

Source: The Himalayan Times; 26 July, 2014

**Resume work at Upper Karnali hydropower project, demand locals**

**Himalayan News Service**

*Surkhet, July 25*

Stakeholders of Surkhet, Achham and Dailekh districts have demanded resumption construction work at Upper Karnali Hydropower project without any delay.

The construction work had stopped because political leaders had objected to the idea of an Indian company GMR constructing the project.

Flaying politicians' protest, the locals have demanded that the government carry forward the construction work. They have also warned of a strong protest if anybody tries to hinder its progress.

Bam Bahadur BC, coordinator of Karnali Stakeholders' Committee, said it was unfortunate on the part of politicians to try to obstruct a project instead of taking initiatives to complete it on time. "Such protests would only ruin chances of development due to vested interests of a few," he said, adding, "The locals have pinned their hopes on this project."

Chandra Bahadur Shahi, Nepali Congress leader also condemned the protest. "The project is a boon for people in this remote part of the country," he said. "The leaders should forget their interests and give priority to development."

"It is not our concern whether GMR is a good company or bad. The construction must not be halted under any pretext," said a local, Surat Jung Shahi.

Leaders of CPN-Maoist have been using it as an opportunity to criticise rival party members, blamed Lyatibindrasaini local Nain Bahadur Shahi. "Nobody

should demand to dissolve the project. Rather, we should go for dialogue with the government and the construction company,” he demanded.

Distribution of free electricity in the locality, distribution of shares of the project, proper compensation etc are in the demand list of agitating political leaders.

Meanwhile, issuing a statement, Upper Karnali Stakeholders’ Committee today urged all political parties to refrain from too much intervention for the overall development of the Karnali region.

A total of 12 VDCs of Dailekh, Achham and Surkhet districts will be directly affected if the 900MW hydropower project is brought to a halt.

Source: The Himalayan Times, 27 July, 2014

Nepal and India have agreed to finalise the text of the Power Trading Agreement at the earliest to pave the way for the country to purchase any quantity of electricity when energy production here dwindles and sell any quantity of power when production exceeds domestic need.

To finalise the draft agreement, a Nepali delegation led by energy secretary is expected to visit India soon. However, it is not known when the delegation will visit India and whether the text of the agreement would be finalised before Indian Prime Minister Narendra Modi's visit to Nepal in the first week of August.

These were some of the understandings reached during the third Nepal-India Joint Commission meeting co-chaired by Nepal's Foreign Minister Mahendra Bahadur Pandey and Indian Minister for External Affairs Sushma Swaraj today in Kathmandu.

During the meeting, the two leaders also agreed to expedite the process of preparing detailed project report of Pancheshwar Multipurpose Project, which has the potential to generate nine billion units of electricity per year, and finalise the terms of reference of the Pancheshwar Development Authority, which will oversee implementation of the Pancheshwar Project.

"The two leaders underscored the importance of harnessing Nepal's vast hydropower potentials for mutual benefits," says a joint press statement issued after completion of the meeting.

Further, an understanding was also reached to expedite the construction of 132kV Kataiya-Kusaha and 132kV Raxaul-Parwanipur transmission lines so that Nepal could import additional power from India in the short term to address power deficit.

During the talks, both sides also took notice of Nepal's widening trade deficit with India, and agreed to take effective measures to increase the country's exports to the southern neighbour. "In order to promote Nepal's exports to India, the Indian side agreed to further relaxing the rules of origin requirements; simplifying and streamlining transit and customs related procedures; eliminating technical barriers to trade and making (quarantine processes) less stringent; and lifting quantitative restrictions on exports of Nepali products to India," says the statement.

Also, both sides directed the concerned authorities to conclude pending Letters of Exchange at the earliest to facilitate trade and traffic in transit.

They also stressed on the need to complete necessary formalities to enforce the Bilateral Investment Protection and Promotion Agreement, to attract more Indian investment towards the country.

### **Highlights**

- Expedite process of preparing detailed project report of Pancheshwar Project
- Expedite construction of Kataiya-Kusaha and Raxaul-Parwanipur transmission lines

- Enforce Bilateral Investment Protection and Promotion Agreement
- Conclude agreement of Postal Highway Phase II works
- Bridge Nepal's widening trade deficit with India

Source: The Himalayan Times, 27 July, 2014

## Is power really a priority?

*Sujata Awale*



Though repeated assurances have been given by the present elected government that the hydropower sector will be

prioritised and problems will be addressed, it is inspiring little or no confidence in the sector. The reason being that while words

are eloquent, the action is lacking and the commitment unseen.

### **Budget ceiling constraints**

While the finance ministry is busy preparing a new budget policy, the Ministry of Energy (MoE), private sector and concerned stakeholders would like major issues plaguing this sector to be addressed. To start with the announcement from the National Planning Commission (NPC) to place a budget ceiling of Rs 30.68 billion for the hydropower sector has shattered the expectations of stakeholders. According to NPC, of that total budget ceiling, Nepal Electricity Authority (NEA) will get Rs 26.84 billion and the MoE

will get Rs 3.84 billion by.

Stakeholders pointed out that the budget ceiling set for the sector is not enough to minimise power cuts within three years. MoE recently submitted its plans and programmes to the Ministry of Finance (MoF). Sanjeev Baral, Deputy Spokesperson of MoE, said, “We recently submitted our programmes for the upcoming budget demanding Rs 55 billion from the finance ministry.” Citing that the MoE plans to end the present power crisis within three years, he added, “Without

adequate resources the development of the hydropower sector is impossible.”

### **Priority areas**

According to Baral, the ministry has prioritised the construction of transmission lines and alternative energy. Besides, it has outlined minimum common programmes that include new hydropower projects, feasibility study, maintaining existing power projects, east west transmission highway, river basin wise programmes, et cetera. While Rs 40 billion is allocated for transmission lines and hydropower section, Rs 15 billion is segregated for alternative energy. As immediate relief from the power crisis MoE plans to produce 100 MW solar energy. Baral informed that to encourage public interest in hydropower, this fiscal they have come up with a public private partnership model ‘Janataco vidhyut janatakai laganima’ which translates as ‘Public energy by public investment’. He said that the programme will help minimise objections from locals and the public will have a sense of ownership in hydro projects.

While the government is preparing to introduce the budget for the upcoming fiscal year 2014-15, the Independent Power Producers’ Association Nepal (IPPAN) has also submitted its 11-point demands to be addressed. For uplifting the sector from various problems, they urged the government to increase VAT concession from Rs one million to Rs 10 million per MW, conduct power trade agreements by establishing a special committee, power purchase agreements in dollars and to pace up the construction of internal and cross border transmission lines, among others.

### **Not connected**

As the government has not connected generating projects with transmission lines, power produced by private companies is also wasted. There is no synchronisation between load centre and generation power projects. “To mitigate these problems, there is a need to invest in transmission grids as soon as possible and to use produced energy through grid lines,” said Baral, adding that for constructing a transmission highway it requires funds. He further added that it will take more than three years to overcome the present

power crisis if funds are lacking.

Amrit Man Nakarmi, Professor and Coordinator of Energy Systems Planning and Analysis Unit at the Institute of Engineering, said, "Development of the nation is only possible through developing and investing in the hydropower sector. The government should

allocate around 15 per cent of the total budget for this.” He stated that the usual allocation of budget for the hydropower sector is

nominal and hardly five per cent. Stating that the major focus should be on transmission lines, Nakarmi said, "Produced 24 MW electricity is wasted due to the lack of grid line connection and it seems the number will increase in the coming fiscal as many projects are on the verge of

completion.”

According to him, there should be Rs 85 to 100 billion budget allocation if the government is serious about mitigating load shedding problems as well as promoting industrial and overall growth in GDP.

Nakarimi also recommended updating the tariff system and introducing an Integrated Power Policy. Stating that 60 per cent of imported diesel is consumed for power generation in Kathmandu valley alone, he said, “The nation spends billions of rupees on diesel plants every year. Diesel power plants are not suitable for the nation as it produces expensive energy costing from Rs 31 to Rs 58 per unit.” According to him, import of petroleum products has increased by 131 per cent in 2013. Citing that the plan to invest in solar is a good option for some time, he stressed, “However, in the long run there is no option other than hydropower for overall development.”

### **Tall talk**

Gyanendra Lal Pradhan, Chairman of the Energy Committee at the Federation of Nepalese Chambers and Commerce Industry, pointed out that the government has no will to uplift the country from the present power crisis. “The budget ceiling in the present situation is just another updated version of the previous plans and programmes where no new mechanism was implemented,” he said, adding that the nation does not seem to be aware of the importance of hydropower. Accusing the government of lacking political will to develop the

country, he said, “It is our bad luck that our government could not get electricity at Rs 5.4 per unit but now talks big about investing in Rs 15 per unit solar energy.”

Citing that the country annually acquires losses, Pradhan added, “Nepal annually spends Rs 37 billion importing diesel which produces electricity at Rs 24 per unit while the whole hydro sector only gets Rs 30 billion from the budget.”

### **Lacking progress**

There are 27 hydropower companies which are sick due to exceeding construction cost and lower rates of PPA. Pradhan said, “The government should introduce plans and policies to uplift developers and make a favourable environment to encourage foreign direct investments.” He accused the government of not approving the proposed Electricity Act 2007 till date. “All these delays and such attitude shows the government is not serious or willing to develop the hydro sector. If the same pace persists load shedding won’t end in another 30 years also,” he asserted.

“If the government widens the VAT concession for under construction projects, it will lower total construction cost by two to five per cent,” said Khadga Bahadur Bisht, President of IPPAN. However, he is not optimistic about the budget and any relief it will offer the sector. He said, “The budget is the ultimate indicator of the government’s priority. The government said that it will prioritise the hydro sector but with the ceiling it definitely shows the contrast between what it says and what it does.” According to him, of the total 1,200 MW under construction projects,

almost 60 per cent work has completed. “We are hopeful that adequate budget on transmission line will come,” he opined.

Bisht said that solar power costs Rs 16 to Rs 32 per unit, which becomes expensive when compared to hydropower.

### **Ray of hope?**

Baikuntha Aryal, Joint Secretary at MoF, claimed that the government has prioritised the hydropower sector. Clarifying that MoF does not decide resource allocation, he said, “The ministry allocates budget seeing the significance and immediate plans and programmes proposed by the concerned ministry.” According to him, the budget for the hydro was finalised with the NPC ceiling.

But it has now been reopened to discussion among stakeholders with the recently presented programmes by the energy ministry. “However, we still have to work on proposed programmes as we also have limited resources,” he added.

Source: The Himalayan Times; 27 July, 2014

Private sector

“One should also understand and know the fact that Nepal gains a lot from the pact. In fact India does not lose anything by not having this deal.”

**Khadga Bahadur Bisht**, *President of IPPAN*

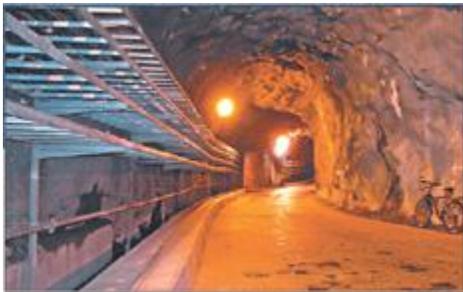
“A PTA will provide legal assurance and also works in Nepal’s favour. Without a PTA there will be a lot of uncertainty in regard to exporting electricity to India.”

**Gyanendra Lal Pradhan**, *Chairman of the energy committee of FNCCI*

pushing for PTA

Sujata Awale

Kathmandu



[Enlarge Image](#)

After a long gap of 23 years, the Nepal-India Joint Commission meeting is being conducted with discussions on political, economic and border management issues along with power cooperation. The issue of hydropower is important and crucial at this point of time and the power sector and the private producers are stressing on the need for forging an agreement with India for the development of hydropower and the creation of a win-win situation for all concerned.

A Power Trade Agreement (PTA) is the first important step and is basically a consensus between Nepal and India which allows and makes ground for power exchange, trading and network expansion between the two countries through developing cross border transmission lines and other necessary infrastructure. The signing of a PTA will facilitate both countries to exchange power.

According to stakeholders, the government of Nepal has proposed an eight-point draft agreement that allows for the development of a cross border

transmission grid, investment in hydropower sector, electricity trading and tariff rate determination and institution formation to address the issue with the consent of both parties. The proposed agreement also mentions that both the public and private sector can trade power with India. It is believed that the proposed draft has been developed for a 25 year period with a period of renewal after every 10 years. It has also mentioned that this agreement will not affect other treaties among the two countries.

The private sector is clearly of the view that a PTA between India and Nepal is now most essential as it extends and confirms the market for energy. “Nepal Electricity Authority (NEA) has stopped having power purchase agreements with independent producers stating that there will be excessive power production from the fiscal year 2016-17. This statement has narrowed down and limited the immense scope of the hydropower sector. If a power trading agreement with India is signed it opens the market for power export,” said Khadga Bahadur Bisht, President of the Independent Power Producers Association (IPPAN). He stated that a PTA only concerns power exchange and should not be misunderstood and politicised. “Earlier with the unclear proposal from the Indian government, misunderstanding and a negative message went out to the public. But one should also understand and know the fact that Nepal gains a lot from the pact. In fact India does not lose anything by not having this deal.”

Stating that Nepal stands assured of a market for power, Bisht said, “This agreement for trading power works as a legal guarantee from the government of India to import and export power for two decades.” Stating that the agreement will bring both parties to a win-win situation, he added, “Nepal will be able to import power in the dry season and export it in the wet season when we cannot utilise the total produced power. This is totally a commercial venture where both parties can use electricity at competitive tariff and according to their need.”

According to him, the draft that the government of Nepal presented is of international standard and there is no reason for not signing the agreement. He said that the agreement will allow Nepal to export energy in the wet season which will also ultimately help mitigate the annual trade deficit as well.

Gyanendra Lal Pradhan, Chairman of the energy committee of the federation on Nepalese Chambers and Commerce Industry (FNCCI) said that there must be progress on the agreement . He said, "This draft, if it gets approved by both governments, will be milestone in the development of hydropower sector of this country." However he cautions that if it fails, "It will certainly drag this sector into uncertainty and it will be a big mistake. All our hopes to export electricity will be lost and with it hopes of minimising the present losses we are incurring."

He further added, "A PTA will provide legal assurance and also works in Nepal's favor. Without a PTA there will be a lot of uncertainty in regard to exporting electricity to India." Pointing out that Nepal has already received six billions in FDIs in the hydro sector, he opined that without a PTA signed, uncertainty about power market will adversely affect FDI.

Most developers stated that an agreement will only further help to tap the hydropower potential of the country. Subarna Das shrestha, Immediate Past President of IPPAN said, "An agreement with India for power trading will extend the market for power generation thus encouraging domestic power producers, investors as well as foreign direct investment." citing that there is much more to gain he said, "We have to see the benefits that that the country is gaining from this pact. This should be agreed and signed with commercial negotiations."

Amrit Man Nakarmi, Professor and Coordinator of Energy Systems Planning and Analysis Unit at the Institute of Engineering, opined that a trade agreement with India is essential as it will help to end the power crisis. "First the

government should meet the domestic demand and then should think about exporting the power," said Nakarmi, adding that the issue of developing cross border transmission line and extending transmission line networks should also speed up. According to him, signing the agreement is not a big deal but the implementation part will have to be strengthened.

"One should also understand and know the fact that Nepal gains a lot from the pact. In fact India does not lose anything by not having this deal."

**Khadga Bahadur Bisht, *President of IPPAN***

"A PTA will provide legal assurance and also works in Nepal's favour. Without a PTA there will be a lot of uncertainty in regard to exporting electricity to India."

**Gyanendra Lal Pradhan, *Chairman of the energy committee of FNCCI***

"An agreement with India for power trade will extend the market for power generation thus encouraging domestic power producer, investors as well as foreign direct Investment"

**Subarna Das Shrestha, *Immediate Past President of IPPAN***

Source: The Himalayan Times; 27 July, 2014

## **India willing to purchase power at 'market rate'** **Himalayan News Service**



[Enlarge Image](#)

*Kathmandu, July 26*

India has said that it is willing to purchase excess electricity from Nepal at the market rate, as trade in power between the two countries would create a win-win situation for both.

The statement comes at a time when the draft of power trade agreement (PTA) forwarded by India to Nepal has landed in controversy, with some political parties calling on the government not to sign the deal in haste.

“Nepal can generate whatever electricity it needs for domestic consumption and export the excess power, which India will buy at market rates,” Joint Secretary of the Indian Ministry of External Affairs Syed Akbaruddin told a press conference held on the sidelines of the Nepal-India Joint Commission meeting in Kathmandu today.

To facilitate and promote electricity trading, Akbaruddin said, India was willing to sign the PTA whenever ‘Nepal feels comfortable’. He also indicated India

does not want to dictate any terms in this regard, as 'Nepal has prerogative over its natural resources'.

Trade in power, according to Akbaruddin, would create a win-win situation for both the countries, as it would help Nepal narrow down trade deficit and help India in its economic development endeavour.

"Trade in power will create a win-win situation for both nations, as balance of trade (between Nepal and India) is tilted towards India. One way to (bridge) this is by (supplying) power to India, as we export lots of petroleum products (to Nepal)," Akbaruddin said.

While exporting power is in Nepal's interest, the southern neighbour is also interested in importing power from Nepal to give impetus to economic development, which, according to Akbaruddin, 'is a priority for India'.

Nepal has long been trying to enter into power trade agreement with India so that it can purchase any quantity of electricity during lean seasons and sell any quantity of power during the peak seasons.

Once such a pact is signed, it will replace the existing Power Exchange Agreement between the two neighbouring countries which caps electricity trading.

PTA is also necessary to attract foreign investors towards the hydro sector, as Nepal Electricity Authority (NEA), the sole buyer of electricity in Nepal, has started becoming choosy in signing power purchase agreements (PPAs) as it has already approved enough projects to roughly meet the country's electricity demand till 2019-20.

As of April, NEA had signed PPA for generation of 1,998 MW of electricity

during peak seasons. These projects will start generating electricity within December 2019.

The country's peak electricity demand will hover around 2,052 MW in fiscal 2019-20 from 1,387 MW in 2014-15, according to NEA.

Source: The Himalayan Times; 27 July, 2014

## **Govt advised to reach PTA with India**

**PRAKASH ACHARYA**

**KATHMANDU:** Agriculture and Water Resources Committee of the Legislature Parliament today instructed the government to reach Power Trading Agreement with India at the earliest.

Expressing serious concern about postponing the Power Trading Agreement during the Nepal-India Joint Commission meeting held yesterday, the committee today directed the government to reach the agreement at the earliest.

“It is difficult to accomplish the goal of Nepal’s economic development without the development of water resources-based energy. It needs large scale domestic and foreign investment,” stated the panel in its directive to the government after its meeting held in Singha Durbar.

Since the investment cannot be attracted without Project Development Agreement with the neighbouring countries, it is imperative to hold PTA with India and other countries to ensure the PDA, adds the committee.

Even the ruling parties’ MPs criticised government’s handling of Indian proposal on power trade cooperation.

In the committee meeting, the panel members — Prakash Sharan Mahat, Gyanendra Bahadur Karki, Gagan Thapa, Kashinath Adhikari and Jaman Singh Gurung — criticised the government for its lack of preparedness and immature dealing of the issue.

Unified CPN-Maoist member Rekha Sharma, however, said the agreement should be held only after forging broader political consensus.

Nepali Congress CA member Gagan Thapa said lack of coordination among the government ministers and their contradictory positions made the issue of PTA unyielding, he said.

In 2010, Nepal had proposed power trade with India but the southern neighbour just ignored it for four years, but when India has showed interest, Nepal government failed to cash in on it, said Thapa.

The committee members asked Energy Minister Radha Kumari Gyawali, who was summoned before the committee, why the ministry failed to present its case adequately. She claimed the lack of preparedness was due to Prime Minister Sushil Koirala’s absence from the country and CPN-UML’s general convention.

She, however, assured the committee of government’s commitment to reach the PTA with the support of the parliamentary panel.

Radhesh Panta, Chief Executive of Nepal Investment Board, told the meeting that the trade

deficit would be reduced to zero if Nepal could sell 15,000 MW of electricity.

Meanwhile, Congress lawmaker Prakash Sharan Mahat, who spoke during the special hour of the Legislature Parliament meeting, said, “The failure to reach Power Trade Agreement has led to unnecessary skepticism. Until we rise above that we cannot achieve our goal of power development.” He said the development of power was the only way to reduce the country’s trade deficit.

Source: The Rising Nepal; 28 July, 2014

## **Construction works of Rahughat Hydropower project not started**

Babiyachour (Myagdi), July 27: Construction works of Rahughat Hydropower Project, Myagdi, which was said to be completed within the fiscal year 2071/72 BS, have not been started yet.

The construction works of the 32 MW project were delayed due to government, donor agencies and construction company. The Nepal Electricity Authority is constructing the hydropower project there.

Central member of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), Pramod Kumar Shrestha, said that although the NEA was at the construction site since 2066 BS to complete the construction works of the project in the current fiscal year, it was too late and negligence not to carry out the main construction works of the project yet.

Shrestha said that construction works should be carried out by holding discussion with IVRCL, a construction company taking responsibility to construct the project, otherwise responsibility should be given to another construction company for the same.

NEA employees said that the company is now hesitating to carry out the construction works after it could not get the compensation claimed. The company had claimed the compensation of around two years saying it could not get the works even after being present at the site since 2068 BS.

The company had returned at the construction site without any condition after holding discussion in a meeting held in 2070 BS after 18 months, but it has not started the construction works yet.

Project manager Bikram Chauhan said that there was no financial problem to carry out the construction works and added that construction works of dam, tunnel and power house was underway.

The NEA on August 3, 2010, signed the IVRCL, an Indian construction company, to carry out civil engineering related works of the project including tunnel, dam and power house.

A report submitted to the government by the NEA mentions only 10 percent progress of the project.

The project is being constructed at a cost of Rs 67 million US dollar including Rs 31 million soft loan of Exim Bank, India, and remaining of NEA. RSS

Source: The Himalayan Times; 30 July, 2014

## **Madhesi leaders for signing PTA with India**

Madhesi leaders have underlined the need to sign power development agreement and power trade agreement during Indian Prime Minister Narendra Modi's visit to Nepal.

Modi is scheduled to visit Nepal on August 3.

Addressing an interaction organised by Madhesi Journalists' Association here today on 'Review of Indian External Affairs Minister's visit to Nepal and Madhesis' expectation from the Indian PM's upcoming Nepal visit,' Sadbhavana Party Chair Rajendra Mahato said Nepal should reach understanding with India on harnessing its water resources potential.

He said Nepal's development would be possible only if it exploited its water resources. "We have not been able to achieve development mainly because of our anti-India nationalism. If the situation remains like this, we will never be able to achieve prosperity," Mahato added.

Mahato said Indian External Affairs Minister Sushma Swaraj's visit to Nepal was successful from the Madhesi point of view because Madhesis' sentiment of having an inclusive constitution was reflected in the joint press statement. "Swaraj's visit was successful also because it could revive the Joint Commission after 23 years," he added.

National Madhes Socialist Party Chair Sharat Singh Bhandari said Swaraj's visit was successful for India but not for Nepal. "We seek assistance from others but we are not ready to collaborate," Bhandari said the government did not show courage to sign the power trade agreement. "There must be power trade agreement and power development agreement with India," he added. Bhandari said power trade alone could reduce Nepal's ballooning trade deficit with India. "If the government cannot forge national consensus on signing the PTA, it should do so on the basis of majority," he argued.

Bhandari said Nepal cannot achieve development and prosperity as long as there is no inclusive, democratic, federal and republican constitution.

Nepali Congress lawmaker Amresh Kumar Singh said Nepal missed an opportunity by not signing PTA with India during Swaraj's visit to Nepal.

"Nepal cannot attract enough foreign direct investment until and unless it attracts enough Indian investment," he said and added that the flow of Indian investment into Nepal would alone give confidence to third country investors to invest in Nepal. Nepal, he added, would have achieved a lot in terms of development had it cooperated with India in harnessing its (Nepal's) water resources.

Singh said if Nepal failed to sign a major deal during Indian during Prime Minister Modi's visit, it would fail to take advantage of his policy of giving priority to connectivity and socio-economic development in India and the neighborhood.

Madhesi Janaadhikar Forum-Republican Chair Rajkishor Yadav said one section of Nepali

society was always opposed to Nepal's cooperation with India on water resources which was why Nepal remained backward.

Federal Sadbhavana Party Chair Anil Kumar Jha said the joint press statement released at the end of Swaraj's Nepal visit should have clearly mentioned what agreements Nepal was going to sign during Modi's visit.

Source: The Kathmandu Post; 30 July, 2014

## **Experts caution against signing hasty power deals with India**

With cooperation in the power sector being one of the key items on the agenda during the upcoming visit of Indian Prime Minister Narendra Modi, experts have said that Nepal should sign a bilateral agreement on energy only if it is in the form of a power trade agreement (PTA).

An Indian proposal received by Nepal recently has included power trade as part of a broader power sector agreement. However, speaking at a roundtable organized by Kantipur Publications on Tuesday, energy experts cautioned the government against signing a pact in haste without adequate preparations.

There however was suggestion that Nepal should not lose the opportunity for harnessing its water resource at a time when India seems keen to move ahead on bilateral cooperation in the energy sector.

Former president of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) Pradeep Shrestha said that Nepal should be able to cash in on Modi's visit since he seems to be trying to strengthen relations with South Asian countries.

"The growth of the manufacturing sector has remained dismal due to lack of power. Hence, we should enter into an agreement on the energy sector, but with great caution," said Shrestha.

"Since signing an agreement on cooperation in the power sector requires a lot of homework, Nepal should not rush to sign any deals," said former energy secretary Sheetal Babu Regmi, pointing to lack of preparation and wider consultation on the Indian proposal. He added that if the agreement was purely a PTA, it would be okay to sign it.

India has sent a proposal for comprehensive partnership on the power sector in response to Nepal's proposal to sign a PTA. Nepal had first sent a proposal on a PTA in 2010, but in return it received separate proposals in May 2014 under the title Cooperation in Power Sector.

The proposal attracted controversy due to a provision which sought '100 percent Indian investment or investment through Indian joint ventures' without mentioning whether third country investors could also invest in Nepal's hydropower development.

Nepal is willing to sign a PTA with India that opens the door for the two countries to buy and sell energy like a commodity. Signing a PTA would assure investors in Nepal's hydropower sector of a market next door in India.

Another former energy secretary Surya Nath Upadhyay said that building trust is essential for signing agreements on power sector development cooperation.

“There is a huge deficit of trust between the two nations. Trust should be built first by setting concrete examples,” said Upadhyay. Taking the Mahakali project ahead which has been neglected for a long time now can be one of the confidence building measures, he added.

“Apart from Mahakali, the Pancheswor project that has not moved ahead for almost two decades now should be accorded priority by the Nepali side during Modi’s visit,” said Upadhyay. He added that the proposed PTA between Nepal and India should not block Nepal’s potential to trade power in the South Asian region.

Upadhyay also said that any PTA between Nepal and India should have components like non-discriminatory access to power, open tariff, free flow of power and facilitation by the government of both the countries.

“Not having a PTA has had some effect on Nepal’s hydropower development, however, there isn’t any negative side to not having a power cooperation agreement (PCA),” said Upadhyay. “Even without a PCA too, India and Nepal are cooperating in the development of several projects, and that can continue even in the days to come.” Former water resources minister Deepak Gyawali said that Nepal should be cautious regarding agreements about the energy sector.

Former executive director of Nepal Electricity Authority (NEA) Shanta Bahadur Pun said that a PTA between the two countries should be signed after proper homework. “There won’t be any controversy if the decision is made based on the PTA draft prepared by Nepal. Necessary amendments can be made to it,” said Pun.