

Source: My Republica; 9th August, 2014

Governor against dollar-based PPAs for export-oriented projects

Nepal Rastra Bank (NRB) Governor Yuba Raj Khatiwada has said that the power purchase agreement (PPA) with the projects developed with investment from third countries [other than India] should not be signed in US dollars as Nepal's foreign currency reserve cannot sustain such payment.

Speaking at a discussion organized by the parliament's Public Accounts Committee (PAC) on Saturday, Khatiwada said that power trade with India, the only probable market for Nepal at present, will be done in Indian currency, so Nepal cannot pay for the electricity generated by the projects with third-country investment in US dollars.

"At present, we have about US\$ 650 billion in reserve and we must maintain it at at least US\$ 400 billion all the time," added Khatiwada. He also said that paying the third-country investors in US dollars will lead to devaluation of Nepali currency against Indian rupee.

"We will be dollar-strapped if we provide foreign exchange rates to those big hydropower projects exporting to India," added Khatiwada. There are a number of big projects being developed in Nepal targeting the Indian market. The projects are Lower Arun (400 MW) being developed by Brazilian firm Braspower and West Seti (750 MW) by a Chinese firm CWE Investment Company among others.

He also suggested to the export-oriented projects to sell electricity to India in US dollars so that Nepal's foreign exchange reserve will not be affected.

The statement by the chief of the central bank has come at a time when some senior government officials have been saying that foreign investors will be discouraged to invest in Nepal if PPAs are not signed in US dollars. Those supporting dollar-based PPA say that the investors have foreign bank loans which they must pay in US dollars. For the past two and a half months, PAC has been conducting discussions to decide what kind of PPAs should be signed with hydropower projects with foreign investment.

Khatiwada also suggested that PPAs be signed in Indian currency with the projects developed by Indian investors since such projects trade power with India only. Indian investors are currently conducting feasibility studies for a dozen mega projects in Nepal eyeing the Indian market.

Even in case, dollar-based PPA is signed, the government and Nepal Electricity Authority should not bear all the risks associated with foreign exchange fluctuation, Khatiwada said. Khatiwada was of the view that NEA should under no circumstances sign dollar-based PPA with projects that are fully owned by Nepali investors.

Dollar-based PPAs that NEA signed in the past with Upper Bhotekoshi (45 MW) and Khimti Hydropower Projects (60 MW) are blamed for huge NEA losses and experts are of the view that such mistake should not be repeated. Some Nepali investors who are developing hydropower projects with foreign loans have been demanding dollar-based PPAs.

Meanwhile, Governor Khatiwada also said Nepal banks and financial institutions have combined capacity to invest up to Rs 70 billion in the hydropower sector. "Nepali banking system has around Rs 140 billion and they can invest up to 50 percent in one sector as per the NRB policy," added Khatiwada. A class commercial banks are required to invest 12 percent of their loan portfolio in the agriculture and hydropower sectors but banks have not been found eager to invest in the hydropower sector due to the risks associated and the longer loan payback period.

Source: The Himalayan Times; 9th August, 2014

'Pvt sector committed to end load-shedding'

Himalayan News Service

Federation of Nepalese Chambers of Commerce and Industry Chairperson Pradeep Jung Pandey today reiterated that the private sector is all committed to rid the country of load-shedding in three years' time.

Inaugurating the annual general assembly of the Western Regional Chamber of Commerce here today, the FNCCI chair expressed his serious concerns over the excessively long hour of power cuts facing the nation at present.

"Since the power cuts have crippled the industrial sector, we along with the government are planning to do the needful to create conducive environment to attract more private investment in the power sector," Pandey informed.

On a different note, he pointed out the need of unity among the entrepreneurs in order to promote their interests and uplift the economy.

FNCCI former chair Chandiraj Dhakal and other dignitaries had also spoken during the programme, expressing their views about the immense untapped business potential in the country.

Source: The Kathmandu Post, 11 August, 2014

ADB urges govt to sign pacts by Aug

Asian Development Bank (ADB), a key financier for the 140MW Tanahun Hydropower Project, has urged the government to conclude the signing of subsidiary loan agreement with Nepal Electricity Authority (NEA) and subsidiary financing agreement between NEA and the project within August.

As loan agreements signed with project financiers one and half years ago have yet to be mobilised, ADB asked the government to expedite the process so that the project could move ahead.

Key financing partner Japan International Cooperation Agency (JICA) first signed the agreement in March 2013, and ADB and European Investment Bank signed other loan agreements in April and May, respectively.

The second agreement with EIB was recently signed after a loan deal could not be reached with Abu Dhabi Fund for Development (ADFD) that had committed \$30 million.

In an emailed response to the Post, ADB said it asked the government to expedite the process of subsidiary loan and financing deals among the government agencies.

Kenichi Yokoyama, and ADB Country Director for Nepal said: “The loan is still not effective (after one year plus) due to delay in signing financing agreements within Government of Nepal and others. ADB has asked the government to expedite the process so that this very important project moves forward.”

He said Tanahu Hydropower project will help expand the access to clean and sustainable energy in Nepal by developing a medium-sized hydropower plant (140 MW) with water storage facility.

A Finance Ministry official said the delay in convincing Abu Dhabi Fund for Development (ADFD) to sign the loan agreement without Nepal’s Parliamentary approval delayed the loan negotiation. ADFD had demanded that the Parliament had to ratify the loan deal.

The government later decided not to take loans from ADFD and signed a second loan deal with EIB to finance half of the ADFD-committed amount. The Nepal government will share the remaining half.

Now, the Finance Ministry and NEA have to sign subsidiary loan agreement to enable NEA to get financing for the project.

NEA’s officiating Managing Director Ram Chandra Pandey said NEA has already signed subsidiary loan pacts committed by ADB, JICA and EIB, but it is yet to sign a deal with the Finance Ministry on the government’s second loan agreement with EIB.

“We have already prepared a template for the subsidiary loan agreement with the Finance Ministry,” said Pandey. “After the public holiday on Monday is over, we will talk with the ministry officials and reach an agreement.”

After the subsidiary loan agreement, NEA and Tanahun project should sign subsidiary financing agreement to release the budget. “Few such agreements have already been signed and a few are remaining,” said Tanahun Hydro Project Managing Director Sunil Kumar Dhungel. Government officials said ADB has been concerned about the delay. “ADB officials here are saying they are also under enormous pressure from the headquarters to make the loan effective,” said the Finance Ministry official.

For the \$505 million project, ADB has pledged \$150 million, JICA (\$147 million) and EIB 55 million (\$76 million). The project is expected to be completed in 2020.

Source: The Rising Nepal, 11 August, 2014

Works of dhalkebar- mujaffarpur transmission line expedited

The Dhalkebar-Mujaffarpur transmission line said to be crucial for mitigation of energy crisis of the country is expedited of late.

The project has moved ahead with great pace than expected as bodies of both countries showed concern and monitored regularly.

So far, 40 tower bases have been constructed in Nepal side and physical structure for ten towers has been prepared. The government has given the project more importance in the budget of the current fiscal year and to complete it in time.

Indian Prime Minister Narendra Modi had also, during his visit to Nepal, made commitment to move it ahead with importance and directed to mobilize necessary mechanism. It was started since June after some procedural delays.

Project chief Badri Narayan Shaha said works are moved ahead to complete the bases within next month. So far, 110 towers have been completed in Indian side and physical structures of 45 have been completed.

Distribution of compensation has been started to land owners in Mahottari and Dhanusha.

The project includes 112 towers in Nepal side and 230 in Indian side and are to be completed by July 15, 2015.

India will spend Rs. 1.27 billion Indian rupees and Nepal 7 million US Dollars.

In Nepal side, it will be constructed by Power Transmission Company Nepal (PTCN) and in Indian side, the Crossborder Power Transmission Company (CPTC) will construct it.

Source: The Himalayan Times, 11 August, 2014

Locals furious at delay in hydel project completion

Despite its professed aim to complete the project by 2014, the unusual procrastination in development of the 37.7 MW Kaweli Hydropower Project has irked locals.

“For the past two years, nothing substantial has happened that could accelerate the completion of the project,” complained locals. The locals are worried that the project might never be completed, or be aborted. Rabindra Hamal, site engineer of the project said, “The initial delay was due to time spent in negotiation with World Bank and other organisations and also while reviewing possible environmental impacts of the project.” He further added, “Work will gain momentum soon.”

A 16-km road from Faujdar Chowk of Amarpur via Bijuli Bhanjyang and Madibung to the project powerhouse and another nine-km road from Amarpur’s Baldanda to the dam site was completed about two years ago. The project is expected to be completed by 2018.

Source: My Republica, 13 August, 2014

Power developers losing Rs 8 million every day

Power developers are losing Rs 8 million every day because of disruption in transmission lines and damage in two hydropower projects due to landslide in Jure and damming of Sunkoshi River.

The accumulated loss has reached Rs 960 million till Wednesday.

Speaking at a press meet organized by the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) in Kathmandu on Wednesday, Narendra Prajapati, treasurer of Independent Power Producers Association, said they were waiting for restoration of roads to reinstall power pylons swept away by the flood and landslide."

"Developers will be able to carry out repair works on two hydropower projects - one of which is completely submerged in the artificial dam - only after the dammed water is drained out," Prajapati added.

Shekhar Golchha, vice president of FNCCI, said the delay in opening of alternative road and resumption of power supply has shaken the confidence of bankers and investors.

Damage in power houses and transmission lines have disconnected 66 MW of power, including 45 MW generated by Upper Bhotekoshi, from the national grid, prompting Nepal Electricity Authority (NEA) to increased load-shedding by two hours every day. Barhabise, the local business center, is completely in the dark."

"Locals in affected villages don't have food grains. Though some have paddy, they have not been able to prepare rice as there is no electricity to power mills in the vicinity of Barhabise," Shambhu Bahadur Timalisina, a local transportation entrepreneurs, said.

Private sector has blamed the government for dragging its feet to bring the submerged section of the Araniko Highway in operation at the earliest by draining out dammed water."

"The government doesn't seem serious enough to open the road even though it is the only trade route with China. Disconnection of the trade route has badly affected supplies of goods from China. It might impact prices ahead of the festive season," FNCCI President Pradeep Jung Pandey said.

Pandey and other office-bearers and executive members had visited the incident site on Tuesday."

"Water level can be reduced below the submerged road section by increasing discharge from the dam to 350 cubic meter per second for existing 265 cubic meter per second. Then we can immediately start works to rehabilitate the road," Pandey said, adding that slight increment in water discharge from the artificial dam won't make any effect downstream.

Pandey said some interests groups might have diverted the issue to build alternative roads to serve their vested interest". "It would take at least one and half months to build such roads. Also, they won't be feasible for heavy containers," he added.

The government has started to build 34-kilometer alternative road on the other the Araniko Highway by

installing two Bailey bridges.

Altogether 600 loaded containers are waiting at the yard of Tatopani Customs Office waiting for the resumption of traffic on Araniko Highway. Halt in trade through the customs point means the government is losing revenue amounting to Rs 30 million every day.

Nilkantha Chaulagain, president of Sindhupalchowk Chamber of Commerce and Industry, said the government chose to develop alternative road to serve vested interests of some political leaders in the district by ignoring the most viable option of resuming traffic.

However, Tulasi Prasad Sitaula, secretary of the Ministry of Physical Infrastructure and Transport, denied such claim. "Alternative roads will be useful in case traffic is disturbed on Araniko Highway due to whatsoever reasons," he added.

Pvt sector collects Rs 10m for Sunkoshi victims

Sindhupalchowk Chamber of Commerce and Industry (SCCI), Nepal Trans-Himalayan Trade Association, and Nepal Truck-Container Entrepreneurs Association have jointly raised Rs 10 million for relief and rehabilitation fund for Sunkoshi victims.

Likewise, FNCCI and district chapters have also started to pour money into the relief fund, according to Pradeep Jung Pandey, president of FNCCI.

On Wednesday, FNCCI deposited Rs 300,000 into the fund.

SCCI will operate the fund. It will use the fund to provide relief for landslide and flood victims, provide basic needs to the victims and will also help in rehabilitation of schools.

"The Sindhupalchowk district chapter will also publish expenditure details after spending the sum," added Pandey.

FNCCI also appealed all Nepalis to make contribution to the fund.

President of SCCI Nilkanth Chaulagain said they have already been providing relief to the victims.

Source: The Himalayan Times, 14 August, 2014

Government preparing for power trade talks with India

The Ministry of Energy (MoE) has started making preparations to hold power trade talks with India, which could lead to the signing of a deal that would allow the two neighbouring countries to officially purchase and sell electricity.

The ministry started making preparations for the meeting upon receiving an invitation from the Indian government. “The Indian Ministry of Power has officially sent us an invitation to begin negotiations on the power trade deal. We are currently doing our homework. Once this is complete, we will propose a date for the meeting,” MoE Joint Secretary Keshab Dhoj Adhikari said.

Earlier, when Indian Prime Minister Narendra Modi had visited Nepal, the two countries, in a joint statement, had stated that the Power Trade Agreement would be signed within 45 days. “Since premiers of both countries have given us a deadline, we are working on meeting it,” Adhikari said.

However, this is not the first time that the MoE has received invitation from India for power trade talks.

Earlier this year, the Indian side had proposed to hold a meeting on July 21-22, in New Delhi, to pave the way for signing of a power trade deal.

In this regard, a delegation led by Energy Secretary Rajendra Kishore Kshatri was supposed to leave for the Indian capital on July 20. But citing absence of Prime Minister Sushil Koirala in the country, the Cabinet, which was then headed by Deputy Premier Bam Dev Gautam, did not give clearance for the visit. The Nepali delegation then had to cancel the trip in the last hour.

The Cabinet at that time did not give permission to the Nepali delegation, as the draft of the power trade agreement forwarded by India had raised some eyebrows here, with many politicians claiming signing of the pact would give sole authority to Indian government or companies to build hydroelectric projects in Nepal.

Following that controversy, a three-party panel comprising Finance Minister and leader of Nepali Congress Ram Sharan Mahat, CPN-UML’s Bhim Rawal and Unified CPN-Maoist’s Narayan Kaji Shrestha was given the responsibility of finalising the draft of the power trade agreement.

The draft, prepared with the support of MoE officials, was then forwarded to India on August 1.

In the draft of the power trade agreement prepared by the panel, Nepal had proposed to focus solely on power trading and building cross-border transmission lines to import and export power, without touching upon the issue of power generation.

The panel had also changed the name of the agreement from ‘Agreement between India and Nepal on Cooperation in Power Sector’ — as proposed by India — to ‘Nepal-India Electric Power Trade and Cross Border Transmission Interconnection’.

The draft agreement also included a provision on establishing sub-regional grid connectivity, which would allow Nepal to export power to countries other than India, like Bangladesh.

“We are yet to hear the views of the Indian side on the draft of the power trade deal that we forwarded. Instead, we have received an invitation to visit India,” Adhikari said. “Hopefully, all the contentious issues will be discussed during the meeting.”

Source: The Kathmandu Post, 14 August, 2014

Sunkoshi Small Hydro Plant at risk

Sunkoshi Small Hydropower Plant (SSHP), the first hydropower plant developed by Non-Residential Nepalis, is at risk as it has remained submerged in the Sunkoshi River for the last two weeks.

After a landslide on Aug 2 blocked the river, forming a pool, the water level at the site of the 2.5MW project has risen to 30 metres. The powerhouse and staff quarter have remained underwater. “The project was waterlogged within 10 hours of the calamity,” said Kamal Prasad Khakurel, public relations officer at SSHP.

Based at Dhuskum-9, the project, developed by Sanima Hydropower Limited, was installed with an investment of Rs 460 million.

Its two generator sets have been underwater, while 15 transmission line poles have been destroyed. Subarna Das Shrestha, former president of the Independent Power Producers’ Association Nepal (IPPAN), expressed doubts whether the items that are submerged could be reused. “Not only the equipment, but the future of the entire project is at risk,” said Shrestha. The dam area in Chokati VDC is the only component of the project that is safe.

Constructed a decade ago, SSHP’s powerhouse lies 12m above the Sunkoshi River. The structure of the powerhouse alone is at the height of 13m. Based on the structure, the project was said to be one of the safest hydropower plants. However, both the powerhouse and related infrastructure have been underwater now. Shrestha stressed on the need for the government’s support to revive hydropower companies that are at risk due to the landslide and flood. “The state’s failure to implement proper policies could discourage investors,” he said.

Meanwhile, other hydropower projects, including Sunkoshi (10.5MW), Bhotekoshi (36MW), Lower and Upper Chakukhola (5MW) and Baramchi (3.5MW) are at risk. Due to the damage in its two gates, Sunkoshi has remained shut.

Nanikaji Thapa, administrative officer at the project, said it would take at least three months to repair the plant even if the maintenance work starts at the earliest. The Nepal Electricity Authority-funded project is expected to have undergone a loss of Rs 15 million.

Similarly, the Bhotekoshi project has been unable to generate energy after its transmission line was destroyed.

However, most of these hydro projects are said to be in a position to resume power generation if the transmission lines are repaired. With the power projects with a combined capacity of 66.5MW shut, Nepal Electricity Authority (NEA) has hiked load-shedding hours.

