National Control Commission for Prices and Energy

Response to the Scoping Document for the Informal Public Consultation (March 20, 2013) on Developing a CBA Methodology for Projects of Common Interest (PCIs)

Q5. How should the CBA methodology reflects the contribution of Gas infrastructure to sustainability, for instance by replacing other fossil fuels plants by gas-fired power generation or through micro-cogeneration and transportation?

A.5. We think that given assumptions about assessing sustainability criteria may suppose additional advantage for specific projects. Some countries (such as Lithuania) do not have relevant problems with CO2 emissions because of lack usage of alternative fuels with higher CO2 emissions and costs. So, that means that certain Lithuanian projects which are given for PCI evaluation will not have an impact on sustainability criteria but it does not mean that those projects are worse than others which may have an impact on sustainability criteria. We think that it should be evaluated that if certain country as Lithuania do not have problems with CO2 emissions then its projects automatically should be recognized as projects which already have an impact on sustainability criteria because otherwise one group of projects will have an unfounded advantage to compare with others.

Q.8. In addition to the approach described by ENTSOG in developing CBA, what other elements do you consider to be relevant for the development of the Methodology?

A.8. On purpose to develop the comprehensive Methodology, cost-effectiveness analysis should be considered as a relevant element, which may be included in CBA, as there are situations when assessing two alternative projects one of them is foreseen as less costly than the alternative, while the other is stated as being more effective, and there is the need to appraise the cost-effectiveness ratio, which allows to rank these projects.

Q.16. What references to discount rates could be used in the methodology?

A.16. The discount rates (financial discount rate (FDR) and social discount rate (SDR)) should be determined according to the principles referred to in Annex B of the Guide to CBA of Investment projects (2008) (hereinafter the Guide). As there are different approaches of determination of discount rates in the Guide, we suppose that FDR should be equal to weighted average cost of capital (WACC), as it is widely used in a global practice. SDR could be derived from the predicted long-term growth in the economy of the corresponding country or region, using social time preference rate (STPR) approach, as referred to in Annex B of the Guide. For determining the growth rate of economy, growth rate of public expenditure as GDP component could be taken into account, as it well reflects the social welfare.