

Source: The Kathmandu Post; 18 June 2016

WB, ADB insists on early introduction of reforms in energy sector

Officials from the World Bank (WB) and Asian Development Bank (ADB) have insisted early introduction of reforms measures in the energy sector as two multilateral donors expressed interest to extend credit worth \$1 billion (Rs107.76 billion) to Nepal in the sector.

A joint mission of the two lenders on Friday held a meeting with Nepali government officials, including those from Energy and Finance Ministries, on the proposed credit.

A government official attending the meeting said the donors particularly insisted on early introduction of the new Electricity Act, Energy Security Policy and restructuring of Nepal Electricity Authority (NEA).

After Nepal requested for a \$2-billion credit to implement its 10-year Energy Emergency Scheme, the multi-lateral donors came for negotiation.

The World Bank has proposed to invest in Nepal's energy sector for the first time since the Arun III debacle in 1994. It could also be the largest ADB funding through a single window, although it has an accumulated portfolio of around \$1 billion in the energy sector.

Such a credit is provided based on policy reforms initiated by the government. The donors had initially put the endorsement of the new Electricity Act as a pre-condition for extending the Development Policy Credit in Energy (DPCE), according to the participant in the meeting.

"But they have now become flexible on the matter after we convinced that passing the bill is the business of the Parliament and the government does not have the authority to dictate the Parliament," said the official.

Based on the ongoing discussions, the World Bank and ADB are ready to provide the first instalment of the assistance based on the progress towards introducing necessary policies and sending reforms-related bills to the Parliament after Cabinet decision. "Progress towards the endorsement of the bills from the Parliament and their implementation will ensure additional funding," said the official.

Nepal can receive the amount in three phases -- lasting up to 5 years, according to the discussions so far. The donors have said they are interested in supporting Nepal in the energy sector as the country has been facing prolonged power cuts and the power crisis has emerged as one of key bottlenecks to Nepal's growth.

In order to address the power crisis, the government declared 10-year energy emergency scheme in February. Under the plan, the government will unbundle NEA; sign power purchase agreement in US dollar term for 10 years; reduce procedural delays and conduct legal reforms with introduction of new Electricity Act and Act on National Electricity Regulatory Body.

Source: The Kathmandu Post; 18 June 2016

Locals not content with Upper Karnali Project

The locals affected by the Upper Karnali Hydro Power Project have drawn the attention of the Indian investor company, Grandhi Mallikarjuna Rao (GMR), to address their concerns.

The locals' grievances were noted during the onsite inspection and interaction programme held by parliamentary Agriculture and Water Resource Committee and Investment Board Nepal (IBN).

The GMR was set to launch the project with necessary financial management last Friday prompting speculations from the locals that it should be in the interest of the country and the people.

The locals of Sattal VDC of Dailekh and Bhairavsthan of Achham have called for focus on distribution of land compensation, rehabilitation and resettlement while 'winning the hearts of the local people'. The villagers have stressed on transparency while distributing shares, employment to the locals, process of conservation of natural resource and tools.

Many complained of the promoter company avoiding a candid discussion with the local residents.

A local, Bir Bahadur Nepali, said the Project was keeping the local people in ignorance by not relating necessary information.

Gopiram BC said the locals were confused due to the Project's reluctance to divulge information on share distribution process, compensation, rehabilitation and resettlement.

The locals have been demanding Rs 2.5 million per ropani of land while the GMR is prepared to provide only Rs 750,000.

Upper Karnali Hydro Power Project Concern Committee Chairman, Bam Bahadur BC, said preparations were being made to complete the process of distributing land compensation within the next six months. As per the Project Development Agreement (PDA) reached between the promoter and IBN, the promoter company in consultation with the locals can determine land compensation of the private land property while seeking permission with the government for use of public land and removal of trees on such land.

Nepal will receive 12 per cent cost-free energy and maintain a 27 per cent share with the Upper Karnali Hydro Power Project. The Project is required to manage 239 households in three each VDCs in Surkhet and Achham, and six VDCs of Dailekh. RSS

Source: My Republica; 18 June 2016

Upper Mai linked to national power grid

Power produced by the Upper Mai Hydropower Project has been linked to the national power grid after two months internal test.

The 8.98 MW project has been running by Panchakanya Mai Valley Hydropower Company. With this, the total capacity of power generated in the district has reached 52 MW.

Executive Director of the Company Santosh Pradhan said, "6.5 MW electricity generated from our project has been linked to the national power grid on Tuesday." The project is being constructed at a cost of Rs 1.92 billion at run at Mabu and Maimajhuwa. RSS

Source: Karobar; 19 June 2016

Signs that Upper Karnali will be constructed

The process for construction of the Upper Karnali Hydropower Project has moved forward. The project now looks almost certain to be developed after promoter GMR India sought letters of intent (LoI) from companies.

The project was mired in dispute for a long time due to obstructions by locals. GMR Upper Karnali Hydropower Limited has sought LoIs from international companies to start work for the 900-MW project in different lots including civil, hydromechanical and electromechanical works, and construction of office and residential buildings. GMR has sought LoIs for prequalification selection giving a 15-day deadline. GMR has sought LoIs from international contractors in two lots in a way to construct the project in engineering procurement contract (EPC) model. Civil and hydromechanical works, construction of infrastructures including buildings and engineering works will be done in the first lot. Similarly, proposals for electromechanical works have been sought for the second lot. Global tender will be called for competition in cost after selecting financially and technically capable companies from among those submitting LoIs.

Joint Secretary and Spokesperson at the Investment Board, Nepal (IBN) Ravi Bhattarai confirmed that GMR has sought LoIs. He claimed that all the preparations prior to construction have been completed and the project will soon move forward. He added that conducive environment for moving the project forward is being created. GMR has moved the project forward through the IBN.

Different international banks and financial institutions have expressed interest to invest up to Rs 110 billion in the Rs 139-billion project. Nine international banks and financial institutions are currently doing due diligence audit (DDA) for the project. Nine international banks and financial institutions including the International Finance Corporation (IFC) under the World Bank, Asian Development Bank (ADB), European Investment Bank (EIB), Japan International Cooperation Agency (JICA), KfW Development Bank and others have submitted LoIs to invest in the project. The Project Development Agreement (PDA) signed with the IBN requires GMR to make financial arrangements for the project by mid-September.

Still problems in land acquisition

The company is holding dialogue with different parties for acquisition of necessary land. There is some delay in land acquisition, according to the IBN, due to obstruction by a few political parties. GMR will have to complete the project by the end of 2021 and hand it over to the Nepal government in 2046.

GMR Upper Karnali Hydropower Limited has already been formed in partnership with the Nepal Electricity Authority (NEA) to develop the project. The NEA has 27 percent stake in the project, IFC 10 and GMR 63. GMR is looking for strategic partner to sell its 30 percent stake in the project.

GMR was awarded the project after it offered 12 percent (108MW) of free energy and 27 percent of free equity during the global bidding. The relatively cheap project is being developed to export generated electricity to India. It will affect Surkhet, Dailekh and Achham districts.

Three parties continue to obstruct

Local leaders of three political parties have been obstructing the project stating that it should not be developed with Indian investment as it is a cheap project. Local leaders and cadres of the Maoist party led by Netra Bikram Chand, Nepal Workers and Peasants Party and National People's Front have been obstructing the project.

Source: Karobar; 20 June 2016

Locals unhappy due to delay by GMR

Locals are facing uncertainty due to the delay in development of the Upper Karnali Hydropower Project by promoter GMR India. Locals are unhappy that GMR has not done the works it had to complete in almost two years after signing project development agreement (PDA).

“The company does not inform us about the works it is doing,” Jeevan Thapa, a local, rued. “We have also held discussions about the issue with members of the Agriculture and Water Resource Committee of the parliament,” he added pointing that the project has invited controversy due to opposition by a few political parties.

The company was scheduled to complete all the preparations to start construction during this period. Coordinator of the Upper Karnali Stakeholder Committee Bam Bahadur BC said land acquisition could not be done with the company not holding adequate discussions with the locals about land acquisition. Lokendra Shahi, a local, claimed that the company has held discussions with locals on the issue only twice.

GMR has been saying it can pay up to Rs 750,000 per ropani but the locals have been demanding up to Rs 2 million. A total of 700 plots of private land and 91 plots of public land will have to be acquired for the project.

Source: The Kathmandu Post; 21 June 2016

NEA to build power line for Arun-III hydro project

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Nepal Electricity Authority (NEA) has agreed in principle to build a 33kV transmission line to supply power for the development of Arun-III Hydropower Project.

Although the project's developer SJVN ARUN-III Hydropower Project was supposed to construct the transmission line, NEA came forward to develop it taking the total cost of the development from SJVN.

According to the Project Development Agreement (PDA) signed between Investment Board Nepal (IBN) and SJVN India on November 2014, the latter was supposed to develop the transmission line for electrification of areas surrounding the project as well as for its own consumption during the construction of the project.

Currently, NEA and IBN are preparing a draft Memorandum of Understanding (MoU) on that regard.

Once the MoU is signed, NEA will develop around 40km transmission line connecting the project site to the nearest sub-station at Tirtire of Dhankuta.

"Initially, the transmission line will be used to supply electricity to the project developer and once the construction is complete the same power line will be used for rural electrification," said Sher Singh Bhat, deputy managing director at NEA.

The project developer has welcomed NEA's move, saying the construction of the transmission line will make the development of the project easier. "We need around 10-14MW electricity," said Hari Ram Subedi, residence representative of SJVN. "So the transmission line would be of great use."

The project has pledged to provide 30 units of free electricity monthly to the project-affected people. The project will affect 203 houses in six VDCs of Sankhuwasabha, namely Makalu, Pathibhara, Pawakhola, Yafu, Num and Diding. SJVN will evacuate the power generated by the project through the Dhalkebar substation to Muzaffar-pur, India leaving behind Nepal's share of the output.

According to IBN, Nepal will receive Rs348 billion over 25 years from the project. SJVN will provide 21.9 percent free energy worth Rs155 billion and another Rs107 billion in royalty. More than 3,000 people are expected to get jobs at the project.

As per the PDA, the project developer will allot Rs1.6 billion worth of shares to the locals, 50 percent of which will be issued within two years of the commencement of the project. The rest will be provided at a later date at a premium.

IBN and SJVN started PDA talks in 2013 after Nepal and India signed a MoU for the project's construction in 2008.

Source: The Himalayan Times; 22 June 2016

Mewakhola hydro to supply power from July

Preparations to generate electricity from Mewakhola Hydropower with its one kw capacity is under way in Khotang. Power generation from the project is estimated to begin from the second week of July this year.

Project Chief Lalit Kumar Rai said that Sanima Bikash Bank and Bank of Kathmandu had invested 70 per cent of the total cost for the hydropower project, while consumers had invested 30 per cent through shares.

“Power will be supplied from the second week of July as almost all work has been completed. We only have to install the machine now,” he informed.

The project will be connected with the national transmission line and operated under Public Private Partnership model which is promoted by Saplu Kalika Hydropower Company Limited, Kathmandu.

Managing Director of the hydropower project Arjun Rai said the power produced from the project would be connected to Buipa-based central transmission line and power would be distributed among the locals.

As many as four contractor companies have been working for the early completion of the project.

Mahashakti Hydropower has been working with mechanical support, Shah Electronic Private Limited has been working for transmission, Pacific Borders, another contractor company, for civil engineering and Chinsi has taken the responsibility for electro-mechanical works for timely completion of the project.