

Source : Republica, May 31, 2014

IPPAN urges govt to address problems facing hydropower projects

KATHMANDU, May 30: Though the energy sector is prioritized by the government in the annual budget every year, the private sector continues to face problems in implementing projects.

With the government preparing to bring the budget for the fiscal year 2070/71, the private sector has urged the government to address the problems to help the projects gain momentum.

The private sector has said that the government should address the problems concerning land acquisition, clearance from the forest and environment ministries and local obstructions so that the objectives set by the budget may be attained.

The government had allocated Rs 30 billion, including Rs 4 billion for the alternative energy sector, in the previous budget but expenditure remains dismal due to several reasons, including lack of coordination between government agencies.

Talking to Republica, Khadga Bahadur Bisht, president of the Independent Power Producers' Association Nepal (IPPAN), said that they want the new budget to address problems of land acquisition and clearance from the ministries to expedite construction of hydropower projects. IPPAN has forwarded 11-point demand to Gyawali.

The National Planning Commission (NPC) has set a budget ceiling of Rs 26.84 billion for the NEA and Rs 3.84 billion for the energy ministry.

The private sector has also demanded increase in VAT concession from Rs 1 million to Rs 10 million per MW for hydropower projects.

Likewise, the private sector has also demanded that the issue of signing power trade agreement with India be including in the upcoming budget.

It has also said that the government should equally prioritize transmission line projects, including the 300km Bardaghat- Gorakhpur cross border transmission line.

Though the government had allocated Rs 13 billion for transmission line projects in the previous fiscal year, mostly through grants from donors, the projects could not take off due to lack of enough resources for preparatory works.

Deputy Spokesperson for energy ministry Sanjeeb Baral said that the government would also allocate funds for transmission line projects in the upcoming budget.

Major demands of IPPAN

- VAT concession of Rs 10 million per MW
- Loans at lower interest rates
- Increased power purchase rate
- Power Trade Agreement (PTA) with India

Source : Karobar online, May 31, 2014

Projects affected in lack of board meeting of NEA

KATHMANDU,

Power Purchase Agreement (PPA) with seven hydropower projects with combined installed capacity of 101 MW has been stalled in lack of board meeting of the Nepal Electricity Authority (NEA) for a long time.

Promoters and NEA officials have already agreed on PPAs and sent them to the board for final approval. The PPA proposals have to be taken to the NEA board after being approved by the managing director (MD). The board has yet to decide on 38 issues including PPA, dispute with contractors and claims for compensation. But board meeting of NEA has not been convened for a long time. It has been convened only once after March and has not taken any decision apart from extending deadline of Upper Trishuli 3A.

PPAs of Darbang Myagdi (25 MW), Upper Khorangkhola (7.5 MW), Rudikhola (6.6 MW), Lower Hewakhola (21.6 MW), Ludi Sanakhola (750 KW), Open River Tacardo (400 KW) have been stalled. Promoters of these projects are Dhaulagiri Kalika Hydropower, Tehrathum Power Company, Bindhyabasini Hydropower Development Company, Ludi Hydropower Development Company, Asmita Hydropower Company and Mountain Hydro Nepal respectively. Similarly, PPA for the increased 15 MW of Khanikhola Hydropower Project in Dolakha has also been affected. Promoter Green Life Energy had increased capacity of the project to 40 MW from 25 MW.

Board meeting could not be held initially following rumors about change of secretary at the Energy Ministry after Radha Gyawali became minister. Board meeting has been stopped due to various reasons even after that. Secretary Rajendra Kishor Chhetri only assumed office on May 15 after he was transferred by the cabinet. Minister Gyawali is chairperson of NEA. The government had removed the then directors Laxman Agrawal, Vivek Tated and Manoj Mishra who had moved the Supreme Court for reinstatement claiming they were removed though their term had not expired. Board meeting of NEA has become uncertain after the court issued interim order in favor of the trio. Though the court verdict on the issue was expected to come on Tuesday, hearing has again been postponed by a week.

Promoters can make financial arrangements and get generation license from the ministry only after PPA is signed. NEA has been signing PPA at a single rate with promoters of projects up to 25 MW. It has fixed a rate of Rs 4.80 per unit for eight months during rainy season and Rs 8.40 for the remaining four dry months. PPA for bigger projects is signed as per mutual agreement with the promoters. NEA has also initiated discussions to pay a single rate even for projects bigger than 25 MW.

Source : Republica, May 31, 2014

New budget aims to engage private sector in infrastructure development

KATHMANDU, May 30: In an attempt to overcome the paucity of development infrastructure in the country, the government is working to bring programmes in the new fiscal budget to encourage the private sector to invest in infrastructure projects, officials said.

"The budget will be fully focused on unlocking the growth constraints and infrastructure bottlenecks," Baikuntha Aryal, the chief of the Budget Division at the Ministry of Finance told Republica, adding "The economy is growing at a slower pace due to huge infrastructure gaps."

Private sector has also been seeking government support for effective implementation of the BOOT (build-own-operate-transfer) model of infrastructure developments while several private sector firms have proposed to develop transmission line, cable car projects and toll-based roads among other things.

"Nepali private sector is capable enough to invest in infrastructure projects," said Pashupati Murarka, senior vice president of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI). The private sector has also demanded from the government a long-term economic vision and stable economic policies for ensuring smooth execution of development projects, he said.

Successive governments after the political change of 2006 have ruled for two years on an average. "But for achieving long term development goals, the government's policies and programs should remain unaffected by political instability," said Murarka adding, "So, long-term vision and political stability are pre-requisites for development."

The private sector has already expressed commitment to generate 400 MW of hydropower within the next three years. Murarka said if the problem of power shortage is properly addressed then the manufacturing sector will expand. The contribution of the manufacturing sector in the national GDP is gradually decreasing -- In 2012/13, the share of manufacturing sector in the GDP was 14 percent.

Nepal's economic history shows that economic growth peaked at 7 percent in 1974.

"We aim to achieve higher growth rate in the new budget," Aryal said, adding "The reform agenda bring introduced through the new budget will dismantle all the blockages that were created due to lack of reform in the past." The National Planning Commission has set the ceiling for the new budget at Rs 596 billion.

Source : The Kathmandu Post, May 31, 2014

Govt plans four hydroelectricity projects

[POST REPORT](#)

KATHMANDU, MAY 30 -

The government is planning to construction four hydropower projects to address the power shortage in the country. Dudhkoshi IV (49 MW), Myagdi Hydropower Project (32 MW), Beni-Kaligandaki Hydropower Project (50 MW), Sankhuwa- sabha River Hydropower Project (30 MW) are among the projects that the government has kept in the priority list. Keshav Dhvaj Adhikari, joint secretary at the Ministry of Energy, said they have started the process for selecting consultants for these projects with a combined capacity of generating 161MW

electricity. (RSS)

Source : Republica, June 1, 2014

Govt to promote private investment in infrastructure

PUSHPA RAJ ACHARYA

KATHMANDU, May 31:The government is trying to attract private investment in the infrastructure sector through the budget for the new fiscal year.

"Both the private and public investment is necessary to overcome the infrastructure gaps," Baikunth Aryal, chief of Budget Division under Ministry of Finance told Republica, adding "Private sector will get more facility to invest especially in the hydropower sector, which will be announced through the fiscal policy."

Attracting investment, raising productivity and creating more employment opportunities are the underlined theme of the upcoming budget, which targets to raise growth rate. Nepal has been failing to achieve 7 percent growth rate since after 1974.

"To achieve high growth rate we've to attract more investment in infrastructure," Aryal added. "The reform agenda going to be initiated through the upcoming budget will address all the constraints to growth, which are caused by lack of reform in past."

Provisions have already been made for the private investment in infrastructure, especially in the wake of the failure of the renowned BOOT (build-own-operate-transfer) model to attract substantive private investment.

"We have been doing homework to pave the way to materialize private sector involvement in infrastructure development," Aryal said. "The government has to ensure protection for the private investment - drawing lesson from what we've experienced in the past."

Minister for Finance Dr Ram Sharan Mahat has been guided with the principal to attract private investment with an aim to unlock all the blockages in the system, according to his close aides.

He is for initiating sweeping reforms in the administration, legislatures and regulatory fronts, which Dr Mahat has been announcing repeatedly on the public forums.

"Economic growth will increase at rapid pace after unlocking all the constraints," said Lal Shankar Ghimire joint secretary at the National Planning Commission (NPC).

The private sector has also been seeking effective implementation of the BOOT model and few of the infrastructure projects, like electricity transmission lines, cable car, toll roads have already been proposed under the BOOT.

The secretary at the Ministry of Physical Infrastructure and Transport (MoPIT) has informed that few private parties are negotiating for the cable car and toll road projects and the government is positive to sign agreement with them.

"The private sector is able to invest in infrastructure projects," said Pashupati Murarka senior vice-president of the Federation of Nepalese Chambers of commerce and Industry (FNCCI), adding "But the government should ensure protection of private investment."

Moreover, the private sector has also sought long-term economic vision and stable economic policies, which can create environment for uninterrupted implementation of development projects.

"After the political change of 2006 successive governments lasted for two years in average and this instability has been reflecting in the policies as well," said Murarka. "Long-term vision and policy stability can deliver good results."

The private sector has already expressed commitment to generate 400 MW of hydropower in the next three years.

Murarka seems hopeful about the manufacturing sector's expansion with adequate power supply despite the fact that the contribution of manufacturing sector to the national GDP is gradually coming down.

The share of manufacturing sector to GDP was 14 percent in 2012/13. Nepal has been living with modest growth rate, and the economy is projected to grow by 5 percent plus after five years.

Source : The Kathmandu Post, June 3, 2014

Green dreams

Renewable energy technologies provide a useful alternative to the national grid in a number of rural areas

KIRSTEN GEELAN, KJELL TORMOD PETTERSEN

JUN 02 -

While we continue to discuss loadshedding, unlocking Nepal's enormous hydropower potential and expanding the national grid for electricity, progress is being made in providing access to clean energy through renewable energy technologies in rural Nepal.

Promoting sustainable energy for all remains a priority for Denmark, Norway and the Government of Nepal. For more than a decade, we have been assisting the Government of Nepal in its efforts to provide access to energy for all through the Energy Sector Assistance Programme (ESAP). Together with the Ministry of Science, Technology and Environment, the Alternative Energy Promotion Centre (AEPC) and the private sector, we have delivered very concrete results. Over the last 12 years, more than 1.1 million households have benefited from our common objective and engagement to provide access to renewable/clean energy technologies for rural Nepali households. Micro and mini-grid projects are owned, built and operated by local communities; improved cooking stoves, biogas, improved watermills and solar home systems are owned by individual households.

Energy in Jumla

Through the rural programme, thousands of jobs have been created and billions of rupees of local investment have been mobilised in the renewable energy sector. At the same time, the institutional and technical support provided to AEPC has made the body a driver of change in developing the renewable energy sector in Nepal.

Just last week, we visited Jumla, a district in Mid-Western Nepal. We walked for hours passing through small villages where the people shared their experiences and excitement with us. A lady, who is a member of the micro-hydro management committee, said, "Never in my wildest dreams did I imagine that we would have electricity in our village in my lifetime, let alone inside our houses. But now we have electricity and our lives are so much easier".

No longer do women and children have to spend long hours collecting firewood to prepare dal bhat or use kerosene to light a lamp in the evening. Gone are the smoked-filled houses with potentially damaging health impacts. Instead, children are now able to do their homework in the light beaming from solar or hydropower energy. And the electricity from small hydropower plants has been powering small and micro enterprises, which has improved livelihoods of Nepalis living in rural areas.

In the villages, we saw improved cooking stoves, improved water mills, biogas, solar home systems and small hydropower plants, all making a tremendous difference to people's daily lives. We observed first-hand the activities and technologies that are being used in remote areas of Nepal to improve living standards.

Off-grid energy

The experiences of ESAP 1999-2012 paved the way for a single programme approach in off-grid energy. In 2012, the Government of Nepal and its development partners signed bilateral and joint financing agreements to fund and implement the National Rural and Renewable Energy Programme (NRREP). Now, all Danish and Norwegian contributions to renewable energy in Nepal are channelled through NRREP. The programme started in 2012 and runs until 2017. So far, the Government of Nepal and development partners have together committed \$184 million for the NRREP.

The needs remain enormous and our ambitions equally high. Over the five years of NRREP, our plan is to reach another one million households with renewable energy technologies. It is also an innovative programme, where we see great scope to increase credit financing for renewable energy technologies, prioritise productive end-use of energy and job creation. In addition, we shall continue to focus on mainstreaming the inclusion of women and marginalised groups during the implementation of the programme.

So while current topics like combating load shedding, unlocking Nepal's enormous hydropower potential and expanding the national grid for electricity remain high on the national agenda, we are actively supporting the millions of people in rural Nepal who are still trapped in poverty with limited or no access to sustainable energy. It will still be many years before the national grid reaches these people and in the meantime, renewable energy technologies are available and should be used to improve the health and education sectors and to reduce poverty to benefit the people living in the rural areas of Nepal. But as the

grid slowly extends to rural parts of the country, we hope the government agencies involved will weigh the cost and benefit of integrating micro-hydro plants into the national grid.

Improving the approach

Our visit to Jumla provided us with an opportunity to improve our understanding of the challenges of improving energy access for rural communities. It became clear that the subsidy policy alone will not be enough to improve access for remote and often marginalised communities to sustainable energy in the rural communities. Instead, we have to find ways to improve our approach and target marginalised households so that our support is truly inclusive. In addition, we need to improve the financial sustainability of community-owned assets, such as micro-hydro plants, so that they continue to provide energy for a long time. We clearly see that proper scaling up and sustainability of energy access cannot be possible without the engagement of local governments. Planning and monitoring the extension of energy services by VDCs and DDCs will improve the implementation of NRREP. At the same time, local governments will have an opportunity to include energy services as part of the delivery of government services to their respective constituents. We clearly saw and felt in Jumla that access to energy services is a key priority for local communities.

Denmark and Norway are both supporting the Sustainable Energy for All Initiative of the UN Secretary General. Our partnership with Nepal in promoting renewable energy technologies in rural communities in Nepal is a concrete result of this initiative. The positive impacts in the daily life of poor and remote communities in Nepal is clear for everyone and we look forward to continued partnership with the Government of Nepal to improve access to clean and sustainable energy solutions to all Nepali citizens.

Geelan is Danish Ambassador to Nepal; Pettersen is Norwegian Ambassador to Nepal

Source : The Kathmandu Post, June 3, 2014

NEA signs deal with SLankan company

[SANJEEV GIRI](#)

KATHMANDU, JUN 02 -

Two years after the transformer scam came to light, the Nepal Electricity Authority (NEA) has signed an agreement with a Sri Lanka-based company to procure new transformers.

The state-owned power utility signed an agreement with Sri Lanka's LTL Holding to purchase 1,040 units of transformers. Eight companies from Nepal, China, India, Turkey and Sri Lanka were in the fray for supplying the machine.

As per the agreement, the Sri Lankan company will have to deliver the transformers within March 2015. The delivery will be done in four phases with each consignment of 250-260 transformers.

According to NEA, the company will conduct a test of the transformers at the Central Power Research Institute (CPRI) in India before supplying them to the NEA. The agreement between the NEA and the company says an international standard institute will test type/design of the transformers.

"It has been more than two years since the NEA last purchased transformers," said Nutan Dev Bhattarai, deputy manager at NEA's Material Management Department. "As of now, we don't have a single transformer to replace dysfunctional ones."

The transformers will come in 50kVA, 100kVA and 200kVA capacities in the first lot. As per the agreement, LTL Holdings will have to deliver the first lot within 240 days after the type/design test. "The test will take around three and half months," said an NEA official.

There are no such institutions like CPRI in the SAARC region besides India and that the NEA decided to conduct the test there, according to the NEA. "Even after conducting the test in India, the transformers will also be examined thoroughly in Nepal and the units failing to meet the standards will be sent back to the manufacturer," said the official. The first consignment will arrive within October 2014, followed by second in December 2014, and the third and fourth consignments in February and March 2015, respectively. "The transformers are being imported in four lots to make sure not a single unit has issues."

Of the total transformers being imported, 100 units will come in 15kVA capacity, 225 in 25kVA capacity, 350 in 50kVA capacity, 240 in 100kVA capacity, 100 in 200kVA capacity and 25 units in 300kVA capacity.

The NEA has been facing severe problems for the last two years due to the unavailability of transformers. According to the NEA official, there is a need for 2,000-3,000 transformers.

In 2012, a probe into the transformer scam had shown the units imported from China and Thailand were sub-standard. The probe committee had examined 4,657 transformers installed at several stations and sub-stations across the country.

According to the NEA, none of the companies that had sold transformers to the NEA last time participated in the tender process this time.

Source : The Kathmandu Post, June 4, 2014

Nepal needs to tap hydropower potential for prosperity: Keshap

POST REPORT

KATHMANDU, JUN 03 -

Atul Keshap, Deputy Assistant Secretary for South Asia at the United States Bureau of South and Central Asian Affairs, on Tuesday said Nepal needs to focus on unleashing its hydropower potential to gain economic prosperity.

Addressing an interaction organised by Tribhuvan University's Masters in International Relations and Diplomacy (MIRD) Programme, Keshap said the country needs to cash in on more than 42,000MW of commercially viable hydropower potential.

He said the economic prosperity of Nepal is an important issue for the United States as it is an advocate of democracy, peace, security, stability and prosperity which can be ensured through economic growth.

"The South Asian region is the most least connected regions across the globe with inter regional trade flow accounting to less than 5 percent and inter regional investment flow accounting to less than one percent," said Keshap. "I feel that the greatest opportunity perhaps for the regional integration is nowhere more evident than in the energy sector which Nepal should capitalise," he added.

Keshap said Nepal needs to sign a Power Trade Agreement (PTA), firstly with India, and then with other countries within the region for achieving prosperity through hydropower.

Despite political vulnerability, Keshap said there is a need for focusing on economic development.

Stating that 70 percent of the Nepali population is under the age of 35, and 2,000 individuals leave for foreign employment every day, the country should create opportunity for young blood to pour in their skills here.

"We are aware about the political transformation Nepal has been going through," said Keshap adding, Singapore and South Korea which have had achieved economic prosperity despite political odds.

Source : Republica, June 4, 2014

FNCCI asks govt to focus on hydropower, job creation

KATHMNANDU, June 3 :Private sector has suggested to the government to adopt hydropower, employment generation, and programs to achieve higher economic growth as the guiding principles in the upcoming budget.

Presenting the suggestions of the Federation of Nepalese Chambers of Industry (FNCCI) for the upcoming budget before the officials of the finance ministry on Tuesday, Dinesh Shrestha, vice president of the federation, also requested the government to focus on development of infrastructures, creation of investment friendly environment and balanced distribution of development projects.

The Ministry of Finance (MoF) is collecting inputs for the upcoming budget from different sectors.

The apex body of Nepali private sector has also suggested to the government to work for policy stability and harmonization of laws based on liberal economic policy to ensure that economic activities will not be discouraged by policy changes.

Frequent changes in policy with the change in government have affected Nepali economy dearly, lowering confidence of the private sector. Fearing policy inconsistency and policy uncertainty, private sector is hesitating to make fresh investment.

FNCCI has also called upon the political parties to prepare minimum economic agenda so as to avoid policy inconsistency.

Before the Constituent Assembly (CA) election in November last year, FNCCI had asked political parties to agree on a common economic agenda to ensure policy consistency regardless of which party is at the helm of the government.

The private sector has also called upon the political parties to implement their economic agendas floated during the CA election last year.

Business leaders are awaiting enactment of 16 new laws and amendment to other existing laws related to the economic sector. They say these laws are key to creating investment friendly environment in the country.

FNCCI has also proposed to the government to increase incentives on exports. It has asked the officials to come up with programs aimed at export promotion.

The government has started preparation for the upcoming budget. The budget session of the parliament has already begun. But discussion on budget programs has been affected as the opposition parties are obstructing the house to protest budget transfer at the eleventh hour by the government.