



The Austrian-American economist Joseph Schumpeter used the term “creative destruction” to explain how innovation and profit can emerge from the elimination of a previous economic order. For example, Schumpeter wrote about the expansion of railroads throughout the United States which led to the rise of cities and settlements in the American West, but also spelled doom for the old agriculture of that region. More recently, the now-defunct photography company Kodak could not keep pace with the advance of digital photography and declared bankruptcy in September 2013. Kodak’s demise meant distress for many people associated with that company, but it also marked the proliferation of new companies that had capitalized on the innovative potential of digital imaging: Canon, Instagram, Snapchat, Flickr, and others.

It can be argued that the establishment of oasis institutions such as the Hydropower Investment and Development Company Limited (HIDCL) represents this form of creative destruction. As the country moves inexorably toward becoming a more liberalized market economy, the private sector and government have argued for constructing modes of economic action that appear more “investor friendly” and “bankable.” By housing HIDCL in Babarmahal, it is symbolically liberated by its placement: in the shadow of Singha Durbar, feeling protected, but also emboldened by a combination of state and private forces in support of its work.

The HIDCL began work in 2011 as a “special purpose vehicle” for hydropower investment, charged with mobilizing “funds for investment in generation, transmission and distribution of hydroelectricity [to] free the country from chronic power shortages, provide energy security, and realize its export potentials.” As this objective might suggest, the company keeps an avowedly nationalist view while presenting a professional face to attract investment from within Nepal and abroad.

“We need to start thinking in a different way,” HIDCL CEO Deepak Rauniar says as he takes a seat across the table from me in a Durbar Marg restaurant. “For example, why aren’t we providing people incentives to use more electricity rather than gas?” Coming from an information technology background and with an MBA in hand, Rauniar took his post after a vigorous vetting process that required a business plan and several rounds of interviews with the HIDCL board, headed by the Secretary of the Ministry of Energy, Bishwa Prakash Pandit. After his selection in November 2012, Rauniar quickly assembled a young and ambitious team with a range of expertise, from hydropower engineering to law, development, and finance. His first year as CEO, Rauniar says, has been free of unexpected challenges.

The corporation has financed 106 MW of hydropower since he came on board and he hopes to finance another 200 MW in the coming year. Speaking in terms of four-year plans (which is also the length of his current contract), Rauniar says he would like to have invested in 1,000 MW by the end of his term.

To invest in 1,000 MW within four years should not be difficult at least from the HIDCL side of negotiations as it is already one of the largest capital advised funds in the country. The company has authorized capital of 50 billion rupees guaranteed by the government, 10 billion of which has been issued ready for investment. Eight billion of the issued capital comes from the government of Nepal and three investment groups, while the remaining two billion will be made available to individuals through an initial public offering (IPO) of shares at a date yet to be determined.

But for the many developers waiting to take part in these financing opportunities, small hydro developers are feeling left out. At present, the HIDCL only invests in middle to mega hydro projects, from 15 MW up to 500 MW. From 10 MW to 15 MW, the company provides refinancing services at the loaning bank’s risk. Some private developers who do not possess the means for larger investment argue that the HIDCL should extend its financing services to projects below 15 MW, that the HIDCL should use its significant means to build capacity in small Nepali companies rather than invite investment from established companies abroad. But the HIDCL counters that it’s a matter of economies of scale. Given their objective to eliminate load shedding, HIDCL representatives say, the company is obligated to first serve projects that are best positioned to relieve Nepal of its dark hours. Small hydro projects below 15 MW, they state, are not equipped to provide that.

As the head of HIDCL, Rauniar deliberately steers clear of politics, saying that he remains “focused on (his) agenda.” Besides, he adds, “as a professional, (the most recent) elections are beside the point.” His job is to focus on developing hydropower, regardless of what transpires in Singha Durbar. Whether it’s a question of establishing a free market or debating the merits of hydropower exports versus domestic use, Rauniar keeps a simple focus, “As long as there is sixteen hours of load shedding, we can’t afford to talk politics. I’m talking about lighting the lights in our home. Whether I want to go to *Nanglo* or some other restaurant makes no sense until I have money in my pocket.”

Lighting those lights requires more than waiting for projects to arrive at the HIDCL office. Last August, the company hosted an international conference, bringing in potential investors from around the region to show

the vast hydro potential available. Though Rauniar says he did not meet his targets in terms of attendance, he felt the conference maintained an appropriately positive tone that could be built upon in the future.

In all, the efforts of HIDCL (and other quasi-government institutions, like the Investment Board of Nepal) reveal the government's attempt to break from its past, to thrust itself into the global hydro market after a long period of stagnancy and uncertainty. Capital loses value over time, and accordingly, it would seem the government of Nepal is searching for ways to extricate itself from the paces of its own bureaucracy. This is an urgent task as not only Nepal's short term energy needs are growing, but the country's long-term development depends on building a solid and expandable foundation of hydropower projects for future generations of Nepalis

to cultivate their own forms of creative destruction.

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CALENDAR OF EVENTS - HYDROPOWER

18-20 February, 2014 - The NWhA 2014 Annual Conference, Location: Seattle, Washington, USA.; Contact: Northwest Hydroelectric Association (NWhA), USA; Email: nwha@nwhydro.org URL: www.nwhydro.org

24-28 March 2014, Contractual and Legal Framework in Hydropower Development, Location: Trondheim, Norway, More Information: www.ich.no

11-13 March, ASIA 2014 - The Fifth International Conference on Water Resources & Hydropower Development, Location- Colombo, Sri Lanka, Contact: <http://www.environmental-expert.com/events/asia-2014-the-fifth-international-conference-on-water-resources-hydropower-development-14896>

17 - 19 March, 2014 - POWER-GEN Africa; Location: Cape Town, South Africa; URL: <http://www.powergenafrika.com>

16-17 April 2014, 6th Annual Small Hydro Conference, Canada, Location- Vancouver, Canada, Contact: events@arena-international.com

5 - 7 May, 2014 - HydroVision India, Location: New Delhi, India, URL: <http://www.hydrovisionindia.com/>

14 - 15 May 2014, African Utility Week and Clean Power Africa, Location: Cape Town, South Africa African Utility Week Listing Name: African Utility Week / Clean Power Africa Date: 14 - 15 May 2014 (Focus days: 12 May, post-event site visits: 15 May)

19-25 May 2014, Small Hydro Resources; Location- Trondheim, Norway, More Information: www.ich.no

21-23 May 2014, International Trade and Fair on Small Hydropower, Location - Istanbul, Turkey Link- <http://2014.hydroenergia.eu/>

27 - 28 May, 2014- Canadian Hydropower Association Forum 2014; Location: Ottawa, Ontario, Canada; URL: <https://canadahydro.ca/events/21>

3 - 5 June, 2014 - PowerGen Europe/Renewable World Europe; Location: Cologne, Germany; URL: <http://www.powergeneurope.com>

11-13 June 2014- The SimHydro International Conference Location: Nice, France, Organization: SHF (Société

Hydrotechnique de France); Contact: SHF, Société Hydrotechnique de France, Email: contact@shf-hydro.org; URL: www.shf-hydro.org

March 19 - 20, 2014, Centre for Energy Advancement through Technological Innovation (CEATI) Risk Management in the Hydropower Industry: Recognition, Quantification, and Reduction Workshop, Location- Palm, Desert, Calif. USA;

16 June - 10 August, 2014- Turbine Governor Principles, Waterway Dynamics and Governing of Hydropower Plants: This is a special training programme for Technical staff and Management in existing Power plants, PART 1 Online course 16th June - 10th August 2014, Contact: elearning.ich.no; PART 2: Workshop in Trondheim, Norway, 1st - 5th September 2014

22-25 July 2014- Hydro vision International; Location: Music city Centre, Nashville, TN, USA; URL: www.hydroevent.com

18 August -4 September 2014, Hydropower and the Environment, Trondheim, Norway, More Information: www.ich.no

22-26 September 2014 - The 27th IAHR Symposium: Hydraulic Machinery and Systems, Location: Montreal, Canada; Contact: carole@iseventsolutions.com or sabina@iseventsolutions.com; URL: www.iahrmontreal2014.org

6-8 October 2014, International Association For Small Hydro Forthcoming Events, Location- New Delhi, India, Contact: www.iash.info/eventiash.htm

6-11 October 2014, Risk Management in Hydropower Development, Location - Trondheim, Norway, More Information: www.ich.no

19 - 21 October, 2014- Power Gen Middle East; Location: Abu Dhabi, UAE URL: <http://www.power-gen-middleeast.com>

November 2014 7th International Conference - Small Hydropower Plants in Romania, Location- EXPOROM-Bucharest, Contact: info@reeco.ro

11 - 13 November, 2014 - Hydro Vision Brazil, Location: Sao Paulo, Brazil URL: <http://www.hydrovisionbrasil.com>