

Source: Karobar; 30 May 2016

IBN to be emasculated

BABURAM KHADKA

The Investment Board Nepal (IBN) formed to attract foreign direct investment (FDI) in big proportion has finally been targeted by the government which is cutting its power citing failure to work effectively.

Different ministries were already against the IBN feeling it has eaten away their jurisdiction. Draft of a bill to cut power of the IBN has finally been prepared under pressure from those ministries.

The government has opted for an indirect route for cutting rights of the IBN. It has been proposed through the bill for Energy Emergency being prepared by the Energy Ministry. The IBN currently has been helping in arrangements of capital for hydropower projects bigger than 500 MW, provide necessary technical help for that, signing project development agreement (PDA) and issuing generation license and doing other works. The proposed bill will limit its role to just making arrangements for domestic and foreign investment to develop projects.

The proposed bill states that engineering and other technical works, PDA, purchase and sale and all other works will be done by the Energy Ministry. The IBN has already approved foreign investment worth Rs 625 billion for 10 projects including that for hydropower, cement and waste management. A few projects out of them have even brought investment.

Joint Secretary at the ministry Dinesh Kumar Ghimire claimed that the rights of IBN have been cut for failing to work effectively. "The IBN neither built technical capacity nor could it work effectively. We are cutting its rights and transferring those to the ministry after its poor performance," he added. But the ministry also does not have any action plan on how it will build its own capacity after receiving those rights.

He revealed that the ministry is preparing to table the bill at the parliament. He stated that the bill has been prepared in a way that the ministry will do all technical works of projects bigger than 500 MW, procurement and sale of electricity, PDA and others. Stating that the IBN has not done anything apart from PDA with Upper Karnali and Arun III, he added that the IBN failed to move the project forward even two years after signing PDA.

Under Secretary at the IBN Sanjay Dhungel accused the ministry of usurping IBN's rights in the name of making its mandate clear. He added that the ministry wants to look at implementation as the IBN cannot reach the lower level. The ministry had repeatedly tried to usurp the rights of moving projects bigger than 500 MW forward even earlier. The IBN is currently doing homework to attract investment for five big projects with combined installed capacity of 3800 MW. It has also moved forward projects including chemical fertilizer factories, waste management plant and cement factories.

The IBN Act states that projects with investment of more than Rs 10 billion must be moved through the IBN. The relation between the IBN and ministry has been frosty right from the time of its establishment. The IBN has been accusing the ministry of not cooperating in moving projects like West Seti forward. It has always blamed the ministry of treating it as a competitor.

Result of cutting rights

The IBN formed by the Baburam Bhattarai government has approved foreign investment of Rs 625 billion to develop 10 projects within five years. Three of those projects are hydropower, two waste management plants and five cement factories. IBN officials feel that the government never wanted to make the IBN technically capable and it has suffered technically as a result. There can be uncertainty about projects that got permission through the IBN once the rights are cut.

Source: My Republica; 30 May 2016

NEA says it has no money to pay India for energy

Nepal Electricity Authority (NEA) has said that power outage hours might increase if the government fails to arrange Rs 5 billion within couple of weeks to foot electricity import bills.

Speaking at the meeting of parliamentary Agriculture and Water Resources on Monday, Mukesh Raj Kafle, managing director of NEA, said they have not been able to clear dues with different Indian agencies as the finance ministry has not reimbursed the amount that NEA loses while importing electricity from the southern neighbor. NEA has been making payment to India ever week or month depending on agencies. Earlier, it had been paying bills in advance to enjoy incentives offered by the supplier.

Nepal has been importing around 7.7 million units of energy from India on a daily basis. The committee organized the meeting to monitor the Energy Development Plan 2016/26 which was unveiled in February to address country's power crisis.

Per unit import cost of electricity is around Rs 3 per unit higher, including technical loss, than what NEA collects from consumers. It is one of the reasons why the country's power utility reports loss every year.

NEA increased energy imports from India, even though price is higher than what it offers to domestic hydropower plants, after Ministry of Finance agreed to compensate for the loss as per the load-shedding minimization plans announced some four years ago. But NEA has not received even a penny from the finance ministry for the past two years.

NEA's annual loss was in tune of Rs 4.5 billion in the last fiscal year. Officials estimate that loss figure will at least double in the current fiscal year as the country started importing additional 80 MW from February.

NEA so far has been paying Indian agencies mobilizing resources of its other undergoing projects. An NEA official, who requested anonymity because he is not authorized to talk to media, said undergoing projects will be affected as the power utility does not have money to pay for their works. - See more at: <http://myrepublica.com/economy/story/43359/nea-says-it-has-no-money-to-pay-india-for-energy.html#sthash.lmqOTMJe.dpuf>

Source: The Kathmandu Post; 31 May 2016

Energy Ministry working to form 3 new power cos

BIBEK SUBEDI

The Energy Ministry has been preparing to establish three separate companies for electricity generation, transmission and trade as the first step in its move to unbundle the Nepal Electricity Authority (NEA).

Although there has been much talk about taking the NEA apart, ministry officials are moving slowly as they fear that it might lead to further chaos. They said that separate companies would be formed for generation, transmission and trade which would operate parallelly with the NEA.

The Energy Ministry has set up Grid Development Company for the development of transmission lines under the full ownership of the government.

“The company has already been established and we are about to form its board of directors,” said Poshan Chandra Subedi, joint secretary of the Energy Ministry. “Once the board is formed and the company is formally incorporated, it will start erecting new transmission lines throughout the country.” Similarly, the ministry has moved to establish Electricity Generation Company which will focus on electricity generation. “The Cabinet has already approved it,” said Subedi. “After its incorporation, it will look after new projects to generate electricity.” The ministry has been working to set up Electricity Trading Company which will procure and sell electricity within and outside the country. As there may be cross-border power trade, the ministry wants to establish the company as a strategic partnership with a foreign company.

“The trading company might have to import electricity when there is a deficit and export it when there is a surplus,” said Subedi. “So we are planning to form a trading company with a strategic partner.”

If there are no hitches, the three companies should be up and running within six months, according to Subedi. The ministry plans to transfer the NEA’s human resources to these companies gradually and eventually complete the unbundling within five years.

However, the existing NEA Act must be amended before these three companies can start operations. As per this act, only the NEA is allowed to generate, transmit and trade electricity. The law will be amended within a couple of months, ministry sources said.

Source: The Himalayan Times; 2 June 2016

Nepal requires \$20bn to develop 10,000 MW in next 10 years

The Nepal Power Investment Summit 2016 concluded today with a declaration that Nepal requires \$20 billion to develop 10,000 MW on grid hydropower projects in the next 10 years. The power investment conference was organised by the Energy Development Council (EDC) — the umbrella organisation of the energy sector — in partnership with the Ministry of Energy and Investment Board Nepal.

The summit also declared that the country would need investment of \$5 billion for high voltage transmission line projects to be completed within 2035. The Budhigandaki 1,200 MW, Nalsingad 410 MW, Tamor 762 MW, Andhikhola 180 MW, Tamakoshi V 87 MW, Upper Tamor 415 MW, Tamakoshi III 650 MW and Thuli Bheri 530 MW projects have been identified as prominent opportunities for investors, says a statement issued by the EDC.

Investors expressed interest to explore investing in mid- and large-scale power projects in Nepal worth billions of dollars provided the investment environment improved and Nepal's ranking in the ease of doing business increased. They have also expected to soon have a one-window policy to get all necessary approvals and permits for doing business.

EDC also launched a book 'Inventory of Rivers of Nepal' that identifies 11,614 rivers and rivulets during the summit. The council has said that it will soon carry out a study on the potential of developing hydropower projects in those rivers and rivulets in the second phase.

Forty speakers from India, Singapore, Thailand, Bhutan, China, US and UK, among others, highlighted the investment challenges and opportunities on energy and infrastructure development in Nepal. Speakers also stressed on the need to develop alternative source of energy.

Aliana B Teplitz, ambassador of the US to Nepal, stated that despite having a huge potential of generating more than 40,000 MW electricity, the installed capacity of Nepal is merely at 780 MW. "There is still a huge room for development." She stressed on the need to have better policy and legislation to improve the present scenario.

During the conference, Nepal Electricity Authority (NEA) mentioned that projects with combined capacity of 1,330 MW are under construction and will be completed by 2020. "We need to invest about \$20 billion in the next 10 years to generate 10,000 MW," said Lila Nath Bhattarai, deputy managing director at the Engineering Services Directorate, NEA. NEA also said that they faced various geological problems, technical problems in structures and other natural calamities.

Allard Nooy, CEO at Infracore Asia, Singapore, made a presentation on the challenges for investment in the energy and infrastructure sector in Nepal. Nooy said, "Lack of a coordinated approach to get necessary approvals and permits and lack of adequate background information of projects and related risks were major challenges for investors."

Nooy further stated the government needs to introduce a more transparent regulatory framework with more satisfactory returns in order to attract foreign direct investment for economic transformation.

There were more than 200 participants from China, US, Canada, Bulgaria, Norway, India, Bhutan, Slovenia, Czech Republic, Thailand, Vietnam, France, Austria and UK, among others, at the summit.

Source: The Kathmandu Post; 3 June 2016

NEA, China Three Gorges close to signing JV deal

BIBEK SUBEDI

The Nepal Electricity Authority (NEA) and China Three Gorges Corporation (CTGC) are close to signing a joint venture (JV) agreement to develop the West Seti Hydropower Project as the Chinese company has agreed to arrange equity funding for the NEA, Investment Board Nepal (IBN) said.

CTGC wrote to IBN last week that it was ready to insert the provision in the JV agreement following the NEA's demand that the Chinese corporation be legally bound to arrange financing. West Seti, a much delayed scheme with a capacity of 750 MW, is located in the country's far west.

As per the memorandum of understanding (MoU) signed between IBN and CWE Investment Corporation, a subsidiary of CTGC, in August 2012, the Chinese company will have a 75 percent stake in the JV company while the NEA will hold the rest.

Although CTGC had assured the NEA that it would help to obtain the \$400 million required for equity investment as a soft loan from Chinese banks, it has not stated specifically when the loan deal will be concluded. IBN also said that CTGC officials would be arriving in Nepal very soon to sign the JV pact. "They have written that they will visit Nepal very soon to sign the JV agreement," said the IBN source. "Since the NEA's reservation has been addressed, chances are high that the deal will be signed this time."

The NEA is also expecting to obtain the terms and conditions of the loan from CTGC before the JV agreement is signed. "What if the loan terms are not agreeable to the NEA?" said an NEA official involved in the negotiations with CTGC.

IBN received a draft JV agreement from CTGC some 11 months ago, but a deal has been elusive due to NEA's reservations. The state-owned power utility cited lack of resources and a need to study the country's power demand when the hydro plant is projected to be completed.

As the NEA is the sole power buyer, it is worried about possible losses due to surplus electricity. However, it has shown greater interest in the project lately.

The West Seti project is estimated to cost \$1.6 billion. In April 2014, the Finance Ministry had written to the Chinese government asking for \$400 million in soft loans to allow the NEA to be an equity partner in the JV company and build a transmission line to evacuate the power generated by the plant. But no headway has been made on this front.

<http://bit.ly/1O76hXd>