Sri Lanka’s power sector struggles to meet the growing demand for electricity at sufficiently low cost and acceptable reliability. The share of thermal energy in the generation mix has increased from 6% in 1995 to 61% in 2010 as demand growth has been generally met by oil-fired thermal generation. This type of power generation makes electricity expensive because of high fuel prices, and poses a serious threat to the country’s energy security and the environment. The transmission system is also too weak to meet the growing demand in the regions.

To contribute to a reliable, adequate, and affordable power supply for sustainable economic growth and poverty reduction in Sri Lanka, the Asian Development Bank (ADB) approved the Sustainable Power Sector Support Project in January 2011. The project includes three components: transmission system strengthening to improve its reliability and enable rural electrification in Eastern, North Central, Southern, and Uva provinces; rural electrification and distribution system improvement in Eastern and Uva provinces to expand access for the poor and rural households; and energy efficiency improvement and renewable energy development. The project improves coverage, efficiency, and reliability in the delivery of electricity.

ADB’s Sustainable Power Sector Support project is in line with the strategic directions of ADB’s South Asia Department, which focuses on sustainable infrastructure, climate change mitigation and adaptation, human development, regional cooperation and integration, public–private partnership, and good governance.

The project’s pilot microhydro renewable energy intervention on a public–private partnership basis brings an additional 1.3 megawatts of power generation to the grid, which is equivalent to avoiding about 4,140 tons of carbon dioxide emissions per year.

(continued overleaf)
Project Features
(continued)

**Climate change impact.** The project has a considerable climate change impact. Its renewable energy intervention brings an additional 1.3 megawatts of power generation to the grid, which is equivalent to avoiding about 4,140 tons of carbon dioxide (CO₂) emissions per year. The energy efficiency policy initiatives supported by the project and the associated technical assistance produce about 480 gigawatt-hours of energy savings, resulting in 353,787 tons of CO₂ emissions equivalent avoided per year by 2015. A reduction of 147,745 tons of CO₂ emissions per year is expected to be achieved through additional household connections and technical loss reduction from the improved energy efficiency of the transmission and distribution lines by 2015.

Poor households to be electrified in the Ampara district of the Eastern province are also provided with a credit line, available under ADB’s Clean Energy and Access Improvement Project, to finance initial connection charges.

**The Project at a Glance**

**Cost and financing:** Asian Development Fund, $10 million; Ordinary Capital Resources, $110 million
**Project approval date:** 27 January 2011
**Project themes:** Economic growth, Environmental sustainability, Private sector development
**Status of project implementation:** Ongoing
**Expected loan closing date:** 31 October 2014

**Executing agency**
Ministry of Power and Energy

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