50bn rupees (\$1.08bn) in the next four to five years to create generating capacity of about 1,500MW.

Among the projects Gail is eyeing is a 1,000MW gas-fired power plant proposal at Bawana in northwest Delhi. It has also initiated talks to take a 26pc stake in the Ennore LNG import terminal and power project, to be located in the southern state of Tamil Nadu. The project involves a 5mn t/yr LNG import terminal and a 1,800MW power plant.

Gail is also considering setting up smaller new power plants along India's planned Rs230bn national gas grid, which it is hoping to get the implementation rights for (*AGP*, 31 March, p8).

State-owned upstream company ONGC is also moving into power generation, planning projects in Dahej and Mangalore, as well as a 250-500MW plant in Tripura.

Private Indian firm Essar is carrying out due diligence to buy an oil-fired power plant in Scotland that has been idle for one year. The plant consists of two 600MW units, with Essar studying the possibility of relocating it to Jamnagar in Gujarat state.

There are also expansion plans by other Indian firms, with GMR Energy planning to set up a 370MW plant in the east coast of Andhra Pradesh, and Aban Power intending to set up a 120MW plant in Tamil Nadu.