

Source: The Himalayan Times; 23 July 2016

Construction of Upper Trishuli-1 hydro project to begin in Oct 2017

Project features

Plant capacity: 216 MW

Annual electricity generation: 1,456.4 GWh (net):
306.7 GWh (dry season), 1,149.7 GWh (wet season)

Concession period: 35 years, including approximately five years of construction period

Shareholders: Korea South East Power Co Ltd (50%); Daelim Industrial Co Ltd (15%); Kyeryong Construction Co Ltd (10%); International Finance Corporation (15%); and Jade Power (10%)

If things go according to plan, construction of 216-megawatt Upper Trishuli-1 hydroelectric project will begin in October next year. Upper Trishuli-1 is a project being developed by Nepal Water and Energy Development Company (NWEDC), a joint venture between three Korean companies, the International Finance Corporation (IFC), the private sector lending arm of the World Bank Group, and a Nepali investor.

“We are now holding final round of negotiations on project development agreement (PDA) with the Ministry of Energy (MoE),” NWEDC CEO Bo-Seuk Yi told The Himalayan Times. “Although the deadline for PDA signing is expiring on October 17 this year, we hope to wrap up the talks and seal the deal by September.”

Why the delay?

NWEDC and the MoE began PDA negotiations in January 2014. Yet, the two parties have not been able to strike a deal so far because of frequent change in the government and energy ministers.

“We are very optimistic about finally signing the deal this time as most of the outstanding issues have been settled,” Yi said.

Once the PDA is signed, the project developer will start negotiations on power purchase agreement (PPA) with Nepal Electricity Authority (NEA), which will purchase energy generated by the project. “This will take around three months,” Yi said.

After this, NWEDC will formally begin financial negotiations with lenders that have expressed interest to finance the project.

Prior to the earthquake of April 2015, at least 12 international lenders, including the IFC, the Asian Development Bank, UK’s development finance institution, CDC, France’s PROPARCO and Société Générale, Japan’s Bank of Tokyo-Mitsubishi UFJ, and Dutch development finance company, FMO, had shown interest to finance the project.

During another meeting of international lenders held in April this year, at least eight foreign financial institutions, including Germany’s DEG, had expressed interest to finance the project, which is expected

to generate 1.46 billion units of net electricity per year, of which 1.15 billion units would be generated in the wet season and 306.7 million units would be generated in the dry season.

“We will formally reach out to these lenders once we sign the PPA,” said Yi. The lenders will provide 70 per cent of the project cost of \$550 million in credit to the project developers, while 30 per cent of the project cost should come in the form of equity from promoters.

“Once the process of mobilising the debt is finalised, we will reach financial closure with lenders. We will then begin construction work — most likely in October 2017,” Yi said, adding, “It’ll take around five years to complete project construction.”

Once the construction is complete, the developer will operate the project for a period of 30 years, as per the agreement reached with the government. The project will be returned to the government in a good condition after the 30-year concession period is over.

“We are now far behind the deadline, so we want to start construction as early as possible,” Yi said.d.

Source: The Himalayan Times; 23 July 2016

Why the delay?

The developer of Upper Trishuli-1 hydroelectric project was initially planning to begin project construction in 2014. But that deadline could not be met due to delay in signing of the PPA. One of the reasons for delay in PPA signing — apart from frequent changes in the government — was the government's inability to decide on whether to sign dollar-denominated PPA with the project developer as requested.

Construction of Upper Trishuli-1 hydro project to begin in Oct 2017

Upper Trishuli-1 is a project being developed by foreign investors, who have brought in US dollars to build the project. Since value of Nepali rupee has been depreciating against the greenback by 3.4 per cent per year for last one decade, these investors have sought protection against foreign exchange variation risk.

One way to cover this risk was by signing dollar-denominated PPA, under which electricity generated by project developer would be sold to offtaker, or NEA, in US dollars throughout the concession period. But since there was no legal provision on it, MoE could not take a decision on this issue.

However, after over-four-month-long trade blockade on Nepal-India border points disrupted supply of goods to Nepal, including petroleum products, government came up with Action Plan on National Energy Crisis Alleviation and Energy Development Decade to raise country's dependence on domestic resources to meet energy need. This plan has paved way for signing of dollar-denominated PPA.

As per the action plan, PPA can be signed with project developers in convertible currency for a period of 10 years to enable foreign investors to repatriate the investment they have made in Nepal-based hydro projects. After the 10-year period is over, offtaker must purchase electricity in domestic currency.

"We actually need 12 years to pay back loans acquired from foreign lenders. But our investors have agreed to 10-year timeframe introduced by government. So, we are ready to sign PPA," NWEDC CEO Bo-Seuk Yi sai

Source: My Republica; 24 July 2016

Energy use in homes to see a major shift by 2030: Report

Electricity will have dominant share in Nepali households by 2030, according to energy demand forecast study conducted by the government.

The study shows share of electricity will jump to 19 percent of total sources from 4 percent in 2014, while use of traditional fuels like firewood and cow dung will contract to 55 percent from the existing 77 percent, according to Energy Demand Projection 2030 which was endorsed by the Investment Board Nepal (IBN) on Friday.

The study prepared by a team led by National Planning Commission (NPC) Vice chairman Yuba Raj Khatiwada, who is also the member of IBN, has projected a major shift in electricity consumption, particularly in urban households.

"Electricity usage for space and water heating is expected to grow. It will replace fossil fuels and traditional fuels in urban households and electricity is also expected to displace LP gas as the dominant energy source for cooking," states the report.

Use of electricity in total energy used for cooking in urban households will jump to 52 percent from the existing a little over 3 percent, by 2030 according to the report. But the use of electricity in rural households will increase at a slower rate.

The report has been forwarded to the cabinet for endorsement.

IBN CEO Maha Prasad Adhikari, who is also the member of the study committee, said: "In this changed scenario of energy demand projection, we no longer have to be worried about signing power purchase agreements with developers."

The projections are made on the assumption that our national economy will grow by 5 percent or base case scenario. The base case also assumes that the share of electricity in total energy demand gradually increases from existing 6 percent of 2014 to 23 percent in 2030.

Share of electricity in current energy mix is higher than what the Water and Energy Commission Secretariat has projected.

According to the report, the share of fossil fuels (primarily coal and LP gas) will remain the same in 2030 as well. "While demand for energy from fossil fuels will increase due to manufacturing and domestic demand, it will also decrease as electricity will displace it as the preferred energy in manufacturing and cooking," it added.

The study has also forecast the overall electricity demand in 2030 at 33,433 Gigawatt Hours annually

which is equal to 6,358 MW at 60 percent system capacity factor. This means the country needs installed capacity of 10,092 MW to meet the demand.

Source: Karobar; 25 July 2016

US investment in energy, transportation

America has started investment in energy and transportation sectors in Nepal through the Millennium Challenge Corporation (MCC). Feasibility study of projects has been started through the Office of the Millennium Challenge Nepal (OMCN), formed with joint initiative of the Nepal government and MCC, that will remain under the National Planning Commission (NPC).

The Finance Ministry and MCC have already signed agreement about investment of Rs 1 billion for selection of projects. "America has started investment in energy and transportation sectors in Nepal. The first stage of investment has started," acting coordinator of the OMCN Tulsi Sitaula said. "We have been doing feasibility study for different projects of these two sectors and will finish the studies by coming February," he added.

The US government will provide grant totaling at least Rs 30 billion for projects found attractive by the studies. The OMCN is currently doing feasibility study for 400 KV Nanglebhare-Kathmandu-Naubise-Hetauda transmission line and Damauli-Butwal transmission line of same capacity. Similarly, feasibility studies for repair and rehabilitation of different roads with combined length of almost 2,000 kilometers are also being done. Sitaula said there is chance of constructing almost 200 kilometers of roads, and projects are being selected accordingly.

The attractive projects will be selected by a committee led by finance minister and including representatives from stakeholder bodies and experts. The projects must be completed within five years of identification. The MCC has kept a condition and will take the remaining amount back if the projects are delayed. This is expected to address the long-standing problem of delay in completion of projects and subsequent increase in cost.

Investment in Nepal will be done through the Millennium Challenge Account once comprehensive study, with an aim of alleviating poverty through economic development, is completed, according to the OMCN. Criteria for selection of the projects include construction period of five years at most, economic return of 25-30 percent, less social and environmental risks, possibility of involvement of private sector in operation and repair and maintenance, and gender inclusive development among others.

Study is being done for upgradation of the 110-kilometer section of the East-West Highway from Pakali of Sunsari to Kakarbhitta of Jhapa to four lanes where vehicles can ply at a speed of at least 60 kilometers per hour. Similarly, upgradation of Butwal-Pokhara section of the Siddhartha Highway targeting tourism development, 92-kilometer Amiliya-Tulsipur-Salyan, 60-kilometer Silgudi-Sanfegagar and other roads are also being studied.

Source: My Republica; 27 July 2016

Finalize resettlement plan first: Budhigandaki affected locals

Locals of Budhigandaki Hydroelectric Project have demanded that the resettlement plan should be finalized before fixing compensation for land to be acquired by the project.

Hare Ram Dhakal, coordinator of Budhigandaki Stakeholders Committee, said that they have strong reservation over preparation to fix compensation for to be acquired by the project. "The project should specify the location and resettle us before acquiring our land as per the international standards," Dhakal said, adding that rates under discussion at the Compensation Committee in Gorkha were unacceptable for them.

Quoting sources, Dhakal said that rates between Rs 300,000 and Rs 800,000 per ropani have been proposed. But the issue has not been discussed in Dhading yet, he added.

A total of 3,160 families of 27 VDCs of Gorkha and Dhading are to be relocated from the site of 1200 MW project that will create a lake which is 15 times the size of Fewa Lake in Pokhara.

Most of the families in the project site list their homes in the earthquake of 2015. "As most of the families have lost their homes, National Reconstruction Authority has to first design resettlement models and distribute housing grants to project affected locals," a statement issued by the committee said.

The committee has also demanded that the government form a high-powered authority for the purpose of distributing compensation as stated by the budget for this fiscal year instead of the committee led by Chief District Officer.

Dhakal also blamed the Ministry of Industry for delaying the project. "The government should not make further delay as land transactions in the area have been barred since long," he added.

The committee also has drawn the attention of the Budhigandaki Hydroelectric Development Committee (BHDC), the entity responsible for the development of the mega project, to first review the Detailed Project Report and all other key documents by an independent team of experts before starting the project.

The Detailed Project Report of Budhigandaki Hydroelectric Project was prepared by a French consulting firm.

The committee has also suggested to the government to develop the project by mobilizing domestic investment.

Source: The Kathmandu Post; 27 July 2016

Energy Ministry letter halts work on Mid-Hill Highway

TIKA PRASAD BHATTA

The work on a section of the Mid-Hill Highway at Ramechhap has been halted after the Energy Ministry asked the Ministry of Physical Infrastructure not to construct road along Sunkoshi River where two hydropower projects are planned to be developed.

The government has planned to develop two storage-type hydel projects—Sunkoshi A and Sunkoshi B. A contract for the construction of a bridge over Tamakoshi River has also been cancelled.

“Energy Ministry has sent us a formal letter not to build a road along the lower banks of the river,” said Ayodhya Prasad Shrestha, chief of the Eastern Region of Mid-Hill Highway. “The letter has been circulated to all the agencies under Department of Roads.”

Locals had been pleased that an important highway was passing through this locality. The prospect of a road connectivity has now changed into rage following the halt to the road construction. The construction of bridge over Tamakoshi River in Benighat along with a road towards Dovantar from the bridge has been halted.

On Friday, about 1,000 locals gathered to express their concerns and urged the concerned authorities not be abandoned the projects.

Nawaraj Majhi, a resident of Seleghat, said people from Seleghat, Puchhigat, Dakha, Sitkha, Belghari, Kothaway, Lubhughat, Sinduretar, Chiyadi had been demanding that the road be constructed as per the existing survey. The locals are planning to go to Kathmandu to put their concerns before the authorities.

According to the Mid-Hill Highway Office, the Energy Ministry has asked them to build the road 600 metres above sea level to avoid inundation after the construction of a dam on the river. Following the ministry’s letter, the dozers have remained idle at the project site.

But the locals are against the ministry’s plan. “We will be displaced from here and we don’t have any alternative,” said Majhi. The 10-meter wide road under the Mid-Hill Highway is being constructed in Ramechhap on the assumption that the BP Highway in Sidhuli will not sustain heavy traffic.

Project chief Shrestha, however, tried to clarify that the letter says the road should be built 600 metres above sea level not that of the river. “Many sections of the under construction road are above 600 metre above sea level,” he said.

Source: The Kathmandu Post; 28 July 2016

Floods damage 3 micro hydroelectricity projects

Three micro-hydroelectricity projects have stopped production as they were damaged by the flood and landslides triggered by continuous rains.

The 35-Kilowatt Second Darkhola Hydroelectricity project and the 60- Kilowatt First Darkhola Hydroelectricity project have stopped power production due to the damage caused by a landslide at local Lulang.

A huge landslip has washed away some 150 metres of the water channel of the project, besides putting the powerhouse at high risk, Keshar Bahadur Purja, a local, said. The landslide has washed away two cowsheds and put a few houses at risk.

Similarly, the 30-Kilowatt Dajungkhola Micro Hydroelectricity Project has halted production for the last three days after the flood swept away the project's water canal. RSS

Source: My Republica; 28 July 2016

Bentley caught under-invoicing

Charged up to 71 times customs price for a wallet

KATHMANDU, July 27: A leather wallet costs as much as Rs 4,650 at Durbarmarg-based Bentley The Leather, but the price the importer declared at customs was only Rs 64. The cheapest wallet at the store costs Rs 1,650. Prices of wallets are 25 times to 71 times higher than the prices declaration at Birgunj Customs.

Finding the yawning gap between the real price of articles in the market and prices declared at customs, the Department of Customs has purchased articles from the importer worth Rs 1,057,000 at the prices the importer quoted at Birgunj Customs plus a profit of 5 percent (Rs 52,850). The articles are now in the process of being auctioned at Birgunj Customs. The department had assessed the articles to be worth a minimum of Rs 4.8 million before deciding on the purchase.

The articles thus acquired from the importer of the popular international brands include 54 wallets, 727 pairs of slippers and sandals and 256 belts. The importer declared a price of Rs 240 for a belt at the customs. The price ranges between Rs 2,050 to Rs 5,000 at the store at Durbarmarg.

The declared price of the sandals at customs is Rs 360 while the price tag at the store was found to be Rs 5,000 when Republica visited there on Wednesday.

The motive behind the price gap is tax evasion. "Importers declare low prices at the customs to evade tax," said Surya Sedhai, information officer at DoC. DoC has now taken a strong stance against low pricing for customs purposes, which is also known as under-invoicing.

Importers have to pay 20 percent tax on goods imported and an additional 13 percent value added tax. Calculations by Republica show that the importer would have paid only Rs 376,292 in tax for the articles procured by DoC. This amount would be Rs 1.70 million as per the price of Rs 4.8 million assessed by the department. The articles are to be auctioned and the proceeds will be deposited in the government treasury.

Owner of Bentley The Leather, Chandra Mala Sharma, admitted that the articles were procured by DoC but declined to speak in detail about why the customs price was so low.

DoC has also purchased medical equipment from the customs point at Tribhuvan International Airport and some cosmetics from Krishnanagar Customs Office at Kapilvastu. The process to auctioning these goods is underway.

Goods imported through suspicious price declaration will be passed through a red zone or watched closely during customs clearance, said Sedhai.

Director General of Department of Customs, Sishir K Dhungana, said, "We are devising a separate guideline to deal with such under-invoicing, and the record of purchase of goods that are under-invoiced will be included in the performance appraisal of customs chiefs."

To address the need to make purchases of such goods directly and immediately, the government has earmarked Rs 1 billion in the budget for the current fiscal year.

Source: The Kathmandu Post; 28 July 2016

Hydropower burial puts village at dark

A landslide has buried a canal of Kathmadi micro hydropower project at Shikharpur-2 of Baitadi.

Krishna Saud, a local, informed that the landslide triggered by incessant rain has buried the canal that has thrown the electricity service of the village out of gear.

With the disruption of power, as many as 180 households of ward no 1, 2 and 3 of Shikharpur are being compelled to stay at dark.

Locals have voiced their concern that the damages caused to the canal of the micro hydropower project constructed in 2068 BS have created much trouble in their daily lives.

There is no likelihood to remove the landslide debris from the canal right now. RSS