The Union government plans to set up a **regional grid** that will be leveraged to create a **common electricity market for nations in India’s neighbourhood**, according to the power and new and renewable energy minister.

**About the move**

- The proposed market, which will **include Myanmar, Sri Lanka, Nepal, Bhutan and Bangladesh**, could **aid regional peace** and **improve utilization of generation assets**—including the stranded assets in India—and efficient price discovery.

- While **India has been procuring hydropower from Bhutan**, it is also **supplying electricity to Bangladesh and Nepal**. The plans now include the option of an **overhead electricity link with Sri Lanka**. An overhead line is being considered after the **earlier proposal to set up an undersea power transmission link to supply power to the island nation turned out to be prohibitively expensive**. India has notified cross-border trading regulations.

**India’s energy diplomacy**

- India’s energy diplomacy initiatives range from cross-border electricity trade to supplying petroleum products and setting up liquefied natural gas terminals.

- Cross-border energy trade is a key part of PM Modi’s **South Asia-focused neighbourhood-first policy**, with the electricity link attempting to **negate the growing influence of strategic rival China** in the region.