World Bank energy plan for Thailand

The technocrats are calling for "free enterprise" measures, but government energy officials are skeptical.

At an international seminar on Thailand's energy policy for the country's sixth economic plan (1987-91) held in Pattaya Oct. 25-26, World Bank executive Jean-Loup Dherse warned that unless Thailand moved now to develop exploration and development of gas, oil, and lignite, approximately 60% of its domestic energy needs would have to be met through imports. The World Bank predicts that by the 1990s, world oil prices will be on the rise and Thailand will be hit with an energy crisis.

Jean-Loup Dherse, vice-president for Energy and Industrial Staff of the World Bank, suggested a number of short-term measures to deal with the crisis, including: 1) deregulating petroleum product prices and eliminating the oil stabilization fund; 2) increasing the price of diesel fuel; 3) promoting private sector investment in any refinery expansion needed at the end of the decade; and 4) ensuring that electric power tariff structures and levels are sufficient for utilities to maintain adequate self-financing—i.e., raising electricity consumption prices.

Consensus, to say the least, was not always there among the participants. Dr. Kasem Chatikavanij, former general manager of the electricity generating authority of Thailand (EGAT), said he would agree to scrapping the oil fund only if a proper oil tax structure were in place. "I believe that the existence of the oil fund is a Thai way of solving the oil price problem, because without it, highly volatile fluctuation of oil prices would be felt by the public," he said.

Dr. Kasem was joined by other senior energy officials—Department of Mineral Resources Director-General Sivavong Changkasiri and Petroleum Authority of Thailand (PTT) governor Dr. Thongchat Hongladaromp—in opposition to the controversial National Economic and Social Development Board (NESDB).

The short-term World Bank suggestions are permeated with a free-enterprise outlook. Increasing the price of diesel fuel in the name of fighting "price distortions" would penalize its use by medium- and lower-income brackets, whose professional and personal vehicles usually consume diesel.

The World Bank push to encourage private investments in future refinery expansion coheres with its privatization scheme aimed at favoring cartel control and takeover of food and infrastructure. Completely in line with the World Bank program, Deputy Secretary-General of the NESDB Dr. Phisit Pakkasem, in his keynote address to the seminar, favored phasing-down the participation of the petroleum authority of Thailand in refining, from the present level of about 50% to 25%—a questionable level from the standpoint of national security.

Dr. Snoh Unakul, secretary general of the NESDB, added that the private sector should invest in electricity generating and charge competitive consumer prices. Again, this met with reservations from Dr. Kasem, who wondered how the private sector could invest in electricity-generating projects when the state enterprise EGAT's average return on such investments is only 8%, and EGAT is entitled to privileged conditions such as low interest loans. One can only conclude that privatization will necessarily lead to a rise in utilities prices for the consumer.

Medium-term measures suggested by World Bank executive Jean-Loup Dherse include: 1) expansion of natural gas use and development of Thailand's limited oil potential; 2) expansion of exploration and development of low- and high-quality lignite for industry and domestic use; and 3) improvement and expansion of use of traditional fuels (e.g., charcoal) in rural areas.

The World Bank and the NESDB have chosen to sweep under the carpet the fact that Thailand has a totally untapped hydroelectric potential of 10,000 megawatts. So far, only 1,800 megawatts of hydroelectric capacity are in use, with another 2,900 megawatts in the feasibility study stage. Failure to develop this potential has drained precious dollar reserves for the purchase of oil for electricity generation in the past. Failure to place priority on development of this domestic hydroelectric potential in the near future will continue to siphon off rapidly diminishing dollar reserves. The electricity generating sector is expected to absorb some 80% of public investment in the energy sector during the sixth economic plan. The limited potential of oil should be used for purposes other than electricity generation.

The World Bank is showing its true colors: opposing the energy-infrastructure projects that are necessary for industrialization. Its energy program is still in the discussion phase and has not been approved by the Thai government.