

## Energy Pricing Analysis for Nepal (1991-92)

**Clients: the Asian Development Bank and Nepal Water and Energy Commission.**

The WECS required a review of both the traditional (biomass) and commercial (petroleum, coal, electricity) fuels commonly used in Nepal to meet a number of objectives. Overall energy use was to be encouraged but not at the cost of economic efficiency. A study was required which analyzed fuel use in all sectors of society from an end-use perspective and which identified significant technical inefficiencies. The study was also required to estimate true economic costs of fuel as opportunity cost. The study outcome was to provide policy guidance in the setting of energy prices and application of other policy measures which provided for the most economic allocation of resources. SGA provided subconsulting assistance to deLucia and Associates, Cambridge MA, USA in conduct of the study.

SGA provided the skills to analyze the residential and commercial energy sectors of urban Nepal. Interview techniques were established that could rapidly but accurately determine fuel use patterns, appliance use, willingness to pay, elasticity of demand and other issues of importance in the sectors. From the surveys and further secondary research sector profiles were established and linked to energy policy issues of pricing and economic efficient allocation of resources. Technical inefficiencies were established as an area where high economic losses were sustained and therefore made a primary focus for government interventions. Policy and program recommendations were made, particularly in the area of energy efficiency, for implementation by the WECS.