

KYRGYZSTAN - TARIFFS FOR ELECTRICITY AND HEAT, RISING SKY-HIGH

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With effect from 1st January, 2010, electricity tariffs for all types of consumers in Kyrgyzstan are increased to USD 0.0342 per kWh, and again on 1 July, 2010, to 0.043 USD per kWh (1.9 KGS / kWh). The current price is 0.0159 USD / kWh. Furthermore, heat prices are increased as well. From 1st January, 2010, the price per gigacalory is increased from the current 11.4 USD to USD 24, and from 1 July, 2010, further raised to USD 57. As from January 2011, prepayment will be introduced for both electricity and heat.

Simultaneously the Government has imposed on the utilities to develop a plan for installation of individual meters with all consumers. It has already been specified that the new system and measuring equipment must be able to handle automatic alerts and calculation of advance payments.

Even with the new prices tariffs will still be at the low end, however the new tariffs are a manifestation of a larger movement that is ongoing in the area.

Kyrgyzstan is one of the poorest countries in Central Asia and in contrast to other Central Asian countries Kyrgyzstan has no large oil and gas resources, although the country at several places exploits the enormous potential for hydropower. The country is therefore under pressure to save energy. At the same time the country - as all other former Soviet states - faces a technological implosion, which is visible especially concerning electricity and heat supply. Without significant increases in tariffs, the system will simply collapse. The other countries in Central Asia are in the same situation, but fear of social unrest / political "badwill" and major oil and gas resources has until now postponed the necessary decisions. Experience in Kyrgyzstan may initiate numerous changes in the surrounding countries, where energy consumption is also draining the public budget and distorting the local economy.

The World Bank has reached an agreement with the Government in Bishkek for the provision of loans as well as support for the renovation of the heating plants in the two main cities Bishkek and Osh.

Late November, The Trade Commission of Denmark was in Bishkek, and had among others a meeting with the City Council, which has developed parallel plans for renovation of the grid. During all meetings it was clear that the recent law on tariff increases is seen as the main economic and political decision in Bishkek for several years.

For additional information contact the Danish Trade Office in Almaty - Bo Eske Nyhus, bonyhu@um.dk

Bo ESKE NYHUS / BO NYHU@UM.DK

TRADE COMMISSIONER / ALMATY / CENTRAL ASIA

MOBILE +7 701 761 70 12

... WB promised \$4 mln to Kyrgyz energy sector for repairs of heat stations in Bishkek and Osh in case the government sets the rate, close to prime cost. The half of promised \$4 mln will be offered as grant while the rest part will be supplied as loan.

Recognizing the unpopularity of raising the tariff for electricity, WB is considering the allocation of \$30 mln to Kyrgyzstan in order to support poor people. President Kurmanbek Bakiyev has signed the decree on compensations concerning the higher rates for electricity and heating. For the compensation purpose government makes provision in the 2010 budget in the amount of 1,5 bln som.

In accordance with presidential decree, effective of January 1, 2010 the salary of all governmental employees, whose compensation is not higher than 5000 som, will be raised for 200 som. Senior citizens, whose pensions are less than 4000 som, will also see the raise for 200 som.

In addition, effective of January 1, 2010 the size of monthly allowances will be increased by at least 25 percent. The presidential decree also says the effective of next year the payment of monthly compensations, substituting privileges, will be raised from 1000 som to 7000 som ...