

Source: The Kathmandu Post; 28 Oct 2017

## **Locals affected by Budhi Gandaki hydro project warn to boycott polls**

Resettlement Process

*SUDEEP KAINI*

Those living in the vicinity of Arughat in Gorkha, who will be affected by construction of the mega Budhigandaki Hydropower Project, have warned to boycott upcoming provincial and federal elections if the government fails to provide compensation to ease their resettlement process. "We do not even know how much we'll get for the land we are willing to sacrifice for the hydro project, whereas people of other areas have already been compensated," said Dinesh Dhakal, coordinator of a local interest group. "This is sheer negligence on the part of the government."

The 1,200MW national pride project is expected to affect over 8,000 households in Dhading and Gorkha districts. The reservoir of the storage project will submerge 3,560 houses and partially affect 4,557 households. The government has decided to provide compensation ranging from Rs524,000 to Rs835,000 for each ropani of land that locals relinquish for the project.

So far, the government has provided compensation to locals of three villages each in the two affected districts. Since then, compensation distribution process has come to a halt.

"We have not initiated the process of rebuilding houses damaged by 2015 earthquake in hope of getting the compensation and relocating somewhere else," said Sushila Khanal, a local.

But the delay made by the government has forced people like Khanal to live in makeshift shelters. "The government neither allows us to rebuild our damaged houses, nor provides money for the land it is planning to acquire from us," she said.

Locals like Khanal have supported the government's decision to build the mega hydropower project, which is expected to not only help Nepal to become self sufficient in electricity production but establish the country as a net exporter of power in the South Asian region.

"But negligence, like delay in compensation distribution, is hitting our livelihoods," said Kamal Narayan Shrestha, another local, adding, "The government has stopped transaction of land parcels in the area, preventing us from using the asset as collateral to get loans from banking institutions."

Purna Prasad Shrestha, another local, said, he wanted to get a bank loan on the back of land he owned for medical treatment of his son, but he has not been able to do so because of ban in transaction of land allotted for the hydro project.

"So, election is not a priority for us," he said.

The government's decision to prevent land transaction, according to Rahamdin Miya, another local, is sheer violation of civilians' right to property. "We have raised this issue during meetings with political leaders, ministers and the government. But no has listened to us," he said.

"Unless our concerns are addressed, we will not vote in the upcoming elections."

Chief District Officer of Gorkha Jitendra Basnet said compensation distribution process had come to a halt as discussions were being held to build the project through a company rather than a committee as in the present.

"We will soon resume the compensation distribution process and urge locals to remain patient for a while and take part in the elections," he said.

The land to be acquired by the project has been classified into five categories by the government: paddy field, small farmland, land in market area, land adjoining a road and land near human settlements.

Paddy fields and small farmlands have been further classified into four grades, with the first grade commanding the highest compensation amount. On top of the compensation fixed by the committee, it is offering 15 percent extra to those who own less than 5 ropanis of land, and 10 percent extra to those who own less than 10 ropanis of land.

The government in May handed over the mega hydro project to China Gezhouba Group Corporation (CGGC) to start construction under the engineering, procurement, construction and finance (EPCF) model.

However, a parliamentary committee later directed the government to scrap its decision to hand over the project to CGGC. The committee had said the government had breached the Public Procurement Act, as the contractor was selected without initiating a competitive bidding process.

Recently, the Chinese government had identified the 1,200MW project as a component of the Belt and Road Initiative (BRI), the China-led plan that envis

Source: My Republica; 30 Oct 2017

## **Bhutan lessons**

**Nepal has a lot to learn from Bhutan on how to, and how not to, deal with India on hydropower.**

The 1949 Treaty of Friendship between India and Bhutan strengthened India's influence on Bhutan's foreign and defense policies. The treaty's revision in 2007 gave Bhutan greater autonomy over its domestic and foreign affairs but India's protectionist policies still shadow Bhutan and greatly influence the functioning of its economy.

Around 60 percent of Bhutan's total government expenditure goes to import of Indian goods, which in turn accounts for 75 percent of foreign imports in Bhutan. Owing to the two countries' geographical proximity, 95 percent of Bhutan's trade is with India as well, making India its largest and most influential trade partner.

India has been helping Bhutan to build hydropower projects through a mix of grants, loans and technical support. The 2006 India-Bhutan agreement on hydropower, followed by a 2009 protocol, states that India would help Bhutan install 10,000 MW of hydro capacity by 2020 and purchase the entire surplus.

Today, Bhutan is able to produce electricity for domestic use as well as for surplus export to India. This generates 40 percent of Bhutan's total revenue, contributes 20 percent to its GDP and also eases its foreign exchange deficit. On the other hand, India gets cheap power from Bhutan. This has been seen as a win-win agreement between the two parties, even though it has led to an increased debt burden on Bhutan.

Four of the five major hydropower projects under development in Bhutan are financed by India, while the fifth is financed by ADB and loans from Indian banks. But Indian Joint Venture (JV) companies have made demands of the Royal Government of Bhutan by going beyond the bilateral agreement, asking for more control over project management and refusing to abide by agreed financing terms and conditions. In turn, Bhutan has declined the Concession Agreement of the JV projects stating that the demands of JVs violate agreements between the two governments. This tussle has delayed most ongoing hydropower projects in Bhutan.

After completion of these projects, Bhutan's hydropower generation capacity will more than double, from 1,600 MW to 5,200 MW, over next ten years. However, according to IMF forecast, Bhutan's total external debt would reach 112.8 percent of GDP by the end of 2017. Critics remark that 'rising debt to India could make Bhutan the Greece of South Asia'. Although Bhutan's GDP is expected to grow at 9.9 percent in the fiscal year ending in 2018, borrowing to finance its hydro projects is making Bhutan the most indebted country in Asia after Japan (in proportion of their population).

Moreover, construction delays are adding to cost and time overruns. Punastshangchhu I, which began in 2008, has seen huge cost increases, and its completion deadline has been pushed from 2017 to 2022. This has caused ADB to lower its GDP forecast for the current fiscal year to a more modest 8 percent.

On December 5, 2016, the Power Ministry of India issued a Cross Border Trade of Electricity (CBTE), a general cross-border electricity trade guideline. It has had a direct impact on Bhutan, which exports of all its surplus power to India. Notably, the guideline states that hydropower companies wanting to export electricity to India should have an obligatory 51 percent Indian ownership.

Narendra Modi government has reduced its grants to Bhutan for joint hydropower projects and has also cut the import of power from Bhutan. This has adversely affected Bhutan's balance of trade. The Goods and Service Tax (GST) in India is levied at the point of entry, as opposed to the point of sale. Since all of Bhutan's exports to third countries pass through India, the GST regime will hinder the growth of Bhutanese industries and further increase their trade deficit.

Nepal's geographical position is similar to Bhutan's, but Nepal has nearly double the hydropower potential of Bhutan. Sandwiched between two fastest-growing large economies in the world, Nepal has potentially huge electricity markets right next door. But the country is yet to realize its hydropower potential. I believe it has a lot to learn from Bhutan on hydropower diplomacy and on how to, and how not to, develop policies that maximize Nepali interests.

By Shraddha Gautam ,The author is a graduate in economics from University of Delhi

Source: The Kathmandu Post; 30 Oct 2017

## **Nalsingad hydel project in limbo**

*BHIM BAHADUR SINGH*

The construction of the much talked about Nalsingad Hydropower Project located in mid-western Nepal is in limbo after being mired in delays.

The project's detailed project report (DPR) has yet to be prepared. The issue of compensation distribution for locals affected by the project is also weighing the whole project down.

To make matters worse, the entity authorised to develop the hydropower, Electricity Generation Company, is clueless about the modality for the project development. This has resulted in the construction of the project being delayed.

CEO of the company, Narendra Singh Bhandari, explained that limited resources were behind the delay in execution of compensation distribution for the 410MW project.

“The compensation distribution is in limbo due to lack of funds,” said Bhandari, “The government has allocated Rs10 million for compensation distribution but it is not even enough to acquire 40 ropanies of private land.”

The project has to acquire 6000 ropanies of land for the construction of the hydropower plant. However, till date it has acquired only 281 ropanies of land. Bhandari said the project needs Rs 120 million immediately to acquire 200 ropanies of land for the project construction site.

The 410 MW project in Jajarkot district had been identified as one of the potential storage-type hydropower projects by the Identification and Feasibility Study of Storage Projects conducted in 1999-2001. But the project landed in trouble after the government decided to scrap Nalsingad Development Committee and build the project under company model in April.

“The development committee had set the project moving smoothly but the government decision to develop it under company model halted the work completely,” and Amrit Oli, district chairman of Netra Bikram Chand led Communist Party of Nepal.

Similarly, the DPR preparation of the project is also in limbo. The Nalsingad Project, which is waiting for the DPR from SMEC MWH Uday—the consultant appointed to prepare the report—has yet to receive said report.

Nepal Electricity Authority completed the project's feasibility study, which cost around Rs1 billion, five years ago. Nalsingad is important as it can produce electricity round the year. Other attractive factors for the project include the low number of households needing to be displaced, stable river flow, less land acquisition and deforestation.

Tasks like construction of vital infra around the reservoir and embankment have already been concluded.

The Rs100-billion project will displace 588 households and acquire 300 hectares of cultivable land and 300 hectares of forest area.

Source: The Kathmandu Post; 31 Oct 2017

## **NEA accused of misleading public over Tamor project**

*BIBEK SUBEDI*

The Department of Electricity Development (DoED) on Monday accused the Nepal Electricity Authority (NEA) of hyping up hydropower development and misleading the public following media reports that the capacity of the Tamor Hydropower Project would be boosted to 762 MW from 200 MW.

The reservoir-type Tamor Hydropower Project is to be built on the Tamor River in eastern Nepal. The NEA has obtained a licence to conduct a feasibility study for the construction of the project with an installed capacity of 200 MW.

If the installed capacity of the Tamor project is increased to 762 MW, two smaller hydropower schemes being constructed downstream—37.5 MW Kabeli-A and 21.5 MW Lower Hewa—are expected to be inundated. This means the NEA will have to pay compensation to these two projects if it goes ahead with its decision to hike the capacity of the Tamor plant.

The NEA said enlarging the Tamor project and providing compensation to the smaller schemes was a better option as it would mean a significant rise in energy production that would help the country to become self-sufficient in electricity and a net exporter.

The NEA has already applied for a survey licence to examine the feasibility of increasing the installed capacity. The state-owned utility has accused the DoED of ‘intentionally delaying’ issuing the permit and has asked that it be granted immediately. The department said it was considering the NEA’s request positively. However, it said that the state should also protect the interest of investors who are building the two projects, and any move to bar them from completing them may erode investor confidence and discourage private developers from entering the hydropower sector.

“The construction of the Lower Hewa project is about to be completed and Kabeli-A has just started construction work,” said Nabin Raj Singh, director general of the DoED during an interaction with NEA officials on Monday.

“Against this backdrop, the department will issue a licence with the increased capacity if the NEA convinces the promoters of the Kabeli-A and Lower Hewa to drop their projects in exchange for compensation.” The NEA said that the department should issue the survey license immediately, and that it would hold talks with the promoters of the two hydropower projects only if it decides to build the project after completing the feasibility study.

However, the NEA has agreed to negotiate with the promoters of Kabeli-A and Lower Hewa and present their consent to the department. “We have already initiated discussions with them,” said Mohan Ratna Shakya, officiating deputy managing director of the NEA. “We will will obtain their consent and present it to the department.”

The NEA obtained a survey licence from the DoED in 2013 to conduct studies for the development of a 200 MW storage-type project on the Tamor River. Surveys later showed that the project could be upgraded to generate 762 MW of electricity.

In 1985, the Japan International Cooperation Agency (Jica) too had proposed to build a 696 MW hydroelectric project on the Tamor River by building a 153-metre high dam. However, the government did not show much interest in the proposal at that time.

Even though enlarging the Tamor Hydropower Project to 762 MW will directly impact under-construction projects downstream with the possibility of inundation, experts have stated that the larger national interest should be taken into account before reaching a final decision.

Source: The Kathmandu Post; 1 Nov 2017

## **Upper Tamakoshi likely to come online in July**

The first of six units of 456 MW project is expected to add 76 MW to national grid by the end of this fiscal

Nov 1, 2017-The Upper Tamakoshi Hydropower Project is expected to start production by the end of the fiscal year in July, and put Nepal one step closer to ending the perennial power crisis and achieving its goal to become a net exporter of electricity.

The first unit of the 456 MW project, which will come online initially, is likely to churn out 76 MW. The other five units will start generating electricity within five months of the first unit being switched on and add 456 MW to the national grid.

The energy will be transmitted to a substation at Khimti via the 220 kV Gongar-Khimti transmission line which is currently under construction. The power evacuated to the Khimti substation will be transmitted to Kathmandu Valley and other energy-hungry neighbouring cities.

After the Upper Tamakoshi roars into life, the Nepal Electricity Authority (NEA) will be in a position to export electricity to neighbouring India. The state-owned power utility is one of the promoters of the project.

During the wet season, surplus energy can be transmitted over the Khimti-Dhalkebar transmission line to the Dhalkebar substation and on to the Dhalkebar-Muzaffarpur cross-border transmission line for export to India. According to the project office, 92 percent of the construction work at the hydropower plant has been completed, and it expects to achieve a major breakthrough within a couple of weeks by completing the excavation of the headrace tunnel.

“We have to dig around 99 metres more to complete the headrace tunnel, and we will complete it before the first phase of elections slated to be held on November 26,” said Ganesh Neupane, spokesperson for the project.

Likewise, the Upper Tamakoshi Hydropower Project has been expediting the construction of the 47-km Gongar-Khimti transmission line which will be used to evacuate the electricity generated by the plant.

“We have erected 96 out of the 127 towers that need to be installed for the transmission line, and have laid the foundation of 22 other towers,” said Neupane. “We plan to complete the construction of the transmission line before the monsoon.”

The national pride project was originally scheduled to be completed in mid-July 2016, but the earthquake, Indian trade blockade and various technical and social issues pushed back the completion date. Before the earthquake hit the country, the project had completed 79 percent of the civil works. It faced cost overruns due to the delays. The project is now expected to cost Rs42 billion, up from the previous estimate of Rs35.3 billion.

Nevertheless, the project is considered to be a role model project which is being developed with domestic resources and the significant participation of project-affected locals and the general public.

The project is preparing to float shares to the public, including locals in the project-affected areas, in December. It plans to issue 25 percent of the shares worth Rs2.64 billion at an initial public offering (IPO) and wrap up the share distribution process by March 2018.

Source: The Kathmandu Post; 3 Nov 2017

## **NEA, CTGC to hold final talks to form Joint Venture firm**

The Nepal Electricity Authority (NEA) is preparing to hold final talks with China Three Gorges Corporation (CTGC) to sign a joint venture agreement to construct the West Seti Hydropower Project in Farwest Nepal.

CTGC officials are scheduled to arrive in Nepal on November 16 to finalise the long-delayed deal which has held up construction of the 750 MW project. The state-owned power utility has warned that if the Chinese company stalls again, it will request the government to scrap the memorandum of understanding (MoU) signed with it.

“We have addressed all the demands put forth by CTGC. If the Chinese company does not sign the pact, the only way out is to find another company,” said Kul Man Ghising, managing director of the NEA.

In August 2012, Investment Board Nepal (IBN) and CWE Investment Corporation, a subsidiary of CTGC, signed a memorandum of understanding to construct the West Seti Hydropower Project.

As per the pact, the Chinese company will have a 75 percent stake in the planned joint venture company while the NEA will hold the rest of the shares. More than four years later in January 2017, NEA chief Ghising and the CTGC vice-president initialed a joint venture agreement which had to be ratified by the boards of their respective organizations. The NEA board immediately approved the agreement, but the Chinese developer took around eight months to make conditional endorsement.

The Chinese company is still seeking clarity on a number of issues including capitalization of pre-incorporation expenses, modality of issuing shares to locals and the power purchase rate for the electricity generated by the project. The NEA claims that most of the concerns of the Chinese developer have been addressed.

Nepal Rastra Bank (NRB) has issued a directive allowing foreign companies developing infrastructure projects in Nepal to factor in the cost incurred prior to their establishment as paid-up capital. According to the central bank, foreign companies constructing national pride projects and those that have received investment approval from IBN are eligible to receive this facility. Similarly, the power purchase rate, according to the NEA, will be set as per the guidelines issued by the Energy Ministry in January. According to the guidelines, reservoir-type projects like the West Seti will get Rs12.40 per unit during the dry season (December to May) and Rs7.10 during the wet season (June to November).

The NEA has time and again said it would devise a proper mechanism for the distribution of shares to the general public. However, the Chinese company is concerned that the proposed joint venture company will automatically become a public limited company requiring greater disclosure and compliance if shares are issued to the public.

“This is just a joint venture deal which will pave the way for the establishment of the joint venture company,” said Ghising. “If the Chinese developer has other concerns, they can be addressed after the company is formed.” As the NEA is an equity partner in the project, it will also make sure that investor interest to make the project bankable is protected, he added.

The reservoir-type West Seti project, which will be spread over Baitadi, Bajhang, Dadeldhura and Doti districts, is being built at an estimated cost of \$1.6 billion.