

Source: The Kathmandu Post, 27 June 2018

Upper Tamakoshi makes IPO worth Rs1.05 billion

Upper Tamakoshi Hydropower Limited (UTHL) has made an initial public offering (IPO) for locals affected by the Upper Tamakoshi Hydropower Project in Dolakha district. UTHL, a subsidiary of the Nepal Electricity Authority (NEA), is the developer of the 456 MW plant.

The company on Tuesday issued a public notice inviting the residents to apply for 10.59 million ordinary shares worth Rs1.05 billion. This is 10 percent of the total shares that the company has set aside for project affected locals.

According to the notice issued by UTHL, Dolakha locals can apply for the shares of the hydropower project from July 8-25. They have to apply for a minimum of 30 shares each while the maximum has been fixed at 300 shares. The residents have been categorized into three classes: severely affected, moderately affected and less affected. The highest number of shares have been set aside for the severely affected, and the moderately affected and less affected will get progressively fewer shares. The three categories of affected locals will get shares in the ratio of 3:1.4:1, according to the notice issued by the company. This means if the severely affected are awarded 300 shares, the moderately affected and less affected will get 140 and 100 shares respectively. After the shares have been distributed to project affected locals, the company will make an IPO for the general public. UTHL has set aside 15.88 million ordinary shares worth Rs1.58 billion for the general public which is equivalent to 15 percent of the total shares of the company. The general public can apply for a minimum of 50 shares each while the maximum has been fixed at 1,000 shares.

UTHL decided to IPO with 95 percent of the construction work on the project completed. However, the plant is likely to miss its completion deadline as the Indian contractor assigned to execute the hydro-mechanical works has been working very slowly. At least one of the plant's six turbines should be churning out power by December 2018 as per the deadline set by the government. The entire project needs to come online by April 2019. But that does not look like happening.

The company said it would be difficult to complete the project within the deadline due to dillydallying by the Indian contractor Texmaco Limited. As part of the hydro-mechanical works, the Indian company needs to build gates at the intake of the dam and fit the penstock pipe in the tunnel. Although the contractor is currently constructing the gates at the intake, it is yet to start installing the penstock pipes. The penstock pipes deliver water from the dam into the turbines in the powerhouse to generate electricity. Irrked with the delay by the Indian contractor, the project office is persuading it to subcontract some of its tasks to different contractors to complete the construction on time.

Source: My Republica, 27 June 2018

Bilateral talks silent on West Seti, Budhigandaki

Works on two important hydropower projects -- West Seti and Budhigandaki-- have failed to gain momentum despite the government commitment to harness hydropower potentials by building reservoir-based plants.

Two separate companies owned by the Chinese government are involved in these projects -- directly or indirectly. But both the projects are not gaining momentum in the lack of bilateral commitment of the two countries.

Though Nepal had raised the issue during the recent China visit of Prime Minister Khadga Prasad Oli, no agreement was reached, according to officials present in the bilateral talks.

The joint statement issued after the bilateral talks is silent about these projects though new agreements on energy cooperation and conducting feasibility study of cross-border transmission lines were reached during the visit.

Following termination of license of Budhigandaki Hydropower Project (1200 MW) awarded to China Gezhouba Construction Group Corporation (CGGC) by the previous government, the current government is silent on the matter. Though Minister for Energy Barshaman Pun announced to build the project by mobilizing internal resources on May 9, the cabinet has rejected the financing modality of mobilizing internal resources to build the project prepared by a team led by former vice chairperson of National Planning Commission Swarnim Wagle.

The report prepared by Wagle's team is gathering dust at the energy ministry.

Though distribution of compensation for land and houses to be acquired for the project is going on in full swing, the government has not stated clearly how the project will be developed. Many say that the indecision hints that the government was preparing to award the project again to the Chinese company. "The issue of financing the multi-billion-rupee project still remains undecided," said joint secretary of Ministry of Energy, Water Resources and Irrigation, Chiranjibi Chataut who oversees the project from the ministry.

The project is among a few ready-to-implement projects of the government. Chataut fears the delay in finalizing project development modality might trigger fresh hurdles from the project-affected locals. China Three Gorges International Corporation (CTGIC) holds the license to develop West Seti hydropower Project of 750 MW. The company has been pressing the government to lower the project's capacity to make it financially viable. But Investment Board Nepal (IBN) and other government agencies are against doing so. A committee formed by IBN to sort the issue has submitted its report. But no decision has been taken on the report yet.

In the budget speech for Fiscal Year 2018/19, Minister for Finance Yuba Raj Khatiwada said that the government will build the West Seti Project by mobilizing internal resources. It prompted IBB, which is handling issues related to the project, to issue a statement, saying that the issues on West Seti are still under consideration at IBN and no final decision has been taken so far.

Chinese officials also objected to the government's decision on West Seti.

"We urgently need both the projects. Nepal raised the issue during bilateral talks with China. But no headway could be made because the Chinese side did not want to enter into conflict in Budhigandaki project while it has its own grudges on West Seti project," said Gyanendra Lal Pradhan who was also in the delegation to China.

Pradhan is of the view that the government made a mistake by not giving full ownership of the project to CTGIC.

Nepal Electricity Authority holds 25 percent stake in the project.

“CTGIC is finding it difficult to implement the project given the NEA’s working culture and some outdated modality of setting project’s capacity,” Pradhan, who is also an independent power producer, said.

Source: My Republica, 28 June 2018

Nepal pitches Tamakoshi V for AIIB financing

Nepal has formally sought financing for Tamakoshi V Hydropower Project from Asian Infrastructure Investment Bank (AIIB).

The project is designed to be developed at the tail end of the under-construction Upper Tamakoshi Hydropower Project. Ministry for Finance has proposed the 101-megawatt project as well as two others for financing of the Asian Infrastructure Investment Bank (AIIB) last week. During AIIB's third annual meeting held in Mumbai on Monday and Tuesday, Minister for Finance Yuba Raj Khatriwada sought the regional development bank's assistance to build the project.

Responding to Khatriwada's proposal, AIIB President Jin Liqun assured the Nepali team that AIIB will soon study Nepal's proposal and assess the project's viability before taking decision on the proposal, a statement issued by the Ministry of Finance on Wednesday said.

In a separate meeting with Secretary of Ministry of Finance, Shishir Dhungana, AIIB Vice President D J Pandian said that they were positive about investing in Tamakoshi V.

This project financing will be first of its kind in Nepal by the institution established with the aim of supporting infrastructure development in the region. The China-led bank, which was set up in 2015, has a capital of US\$ 100 billion. It is widely perceived as a rival to the US-led World Bank.

Tamakoshi V needs an investment of Rs 15 billion (approximately \$150 million) and Nepal Electricity Authority has already instituted a separate entity for executing the project. It will harness hydropower in the same way like Upper Tamakoshi i.e. storing water for up to six hours before starting generation. This means the project can operate in full capacity for six hours during peak hours like the Upper Tamakoshi project. This feature makes the project attractive for investment. Further, there is no need to build transmission lines.

The other two projects that Nepal has tabled for AIIB financing are strengthening power distribution system in mid and western Nepal, and an integrated urban development project.

Strengthening power distribution system, which is estimated to cost Rs 10 billion, incorporates upgrading the selected power supply facilities in those two regions.

Joint Secretary of Ministry of Finance Shrikrishna Nepal and AIIB Vice President Joachim Von Amsberg signed an agreement of technical assistance worth \$1 million for preparing the project before going for implementation.

Likewise, building roads, sewage system and other utilities in seven cities in tarai region are the works under integrated urban development project which is estimated to cost Rs 11 billion.

Talking to Republica, Under-Secretary of Ministry of Finance, Yug Raj Pande, said that the government hopes to sign investment agreements for these projects totaling over Rs 35 billion in the next one and half years.

Speaking at the meeting in Mumbai, Minister for Finance Khatriwada said that Nepal will also table other infrastructure projects, including railway, several fast track highways, tourism infrastructure projects and mega hydropower projects in the coming days.