

Source: My Republica; 18 Oct 2015

Hydro solutions

Dr Durga Prasad Paudyal

India has always negotiated mega projects during politically difficult times so as to have an upper hand

Nepal is suffering from the unofficial blockade imposed by India. Newspaper reports say India wants Nepal to accommodate Madheshis and Tharus in the new constitution through fast track amendments. It is interesting that India has gone that far for Madheshis and Tharus. But its claim rings hollow.

If it were really concerned about well-being of these communities residing in Nepal-India border areas, it would have shown sensitivity while constructing Koshi, Gandaki and Karnali (Ghaghra) barrages which have inundated a number of Tharu and Madheshi villages.

Some argue India's hidden interest is to separate Madhesh from Pahad, and ensure majority of India-loyal-

Madheshi leaders in the Parliament so as to construct river-linking projects, significant portion of which falls in Nepal. This is a poor argument. Loyalty cannot be bought just because of cultural similarities, unless the benefits are also shared. Others argue that India has been dragged into the ethnic politics, actually designed by western powers.

In fact, most of our problems owe to incapability of our leaders. When 18 hill and Himalayan districts were devastated by April earthquake, international community, including India, pledged over US \$4.5 billion for reconstruction. But our leaders did not work for reconstruction. Instead they decided to fast-track constitution making. CA members could have reached out to their constituencies explaining what is in the new constitution. They did not. Two former prime ministers who visited Delhi should have either rejected the Indian demand or made efforts to include it in the constitution. This would have reduced misunderstanding with India. They did neither. Constitution was promulgated while 18 districts of Tarai were still ablaze.

Despite being rich in natural resources, Nepal remains one of the poorest countries. But despite high and steady economic growth of the past decades there are still over 300 million Indians under the poverty line. With booming economic growth, India also needs more energy.

Nepal holds the key to energy requirement of India. There are possibilities for vast amount of renewable and clean hydro-electricity along with irrigation and flood control opportunities from Himalayan Rivers. A number of projects—including Mahakali Pancheswar (6,600 MW), Karnali Chisapani (11,600 MW), Upper Karnali (900 MW), Koshi High Dam (over 3,000 MW), Arun III (900 MW) and Budhi Gandaki (1,100 MW)—have been proved cost-effective. But these projects have potentials as well as risks.

Koshi High Dam Project, for example, can generate over 3,000 MW of electricity and irrigate over two million hectares of land in Nepal and India. It would submerge 190 square km of fertile land of 82 VDCs of nine hill districts of Nepal. Similarly, the dam would inundate existing foot-trail network that connects all Pahadi districts with Terai. This project would have a profound

impact on existing social and economic order of Koshi hill area, due to large coverage and long gestation. Groups like Koshi Sarokar Samaj and Limbuwan Rastriya Mukti Morcha have asked the joint team of India and Nepal to stop preparation of its detailed project report.

Indian policymakers have always negotiated mega projects with Nepal during politically difficult times so as to have upper hand. The 1965 water resource deal with King Mahendra and the 1991 Tanakpur deal with Girija Koirala are examples. Similarly, the 2014 Upper Karnali and Arun III deals with Sushil Koirala will provide monopoly to two Indian private companies.

Development is the main agenda of Indian Prime Minister Narendra Modi. His visit to Nepal last year underlined the need to execute mega water resources projects for employment generation and income. He told the Constituent Assembly: "Exploitation of Nepal's water resources can change the face of Nepal". Accordingly, a power trade agreement was signed between two countries and a soft credit line of US\$ 1 billion was pledged for infrastructure development and energy projects as identified by Government of Nepal.

India knows more than anybody else that the British monopoly with distorted pricing under the colonial rule resulted in impoverishment and resentment in India. It should stop dealing with Nepal with old British mindset. It should rather have a system that allows prices to be fixed fairly and benefits shared equally. I propose the following.

At least one percent of the investment should be set aside for knowledge development and social mobilization. This money will be spent on three areas. First, defining and estimating the products to be developed. For example, to what extent rainwater could be harvested and stored in large reservoirs in the mountains of Nepal to generate renewable energy, year-round irrigation of millions of hectares of land and vital lives and properties saved from recurring floods? Similarly, while building major projects, environmental augmentation measures are required to mitigate adverse impact of climate change.

Second, big reservoirs inundate farm land, displace people and increase food insecurity in the mountain region. This issue cannot be addressed with one-time-compensation, as planners would like, because land is not only an asset but also an industry that provides income, employment and social esteem to farm households.

Third, modalities need to be developed, with government guarantee, for capital generation through bonds and shares from small and medium investors of both countries. Since capital accumulation and dividend distribution can be done in local currency, such methods would ensure wide distribution of benefits and enable broad-based development in both countries. If hydro projects are undertaken for the benefit of both the countries, it will solve half of the problems Nepal has with India.

The author is Chairman of Rural Self-Reliance Development Center (RSDC), Kathmandu
Source: Karobar; 27 Oct 2015

Cost of projects to rise

CHHABI LAL BAGALE

Both time and cost of hydropower projects under construction in Lamjung district are expected to rise in lack of regular works. Half a dozen projects in the district suffered a huge loss due to the earthquake on April 25 and current fuel crisis.

President of Model Investment Company Bhesh Bahadur Poudel said six projects under construction in the district had been working to generate 157 MW within five years but work has been affected due to the earthquake and fuel crisis. "Work had to be stopped for a long time after the earthquake and it has again been stopped due to lack of fuel. The government should have prioritized under-construction projects and provided fuel but did not," he added. He claimed that the projects in the district are currently suffering a daily loss of at least Rs 10 million.

The promoters are also worried about having to pay fine to the government for failing to complete projects in time on top of that. Upper Marsyangdi A (50 MW), Dordikhola (27 MW), Upper Dordi A (25 MW), Chhyangdikhola (2 MW), Midimkhola (3 MW) and Super Dordi B (49.6 MW) are currently under construction in the district. The power purchase agreement (PPA) with the Nepal Electricity Authority (NEA) has a clause requiring the projects to pay five percent of the price of energy to be generated if the projects are not completed in time.

Promoters complain that supply of fuel and even construction materials for the projects has been stopped now. Upper Marsyangdi A (50 MW), scheduled to start generation from January, 2016, is set to suffer the biggest loss of Rs 5 million per day. Promoter of Dordikhola Rajendra Wasti said the project will lose over Rs 2.10 million a day due to the delay. The 27 MW project aims to generate and sell electricity worth Rs 800 million per year. The project must be completed by April, 2018 as per the PPA with NEA.

Construction of Upper Dordi A (25 MW) has also been stopped for seven days. It will suffer a daily loss of Rs 1.80 million. Work in Midimkhola has also been stopped for the past four days in lack of fuel. The project will lose Rs 300,000 for delay of one day, according to public relations officer Rajendra Adhikari.

Estimated cost of these six run of the river projects is Rs 32 billion. Studies have showed that up to 3000 MW can be generated in the district alone.

Source: The Kathmandu Post; 28 Oct 2015

HIDCL to make largest ever public offering to raise Rs2 billion

Hydroelectricity Investment and Development Company Limited (HIDCL) is all set to conduct a Rs2 billion initial public offering (IPO) on Thursday, the largest ever in the country. The government-owned company, which was formed to generate resources for investment in hydropower projects, has aimed to boost its paid-up capital to Rs10 billion from the present Rs8 billion with the IPO. The prospectus for the IPO was published last week. Of the total 20 million shares scheduled to be floated during the IPO, 400,000 shares have been reserved for its employees while 1 million shares have been allocated for six various mutual funds. The rest of the shares will be sold to the general public, the company said. On Wednesday, HIDCL announced that the time limit for share issuance would be extended till November 5 from the earlier November 2 deadline considering the disruption to transportation due to the fuel crisis created by the unofficial Indian embargo. Deepak Rauniyar, chief executive officer of HIDCL, said that the company believed that all the shares would be subscribed to despite the large size of the IPO. "As there is an attraction for shares of hydropower companies, we can attract investors since we are an institution focused on financing hydropower and transmission line projects," he said. The Citizen Investment Trust (CIT) has been named the issue manager for the IPO while NCM Merchant Banking and NMB Capital have been appointed as the co-issue managers. The government has invested Rs5 billion in HIDCL while Rastriya Beema Sansthan, Citizen Investment Trust and Employees Provident Fund have poured in Rs1 billion each. HIDCL was formed in 2011 to mobilize funds from domestic and international resources to finance medium-sized and large hydropower projects and electricity transmission lines. It has so far co-financed six hydropower projects with capacities ranging from 23.5 MW to 82 MW. It has bankrolled projects like the Lower Solu (82 MW), Mistri Khola (42 MW), Khani Khola (30 MW), Dordi Khola (27 MW), Kabeli B1 (25 MW) and Solu Khola (23.5 MW). HIDCL has sought to develop two mid-sized hydropower projects through its subsidiary company Remit Hydro.

Source: The Kathmandu Post; 28 Oct 2015

HIDCL floating Rs 2b IPO today

Hydroelectricity Investment and Development Company Limited (HIDCL) is floating 19 million units of primary shares to public, starting Thursday.

The state-owned hydropower investment company, which has already allotted one million units of shares to six mutual funds, is floating 400,000 units of primary shares to its staff and remaining 18.6 million units to general public. The face value of the share is Rs 100. The company plans to raise Rs 2 billion from the IPO.

Established as a public investment company on July 6, 2011, 80 percent of the company's shares are held by the government (50 percent) and three state-owned companies (30 percent). Public will have 20 percent stake in the hydropower investment company.

The government established HIDCL, realizing the need of a special agency with huge financial might, professional expertise, and single-point agenda that could implement its hydropower development programs.

According to Deepak Rauniar, CEO of HIDCL, the company has already started making investments in eight hydropower projects ranging from 20 MW to 82 MW capacity including Lower Solu and Dordi Khola hydropower projects. He said that the money raised from the IPO will be utilized for company's business expansion. "As we are working on strong fundamentals, we are optimistic that the shares of the company will be fully subscribed," Rauniar said.

ICRA Nepal has, however, assigned '[ICRANP] IPO Grade 3' rating to the shares of the HIDCL, indicating average fundamentals. ICRA Nepal has attributed a number of constraints to the grading it assigned to the IPO of the company.

"The grading is constrained due to HIDCL's concentrated portfolio toward green field power generation projects, lack of regulatory framework considering HIDCL is the first company of its kind in Nepal, inherent risks in infrastructure financing, including development risks, evacuation risks (possible delays in construction of transmission line by Nepal Electricity Authority), and developer risks owing to the limited experience in commissioning power projects resulting in possibility of time and cost overruns and hence impairing the ability of the projects to timely service their debt obligations," a press release issued by ICRA Nepal states.

According to HIDCL, public will be able to apply for a minimum of 50 units of primary shares while the maximum limit has been set at five million units. Application forms can be collected and submitted from 30 collection centers across the country. Citizens Investment Trust is the lead issue manager while NCM Merchant Banking Ltd and NMB Capital Ltd are the co-issue managers of the IPO. The application will be opened till next Thursday, according to the company.

Investment attraction toward IPO is growing in recent years as thousands of public through collection centers to subscribe public offering of various companies. Analysts attribute the face value of Rs 100 per unit for shares, which they can sell at higher prices in the secondary market,

lack of good investment alternatives, falling interest rates in bank deposits, and growing awareness about the capital market to the rise in attraction of public toward IPOs.

According to data of Securities Board of Nepal (Sebon), a total of 28 companies acquired permission from the capital market regulator to float their primary shares or debentures worth of Rs 6.66 billion in the last fiscal year, up from Rs 3.02 billion of IPOs and debentures of 20 companies in 2013/14.

Source: My Republica; 30 Oct 2015

China keen to sign PTA with Nepal

LAXMAN BIYOGI

China has shown keen interest to sign Power Trade Agreement (PTA) with Nepal.

Writing a letter to Nepal Electricity Authority (NEA), China has proposed to sign Memorandum of Understanding (MoU) for PTA for hydropower development, transmission lines construction, and technology transfer, according to an official of NEA.

"We have forwarded the letter to the Ministry of Energy as NEA does not have authority to sign such agreements," the official added.

Deputy Prime Ministry and Minister for Energy Top Bahadur Rayamajhi also confirmed that China has shown interest to sign PTA with Nepal. "But talks are at an early stage," he said, adding that Nepal needs to have an option as it is buying electricity only from India. - See more at: <http://www.myrepublica.com/economy/story/30334/china-keen-to-sign-pta-with-nepal.html#sthash.L7FAfbS5.dpuf>