

Source: My Republica; 25 Nov 2017

## **Govt itself to build Budhigandaki Hydro**

### **The project has been entrusted to NEA and a committee is to study its modality**

KATHMANDU, Nov 24: The government has decided to build the Budhigandaki Hydroelectric Project itself, using its own technology, and state-owned power utility Nepal Electricity Authority is to be the project developer.

The cabinet decision on building the 1,200 MW reservoir-type project has come 11 days after the government scrapped an earlier agreement awarding the project to the Chinese company, China Gezhouba Group Corporation (CGGC).

In taking its decision, the cabinet said the decision of the former government was ill-intentioned and inappropriate. Budhigandaki is a dream project that is expected to bail the country out of its the power crisis. But using Nepal's technological knowhow alone is probably a bad idea because the country has been importing technology and major equipment as well as expertise for several other hydropower plants.

The cabinet also set up a committee led by Vice-Chairman of the National Planning Commission Swarnim Wagle for studying the project's Engineering Procurement, Construction and Finance (EPCF) modality. This modality is a first for the country.

The committee members include the secretaries of the Ministries of Finance and Energy, the governor of Nepal Rastra Bank, a joint secretary (policy division) of the Energy Ministry and the managing director of NEA. The committee will submit its report within 15 days.

The decision of the government led by the Nepali Congress (NC) to scrap the project accord with the Chinese has angered the left alliance. The CPN-UML chairman has already threatened to roll back the scrap decision once it comes into power. NC was also in the coalition government led by Maoist Center Chairman Pushpa Kamal Dahal when it awarded the project to the Chinese company.

Former bureaucrats have said that the project costing about Rs 260 billion can be developed like the Upper Tamakoshi Hydropower, under a company model with co-financing by different institutions, including the Citizens Investment Trust, Employees Provident Fund and Nepal Telecom.

Sheetal Babu Regmi, a former energy secretary, said that the government's decision is a correct one.

"The project cost will be about Rs 300 billion and it may take a decade. Do the math and it may require annual outlays of only about Rs 30 billion," he said.

Regmi elaborated that the government may actually have to put up only Rs 20 billion annually because Rs 13 billion has already been collected through the Rs 5 surcharge levied per liter on petrol, diesel and aviation fuel as infrastructure tax. Rs 10 billion is collected annually from the surcharge on petroleum products, he further informed.

But economist Posh Raj Pandey said that neither the contract award decision by the Dahal government nor the subsequent decision to scrap it can be taken seriously. "These are all political gimmicks," Pandey said, adding "The latest decision to build the project on our own may be meant to counter Indian press reports that Nepal is likely to award the project to Indian companies."

"The project is important but financing it on our own may be quite difficult because of its long gestation period," he said and suggested that the government may bring in some foreign companies in a joint venture.

Following the project award to the Chinese, energy experts and some politicians protested, and about four months later parliament's Finance and Agriculture and Water Resources Committees jointly asked the government to scrap the decision.

Source: My Republica; 25 Nov 2017

## **Government to construct Budhi Gandaki Hydel Project on its own**

The much-awaited national pride project – Budhi Gandaki Hydropower Project is to be constructed at national investment.

In this connection, the government has decided to complete the construction work of the 1,200-MW hydropower project within coming eight years.

A meeting of the Council of Ministers on Friday took the decision of forming a study committee headed by Vice-Chairperson of the National Planning Commission, Dr Swarnim Wagle, to ensure the investment to complete the project within the deadline.

Organising a press meet at the Energy Ministry to inform the government's decisions, Deputy Prime Minister and Energy Minister, Kamal Thapa, said that the study committee comprises Finance Secretary, Energy Secretary and Governor of the Nepal Rastra Bank. The Committee is mandated to submit its report within 15 days.

Similarly, the government has also decided to give the responsibility of detailed engineering, procurement and construction and financing (EPCF) of the hydel project to the Nepal Electricity Authority, added DPM Thapa.

The cabinet meeting held on November 13 had decided to scrap the agreement signed with China's Gejuwa Company on Budhi Gandaki hydro construction. The Energy Ministry had already informed the Gejuwa Company about the cancellation of the agreement. The government had invested Rs 1.96 billion to prepare a detailed project report of the Project.

DPM and Energy Minister, Thapa, said that the cabinet also decided to carry out Budhi Gandaki Lower Basin Benefit Study under the leadership of Water Resource and Energy Commission of the Energy Ministry.

Similarly, the meeting also promoted Buddhi Bahadur Khadka to the post of Secretary and Dr Sushilnath Pyakurel and Dr Tarun Poudel to the 12th level.

The government took the decision to upscale the capacity of Hetauda Hospital to 300 beds, Seti Zonal Hospital to 300 beds and Bhim Hospital, Rupandehi to 50 beds. RSS

Source: The Himalayan Times; 26 Nov 2017

## **Measures to tackle Delhi pollution cuts power supply to Nepal**

*Rudra Pangei*

Nepal's import of electricity from India has been reduced owing to measures taken by India to tackle New Delhi's air pollution.

Import of electricity from India via two routes -- Dhalkebar-Mujaffarpur transmission line and Tanakpur -- have been reduced by 25 MW and 30 MW respectively since November 17.

The supply via Dhalkebar has been reduced to 75 MW while it has gone down to zero via Tanakpur. Indian authorities have informed Nepal Electricity Authority that the supply was affected due to measures taken to control air pollution in Indian cities as ordered by the Supreme Court of India.

The court has banned use of two high pollutant sources of energy -- pet coke and furnace oil -- in industries effective from November 17 and Shree Cement Limited, which was supplying electricity to Indian power supplier to Nepal -- NTPC Vidyut Vyapar Nigam Ltd (NVTN). Both the NVTN and PTC India Limited did not have enough power to supply to Nepal. The NVTN is supplying energy via Dhalkebar at the price of INR 3.60 per unit while PTC India is supplying via Tanakpur at the price of INR 3.44 per unit, based on short-term power sale agreement with the NEA.

According to spokesperson of the NEA Prabal Adhikari, both the companies informed them that their supply to Nepal was affected from midnight of November 18 and they were trying to find another source of energy to feed in their system.

"However this cut in the supply has not immediately affected electricity supply in our country as water discharge in the snow-fed rivers that generate electricity in the country has not yet reduced yet," said Adhikari.

Such ban on using pet-coke and furnace oil is in effect in Uttar Pradesh, Haryana, Rajasthan, New Delhi and other cities connected to the capital city.

"PTC India Limited has informed that they are looking for alternatives for resuming the supply," said Adhikari, adding that either the supplier will find alternative source of energy or wait for the cement factory to switch to another source of energy.

Meanwhile, from Friday night, NVTN, India's government-owned nodal agency for energy trading with Nepal, has improved supply via the Dhalkebar-Mujaffarpur transmission line to 100 MW. However, the NEA officials said they do not have information yet on how the supply has been managed. Out of the total agreed import capacity of 145 MW via the line, the NEA has ordered for 120 MW for December.

Meanwhile, Nepal-India Joint Steering Committee, a secretary-level bilateral committee to deal with power trading, is not going to meet this month as planned. This delay may affect renewing power trading via Dhalkebar.

The NEA is under pressure to add power supply in its system for upcoming winter and dry season, as its attempt of importing more energy via India could not materialize due to delay in construction of the substation at Dhalkebar. Moreover, its plans of installing solar plants of 25 MW capacities and importing energy-efficient led bulbs landed into controversy.

Source: The Himalayan Times; 26 Nov 2017

## **Political stability and effective bureaucratic mechanism can only ensure the construction of Budhigandaki project and overall development of hydropower sector**

*Saurav Bashyal*

The hydropower sector in Nepal is rapidly expanding with the pouring investments in hydropower projects and consistent management of generated electricity - more than 150 hydro projects from private sector are under construction with the combined capacity of more than 3,000MW along with other projects submitted to NEA for PPA with combined capacity of 5,500MW. As a result, the country is unburdened from the problem of load shedding that harshly effected people's life and stunted the industrial production within the country for a long time. However, Nepal is far away from being self reliant in electricity generation especially in the light of the recent political development as all hopes lies on the construction of big scale projects like Budhigandaki, West Seti, Upper Tamakoshi, et cetera. . Like every other productive sector in Nepal, the hydropower sector has not been able to fully operate under its true potential as it is also a victim of political instability, lack of leadership, unreliable environment for investment and ill intended political interference. Instead of navigating a proper course for the growth of hydropower sector, the political leadership has further halted successive progress and incapacitated the bureaucratic channel through political lobbying. Therefore, it's high time that political establishments stop unwarranted intervention in the hydropower sector and develop proper policies to further strengthen the hydro sector in Nepal by ensuring that big scale projects are under operation and completed in stipulated time. .

Fate of Budhigandaki project .

The government has decided to use domestic investment for the construction of 1,200 MW Budhigandaki Hydro Power Project which is based on reservoir model. A cabinet meeting held on November 24 decided to form the project on Engineering, Procurement and Construction (EPC) model. . Earlier, the government had annulled the contract awarded to Chinese Gezhouba Water and Power (Group) Co Ltd (CGGC) for the construction of 1,200 MW Budhigandaki Hydro Power Project on November 12. Before that the Pushpa Kamal Dahal-led government had handed over the Budhigandaki project to the Chinese company with Minister for Energy Janardan Sharma signing a memorandum of understanding (MoU) on June 4. .

The much-talked about hydro project was supposed to be built in Engineering, Procurement, Construction and Financing (EPCF) model which ensures that Gezhouba itself generates the required fund for the project without any involvement of Nepal. Under this provision, the Chinese government had also agreed to provide fund to Gezhouba through the Export-Import Bank of China.. However, the MoU with the Gezhouba came under severe criticism over the decision to directly award the contract to Chinese firm with negative track record in Nepal by boycotting the competitive bidding process. Stressing that the assignment of contract to Chinese firm lacks transparency, breaches the legal procedure and Public Procurement Act, the parliament's Agriculture and Water Resources Committee and Finance Committee had ordered the government to scrap the MoU and focus on building the national pride project through national investment. .

With the cabinet's decision to construct the Buddhigandaki project through domestic investment and technology, it is important to note that political willingness and commitment is compulsory for the success of the project. Dinesh Kumar Ghimere, Joint Secretary at Ministry of Energy (MoE) said, "The contract with the Chinese company has been annulled and the government has decided to construct the Budhigandaki project through domestic investment under the EPC model. A special committee will be

formed to study the financial as well as technical aspects of the project and the project will further move ahead with the findings derived from the study carried out by the committee.”.

The project is expected to cost around Rs 260 billion as per the study conducted by French company, Tractebel Engineering. Meanwhile, Nepal Oil Corporation (NOC) has collected Rs 13 billion from consumers for the proposed project in the past 16 months. Former finance minister, Bishnu Paudel had included the provision in the annual budget of fiscal year 2016/17 to collect infrastructure tax of Rs 5 on each litre of diesel, kerosene, petrol and aviation turbine fuel sold for the Buddhigandaki project which was touted as the key project to solve energy crisis in Nepal. .

Speaking with the THT Perspectives, Shailendra Guragain, President of Independent Power Producers Association of Nepal (IPPAN), said, “The decision to develop Buddhigandaki project with national investment instead of depending upon foreign players is a positive development. It is important to note that previously the contract was awarded to the Chinese firm without adhering to the right procedure. Recently, the contract was scrapped in the form of political revenge which clearly exhibits the short sightedness and lack of seriousness in political leadership. So, political willingness and firm decision making is necessary for the completion of Buddhigandaki project.” .

Heavily politicised .

The hydropower sector in Nepal is laden with political interference. The political instability has stopped the country from pursuing its energy goals through an effective course of action. The hydropower sector has been dealt severe blows with the enforcement of new policies and plans with every change in governance. Meanwhile, the fact that bureaucracy is not independent and relies on the will power of the political establishment also makes it difficult for the hydro power sector to remain unaffected by the political upheaval. .

Besides the instability of domestic politics, the hydro sector in Nepal is also influenced by its geographically strategic location. With the country's rich hydropower resources and untapped potential, both India and China are eyeing to make the best use of Nepal's water resources by increasing their investment in hydro sector in Nepal. Stressing that the withdraw of Buddhigandaki project is influenced by political agenda Khadka KC, Assistant professor of International Relation and Diplomacy at Tribhuvan University said, “The annulment of Buddhigandaki and the extension of deadline for ‘financial closure’ in the case of Upper Karnali undertaken by GMR and Arun III undertaken by Sutlej Jal Vidhyut Ltd has a very strategic and diplomatic implication. And, we must also understand that the general tendency to politicise development issues in Nepal is hindering the country's ability to move to a developed status.” . The Nepali economy which bounced back from the effect of earthquake and economic blockade in 2015, with the increment in Foreign Direct Investment (FDI), is likely to take a hit from the recent development in Nepali hydro power sector the government's faces flak on its credibility of doing business negotiation and agreements. Tanka Karki, Former Nepali Ambassador to China said, “In case of China, both the investor and Chinese government are eager to expand their investment in Nepal as Nepal is also a part of One Belt One Road (OBOR), so, we must be careful while inking any deal with our neighbour. The practice of revoking MoUs and abandoning deals half-way through will surely complicate Nepal's diplomatic relations.”.

Meanwhile, domestic independent power producers are also very critical of the government's inability in the guidance and growth of hydro sector in Nepal. The domestic producers feel at a disadvantage and claim that our government prioritises foreign companies rather than supporting domestic investors. Stressing that the government is not concentrating on the development of hydropower sector by continuing the ongoing policy and framework, Gyanendra Lal Pradhan, Treasurer at Federation of Nepalese Chamber of Commerce said, “The Buddhigandaki hydropower project should be built only after coming up with proper cost estimation because it is impossible to build any reservoir project in Nepal with the high interest loans from banks in Nepal. So, the government should opt for loans under OBOR initiative or any other programme with low interest rate to make sure that the cost of production of one

unit of electricity does not exceed the normal rate after the completion of project.” He further said, “The government has committed various mistakes in the preparation of Detail Project Report, cost estimation and also while signing MoU and scrapping it later.” .

The fact that the government has not been able to expedite 21 flagship National Pride Project and has very poor track record in capital expenditure clearly indicates that serious reformations and commitment are needed in the government's working mechanism for the development of Budhigandaki Hydropower Project. Sujit Acharya, Chairman at Energy Development Council says, “Nepal will be needing 40,000MW of energy in next 10 years and Investment Board of Nepal needs to come up with one-window clearance policy to expedite the time period for permit clearance and land clearance to one year in order to encourage FDIs for producing 40,00MW of electricity.” .

Other issues that need to be addressed .

With electricity generation capacity of 1,200MW, Budhigandaki Hydro Power Project surely holds a great promise for Nepal but there are other pressing matters at hand like lack of transmission lines, delay in projects completion that requires immediate attention. However, there are not enough transmission lines to transmit from the production unit. According to Guragain, lack of transmission is a major hurdle for power producers as there is no point of generated electricity if it cannot be transmitted in the absence of transmission lines. .

One of the national pride projects, Upper Taamakoshi project with the capacity of 456MW is likely to come under operation by October, 2018 but its future remains bleak if the problem of transmission lines is not immediately sorted. Prabal Adhikai, Chief of Power Trade Department at NEA said, “Quantum wise, Upper Tamakoshi will make us self reliant on electricity during wet season but we also need to build transmission and distribution systems simultaneously. For the development of transmission system that can support the generated electricity, we need fast-track mechanisms to resolve issues like forest clearance, land acquisition and community pressure that lengthens the project completion time.” .

Therefore, the scope of the hydropower sector can be widened if the political establishment is determined to put national interest and benefit before all else. Besides, prioritising big hydro projects, the authorities related such as MoE, NEA, Department of Electricity Development, IBN should be left independent from political interference, lobbying and unnecessary infiltration. Once these issues are resolved, the hydropower sector will surely flow in the right direction..

Source: The Himalayan Times; 26 Nov 2017

## **Investment competitiveness in hydropower**

### **hydrohighlight**

*Pradeep Gangol*

Investment competitiveness, according to a World Bank report, is the ability of countries to not only attract but also to retain and integrate private investment into their respective economies. In order to enhance investment competitiveness, business environment should be such that both domestic and foreign companies can efficiently enter the market, expand operations and develop more linkages with local, regional and global economies. In general, the pre-requisites for Foreign Direct Investment (FDI) are political stability, security, and macroeconomic conditions, a business friendly, legal and regulatory environment of the country..

The benefits of FDI, besides attracting needed capital, transfer of technical know-how, managerial and organisational skills, and opens access to foreign markets..

The factors that affect investment decisions are: political stability and security, legal and regulatory environment, domestic market size, macroeconomic stability and favourable exchange rate, available talent and skill of labour, good physical infrastructure, low tax rate, financing in local market, access to land or real estate, and low cost of labour et cetera. .

Investors are reluctant to invest in the country, where there is lack of transparency and predictability in dealing with public agencies, sudden change in the laws and regulations with an impact on the company, delays in obtaining necessary government permits or approvals to start or operate a business, restrictions in the ability to transfer and convert currency, breach of contract by the government et cetera.

When viewed from the above mentioned criteria, Nepal does not fare very well in attracting FDI. . Piecemeal and very little.

Though the government introduced many policy and regulatory measures, there were piecemeal.

Investors seek predictability and efficiency in the implementation of laws and regulations..

Duty free imports, tax holidays and VAT exemptions are the three most attractive investment incentives for investors. Predictable government conduct is at least as important to investors as countries' laws and regulations. Investors not only look at policies on paper, but also at implementation and administration of these policies.

Investment climate reforms are needed to create markets and maximise investment. The reforms are essentially legal, regulatory, procedural and institutional ones, that are needed to enhance a country's competitiveness.

We are importing electricity from India to meet the domestic demand. We need to revisit our existing policies, laws and regulations and update to make it competitive with the policies and laws of other nations competing for foreign direct investment in hydropower..

Also, we need to assess the risks and manage those risks so that potential investors from all over the world find Nepal, a lucrative destination for hydropower development in Nepal. We need to address many hydropower sector issues properly to make project financing viable like managing land acquisition, environmental clearance, sovereign guarantee and any resettlement by the host country, long-term Power Purchase Agreement (PPA) with the utility, seamless remittance of profit in convertible currency, bankable Public Private Dialogue (PPD) and PPA (lenders prefer hydrological risks and foreign exchange risks to be borne by utility company)..

The onus to resuscitate Nepal Business Forum, therefore, lies with the government, in particular, Ministry of Industry. It has been observed that the public sector regards the private sector as a beneficiary or target of its development policy than an equal partner in the development of policies and

strategies. It is important to note that PPD is not a top-down monologue by state entities in which the business community is a 'recipient of decisions' rather than a development partner..

Nepal needs to catch up with the fast growing economies of China and India. At a time when Nepal needs huge amount of grants and loans for reconstruction and for stimulating the economy due to recent earthquake, we urgently, proactively and aggressively need to attract FDI for industrialisation and infrastructural development. We cannot, therefore, afford to make slow decisions to re-activate Nepal Business Forum, which provides excellent platform for public - private dialogue for improving the business and investment climate. The commitment to re-activate and make success Nepal Business Forum (NBF) both from government and the private sector may prove to be a game changer in improving the business and investment climate in Nepal..

This requires a more developed private sector and better local business environments. NBF was established in 2010 to foster private sector by providing a common platform for PPD in order to resolve issues related with business and investment.

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Source: The Kathmandu Post; 27 Nov 2017

## **Power output falls due to reduced river flow**

*AASH GURUNG*

Production of hydroelectricity at both large and small plants has fallen sharply as water levels in the rivers have fallen with the start of the rainless season.

The Middle Marshyangdi Hydropower Station with an installed capacity of 70 MW has been putting out only 50 MW of electric power due to reduced flow in the Marshyangdi River.

During the rainy season when the river swells with water, the station produces up to 72 MW of electricity. The powerhouse contains two turbines with a capacity of 35 MW each, and currently only one is being used to produce electricity, project officials said.

Station Chief Pashupati Raj Gautam said they were running one turbine for 2-3 hours during the day and for 3-4 hours during the night. "We have been trying our best to run the power plant at full capacity by collecting the water flowing in the river," Gautam said.

As per project officials, the water level in the Marshyangdi River has declined sharply very early in the dry season this year. From last month, the project has closed the gate completely to collect water and direct it to the powerhouse through the tunnel. "Last year, the water level had remained steady till this time of the year," Gautam said.

According to him, the average electricity production at the project amounted to 27 MW last year. "With a notable drop in the water level, production has declined this year." Electricity production at Upper Marshyangdi-A is also likely to shrink as the water level in the Marshyangdi River has dropped. Since last Friday, the 50 MW project has started diverting water through the tunnel.

Karna Adhikari, information officer at the project, said that electricity production at Upper Marshyangdi-A had not fallen. "If the water level drops further, electricity production at the project could be hit," Adhikari said.

Apart from these large hydroelectricity projects, small plants that are mainly based on direct water supply from the rivers have been affected due to reduced flow.

The 5 MW Siuri Small Hydroelectricity Project, 4.4 MW Randhi Small Hydroelectricity Project, 4 MW Khudi Small Hydroelectricity Project, 3 MW Midimkhola (Karapu) Small Hydroelectricity Project, 2 MW Chhandikhola Small Hydroelectricity Project and 183 KW Syange Micro Hydroelectricity Project are reporting reduced production of electric power.

Recently, a total of 138.58 MW of electricity has been added to the national grid. Government statistics show that electricity supply drops by almost half during the dry season.

Source: Xinhua; 27 Nov 2017

## **Nepal identifies three potential projects to be implemented under Belt and Road Initiative**

Nepalese Officials have identified three potential infrastructure projects to be implemented under the framework of China-proposed Belt and Road Initiative.

The projects discussed by officials on Sunday include a cross-border railway project connecting China's bordering town Kerung with Nepal's capital Kathmandu, electricity transmission line connecting Kerung with Nepal's Galchhi in Dhading district, a neighboring district of Kathmandu and the Sunsari-Marin Diversion Irrigation Project in eastern Nepal, according to a press statement of Nepal's Finance Ministry.

During a meeting of the Project Development and Facilitation Committee to implement the Memorandum of Understanding (MoU) signed between Nepal and China related to the Belt and Road Initiative, officials from ministries including finance, physical infrastructure and transport, energy, irrigation, urban development, agriculture and tourism discussed these projects.

"Although we have identified these as potential projects to be implemented under the Belt and Road Initiative, we have not finalized them yet," Yugraj Pandey, under secretary at Nepal's Ministry of Finance, told Xinhua on Sunday.

At the meeting, Finance Secretary Shankar Prasad Adhikari urged officials from other ministries to submit the potential projects which are ready for implementation within the next five days.

"A consensus reached among the officials is that the Finance Ministry will propose the projects to the Chinese government based on national priority and necessity of the country," the ministry said in the statement.

Also at the meeting, Economic Advisor to Nepali Prime Minister Gyan Chandra Acharya urged the ministries to propose projects that could promote connectivity with productivity so as to reap as much as benefit from the the initiative.

A Cabinet meeting of the Nepali government on Aug 15 also asked the Energy Ministry to seek the Chinese support to build reservoir projects and transmission lines under the initiative.

Source: My Republica; 29 Nov 2017

## **China Gezhouba objects to termination of MoU, terms it invalid**

China Gezhouba Group of Company (CGGC) Limited has objected to the government's decision to scrap the Memorandum of Understanding (MoU) signed with it for development of Budhi Gandaki Hydroelectric Project

It has termed the decision 'unilateral' and 'invalid'.

In its letter sent to the Ministry of Energy dated November 17, the Chinese company has said that it would refuse the unilateral declaration to terminate the MoU.

The government had scrapped the MoU on November 13, citing the decisions of the erstwhile Finance and Agriculture and Water Resources committees.

The company, which was entrusted the 1200-megawatt reservoir plant as per the MoU signed in June by the former government led by UCPN Maoist (Center), has expressed reservation over the decision, saying that it was also not given prior information of the termination as per the Clause 9 of the MoU. Clause 9 of the MoU states that other party should be notified about termination by giving a 30-day notice along with reasons to do so.

An excerpt of the letter addressed to senior divisional engineer of MoE, Raju Maharjan, reads: "The abrupt action on behalf of the Government of Nepal to terminate MoU specifies no ground nor we bound by any reasons to the decision of the termination, which in itself didn't entertain the basic rule of game as stipulated under Clause 9 of the MoU."

"This mode of termination reflects unfair conduct on the part of Government of Nepal... The failure to follow the required procedure in itself renders invalid termination. The termination must be attributed to a valid reason, it merely required 'unequivocal' conduct, which we did not observe on the part of the Government of Nepal," the letter states.

The company also has cited a clause, which, it says, has barred both parties working with any other third party in pursuit of a contract agreement for the project.

### **Address our demands at the earliest: Project-affected locals**

Locals affected by Budhi Gandaki Hydroelectric Project has threatened to launch protest if their demands like distribution of compensation, determination of compensation amount for land and houses in market areas, rehabilitation plan and shares of locals in the project are not addressed within the current fiscal year.

Issuing a statement on Tuesday, the Budhi Gandaki Hydroelectric Project Concern Committee said it was unfortunate that the Ministry of Home Affairs has not responded to their demand for review of compensation amount fixed by the compensation fixation committee.

Out of the 58,153 ropani of land to be acquired by the project, the project has provided compensation for only 3,700 ropani in Gorkha and 4,900 ropani in Dhading so far. Though transaction of land in the project affected area was blocked two years ago, the government is still to distribute compensation for more than 49,000 ropani, the committee said in the statement. It also regretted that the government, as well as the political parties, has shown indifference toward their demand.

Although the compensation fixation committee has proposed to the cabinet to evaluate the private properties set to be demolished to provide compensation along with rehabilitation facilities for those displaced, the proposal is yet to be passed by the cabinet, the committee said in the statement.

Source: The Himalayan Times; 29 Nov 2017

## **CGGC claims govt cannot scrap Budhigandaki deal unilaterally**

The China Gezhouba Group Corporation (CGGC) has claimed that the government's decision to scrap the Budhigandaki Hydropower project deal in a unilateral manner is against the set conditions in the memorandum of understanding signed with the Chinese company. Writing a letter to the Ministry of Energy (MoE), a copy of which was also sent to the Prime Minister's Office, Yuan Zhixiong, Nepal representative of CGGC, has claimed that the government had to give the company a notice 30 days before taking the decision as per the provision of the MoU.

Citing that the MoU is a legal document and the government needs to abide by the provisions, the Chinese company indirectly signalled that they might take a legal recourse.

"Any party may terminate the MoU, with reasons, at any time by giving a 30-day advance written notice to the party," the letter written to the MoE states. "The government has the right to scrap the deal with reasons but no notice was furnished to us as per the MoU."

The incumbent government had scrapped the Budhigandaki deal through a Cabinet-level decision on November 13 following instruction of the House panels to scrap the deal that was signed by the earlier government led by Maoists Centre Chairman Pushpa Kamal Dahal.

A joint meeting of the Finance Committee and Agriculture and Water Resources Committee of then Legislature-Parliament had instructed the government to scrap the deal with the Chinese company. The joint meeting had cited that the Dahal-led government, which was a caretaker government, had handpicked the Chinese company to award the contract of the 1200-megawatt Budhigandaki project under EPCF (engineering, procurement, construction and financing) contract, thus breaching the set standards of competitive bidding.

Moreover, the meeting had also pointed out that there were still no guidelines for EPCF contract in Nepal. After the deal with the Chinese company was scrapped, the Ministry of Energy recently handed over the project to Nepal Electricity Authority (NEA).

Meanwhile, the government's decision to scrap the agreement with the Chinese firm has widened the political rift between the Left alliance and Nepali Congress and its allies. Chairman of CPN-UML KP Sharma Oli had urged the government to revert the decision to scrap the deal. The deal was signed by then energy minister Janardan Sharma and Lv Zexiang, president of CGGC Beijing, in the presence of then prime minister Dahal and Ambassador of China to Nepal Yu Hong on June 4.

The CGGC, in its letter to the MoE, has also mentioned that the MoU with the CGGC had been endorsed by the Cabinet meeting of August 15 led by Prime Minister Sher Bahadur Deuba and it had decided to put the project under Belt and Road Initiative (BRI) of the government of China. The government of China has a policy to assist projects initiated under the BRI through the government and China-sponsored Asian Infrastructure Investment Bank.

