



An Interview with Dr. Subarna Das Shrestha President, IPPAN

Dr. Subarna Das Shrestha granted an interview to Mr. Jeewan P. Thanju, Editor-in-Chief, Hydro Nepal Journal. Excerpts from the Interview.

What is the perception of IPPAN on existing limitations, hurdles hindering the hydropower development in Nepal; and what is the vision of IPPAN?

The existing limitations and hurdles are enough to deter any potential investors/ power developers from investing into Nepal's hydropower sector. We must look at the limitations pertaining to the small and medium projects separately. While the policy and political stability are the high impact hurdles for all the projects, GON's inability to sign PDA and Payment guarantee is main hurdle for the FDI project for domestic consumption. The existing hydropower laws need to be made more investors' friendly, and the PPA rates should be made at par with returns that would accrue in other business sectors. In the present political transition in the country, inability of the politicians to garner consensus on the HYDEL development led to failure in attracting investors.

Despite the adverse conditions, few IPPs are still working hard to complete the projects undertaken by them. I salute them for their commitment and effort.

IPPAN since its establishment has been consistently lobbying for investors' friendly environment for hydropower developers. Indeed, we have been successful in the past, in making our government to introduce investors' friendly policies and laws. In future also, IPPAN will be advocating tirelessly for the promotion of private sector investment in Nepal's power development, be it big or small and for domestic consumption or for export.

What is the plan of action of IPPAN for creating conducive environment for hydropower development in Nepal? What are the important activities being undertaken at present?

Lobbying and advocacy for investors' friendly policies to promote private sector in Nepal's hydropower development was and will be our main activities in future too. We are organizing several Stakeholders interaction programs and dialogue with Line Agency to make conducive environment for the investors. Henceforth, we will utilize every possible opportunities/venues; formal, informal meetings, workshop, seminar etc to ventilate our positions.

Realizing that Nepal's hydropower laws and policies are not competitive enough to lure foreign investors to invest in Nepal's hydro sector, IPPAN is, at present, implementing a Research Project to identify inconsistencies and constraints in the existing laws and

to recommend for changes/amendments so as to make it more competitive in whole south Asia. Harmonization between the different laws and regulations related to Hydropower development is one of the main focus of this research study. IPPAN is implementing the Research Project together with Investment Board, with funding from International Finance Corporation. Similarly, IPPAN is also embarking upon the Energy demand forecast study shortly, to validate the demand forecast, which will be a Bible for the assessment of the future project requirements.

What are IPPAN's policy dialogues with GON in the sector of hydropower development? How IPPAN is involved in Public Private Dialogue in Nepal Business Forum?

Regular interaction with Ministry of Energy with concrete suggestions regarding Hydropower Policy and proposed Electricity Act and Regulatory Commission Act on creating conducive investment environment is one of the area of policy dialogue with GON.

Nepal Business Forum (NBF) provides a platform for public private dialogue, where they can deliberate on investment climate issues and jointly agree on reforms. IPPAN President is the co-chair from private sector, while Secretary of Ministry of Energy is the co-chair from GON in Infrastructure working group, one of the seven sectoral working Groups in the NBF.

IPPAN is pleased to participate in the meetings of Nepal Business Forum and contribute meaningfully in investment climate issues.

We have been lobbying for better investment climate, security, better payment guarantee, less procedural hurdles in Nepal's power sector in the meetings of NBF.

The Government has declared several incentives for the sick small hydropower projects under construction by the domestic developers. What role did IPPAN play for the realization of the concessions? How do you assess the near future of hydropower industry in Nepal?

It was IPPAN who collected details of sick small hydropower projects and worked hard to press for rescue incentives (concessions) required for sick hydropower projects. Formation of "Under construction project facilitation team" under Ministry of Energy (MOE) with IPPAN representation and other stake holder representation is one of the key aspects for rescue financially sick projects. The recommendation of this team resulted 10 points package among which 4 are directed to sick projects such as 20 % Power Purchase

Agreement (PPA) rate increment for those who will complete project by the end of BS 2071 (2015 AD), waive delay damage for those who will complete the project before end BS 2071 (2015 AD) or not later than one year from Commercial Operation Date (COD), which ever earlier; 20 million Nepalese Rupee per MW loan at cheaper interest rate as NEA entertaining for its project from GON, VAT exemption in civil construction etc.

It is difficult to assess the future of hydropower industry in Nepal in the present context of political transition period. However, there are indications that we will witness some positive changes in Nepal's power sector in future.

For example, Investment Board recently handed over the template of Project Development Agreement (PDA) to four power Projects to initiate negotiations in PDA. Ministry of Energy has taken numbers of initiations for facilitating IPPs and playing key role for PDA formulation.

IPPAN is implementing a Research Project for Investment Board, with funding from International Finance Corporation. Government of Nepal is celebrating Investment year 2012 and 2013. IFC is also facilitating to expedite the process of doing business in Nepal. This project will identify constraints, limitations and inconsistencies present in the existing laws related to hydropower, and will eventually recommend amendments/cancellation of clauses so as to make Nepal's hydropower industry competitive with other south Asian countries.

In Nepal Business Forum, IPPAN is pushing for full VAT exemption, upgrading and expansion of domestic transmission line, expeditious construction of cross border transmission line, project development agreements for all projects, irrespective of its size and power market, expeditious processing of documents related with environment and forest etc.

All these developments and activities give us reasons to be optimist regarding the future of hydropower industry in Nepal.

Nepal Electricity Authority (NEA) does not agree to provide some percentages of Power Purchase Agreement (PPA) in foreign currency for some of the foreign investment projects for example say Lower Solu 82 MW which is one of the super six tendered by the Department of Electricity Development (DOED). How can foreign investment come if they do not get some portion of return in foreign currency?

As far as we know, projects like Khimti, Bhotekoshi, Marsyangdi, Lower Modi, Indrawati had their PPAs in foreign currency, proportionate to the FDI. So, NEA should have PPAs with IPPs in foreign Currency. In case, NEA has problem in signing such PPAs, Government of Nepal should help NEA to sign such PPAs with IPPs, who have FDI component.

What is your opinion in tackling the local problems (mostly with the support of

political party) in Upper Karnali, Arun-III, Marshyangdhi HEPs etc?

IPPAN always deplors the unlawful activities by local people to "extract" benefits from power developers. Generally, we find local people most reasonable to support power projects but some part of local political parties or local goons are behind such activities. Unfortunately, local administration seems to be too weak to contain such unlawful activities. IPPs are always ready to contribute to local development, be it health post, clinics, trail improvement, local employment, vocational and technical training, drinking water schemes, irrigation schemes as a part of Corporate Social Responsibility. Local's participation in benefit sharing is one of the widespread agenda of the nation as well as IPPs today. There has to be limitations. IPPs should not be considered as "milking cows".

The reality is that the more local problems we create for IPPs, the slower will be our development efforts. It is because economic development is not possible without adequate, regular and reliable supply of energy.

There are many so called "Nationalist" in Nepal, who would not let develop hydropower in Nepal. Would you like to comment on this?

It is indeed unfortunate that we, Nepalese, do not have unanimous voice in the matter of hydropower development in Nepal. There has to be brain storming workshop among the politicians of political parties to come out with "unity of purpose" in the matters related with Nepal's energy development.

Indeed, politicians, bureaucrats and policy makers and intellectuals are not serious enough to end load shedding at the soonest time possible from Nepal. What we should not forget is that in the long run, nobody is going to benefit from long hours of load shedding.

I recommend a "Taskforce" behind every political parties to make their recommendation/declaration on Hydropower development. The recommendation prepared by each taskforce be discussed in their respective parties and final one be discussed between high-level joint taskforce among the parties, which with consensus must be adopted as a joint declaration (consensus) of nation for Hydropower development and energy security.

The demand and supply of electricity in India and Nepal are complimentary to each other. The export of hydropower to India and import of thermal power from India to Nepal is the necessary/important strategy. How optimistic are you in realization of this trade?

Yes, we can observe complementariness in the electricity demand and supply between India and Nepal. Both Nepal and India stand to benefit from power trade between Nepal and India. Nepal can purchase off peak energy from India (which is mostly from thermal plants and are relatively cheaper) during day time and sell its "peak hydro energy" during peak period.

Similarly, India can import power from Nepal during

summer season (when Nepal has surplus power) to run fans and ACs etc and Nepal can import power from India to meet the power demand for heating purposes in winter. Similar arrangement is working well between USA and Canada.

There has to be some sort of umbrella type Power Trade Agreement between both Governments of Nepal and India to facilitate power trade between two countries. There is a plan to construct cross border transmission line between Dhalkebar of Nepal and Mujjafarpur of India.

The constraints of power transmission across the border must be lifted on both sides so as to smooth facilitation of trading of electricity. The future strategy should be such as to generate huge clean and renewable hydropower energy to reduce thermal based production to protect environment and save fuel, coal and timber reserve.

Politicians and bureaucrats of this part of the world, it seems, are yet to understand the importance of bi-lateral and regional co-operation in power trade.

We need visionary leaders on both sides of the border, who will negotiate, in the spirit of mutual trust and co-operation to materialize interdependence through power trade.

I am pretty optimist that days will come, when power exchange will take place, not only between Nepal and India, but between South Asian countries through "SAARC Grid".

Would you like to convey some message to the hydropower enthusiasts in Nepal and abroad?

I would like to request hydropower enthusiasts in Nepal and abroad to be positive about the hydropower activities in Nepal and play active role in harnessing the great potential to invest in Nepal's hydropower sector. IPPAN, in partnership with Investment Board and Ministry of Energy of the Government of Nepal, will strive continually for creating level playing field and conducive environment for investment in Nepal's hydropower development.

Energy is only and primary source of pushing forward Nepal's overall economic development and that too is possible only from Hydropower so, there is no doubt that Nepal is an investment destination for Hydropower enthusiasts. Some hurdles that exist are of temporary phenomenon type, which I sincerely hope that we will overcome in the process that we are moving to establish energy secure country.

We request you to follow up Nepal's hydropower activities by logging on: www.ippan.org.np

I also thank Hydro Nepal family for giving me opportunity to share IPPAN's plans and programs with readers and wish for its continued progress.

Thank you, Dr. Shrestha. IPPAN, under your leadership, has been doing a good job in creating an enabling environment in hydropower development in Nepal. HYDRO Nepal wishes you and IPPAN all the very best.

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Dr. Satya Mohan Joshi and Dr. Wolf Donner Felicitated

On May 1, 2012, Dr. Wolf Donner and Nepal's well-renowned scholar on Culture Dr. Satya Mohan Joshi were honored amidst a felicitation program organized at the Nepal Academy, Kamaladi, Kathmandu. The felicitation program was organized by Amrit-Prithvi Trust, with Nepal Academy Chancellor Bairagi Kainla as the Chief Guest.

The Trust is established in the name of Mr. Amrit Man Shrestha and Prithvi Kumari Shrestha of Tansen, Palpa, Nepal by their five children for contributing to the welfare of the society.



The two scholars have been honored for their outstanding contribution to the Nepalese society. Several illustrious people of the society, academics and other important people praised the two scholars. Former envoy to Germany Prof. Dr. Novel Kishore Rai highlighted the personality and works of the honored individuals.

Dr. Satya Mohan Joshi is a most respectable and

honorable personality in Nepal. He is a legendary figure in writing, art, culture, archeology, philosophy etc. He has published dozens of books and research works on different subjects. He was awarded *Madan Puraskar* (Nepal's largest Prize for literature) three times and has received dozens of awards/honors. Truly, he is the star of Nepal. His is now 92 years old.

Dr. Wolf Donner, an eminent German scholar on Nepal, and a long enduring friend of Nepal is a development expert and well-known author. He first came to Nepal in 1966. Over the last four and half decades, he has visited Nepal many times, written several books on Nepal (in German language) and has served as president of the German-Nepal Friendship Association (GNFA) in Cologne for 10 years.

He launched Nepal information, a journal on Nepal, and served as its Editor-in-Chief for 20 years. He now leads a retired life but is still attached to Nepal as the Honorary President of the prestigious GNFA- the 45 year old first bilateral organization in Germany. In 1966, he joined the Food and Agriculture Organization (FAO) of the United Nations with the first posting in Nepal where he worked for more than three years as an agricultural planning advisor.

"Dr. Wolf Donner is a true friend of Nepal. He is as well-known in Germany as late Toni Hagen was in Switzerland," said Ram Pratap Thapa, Honorary Consul General of Nepal for Germany and Chairman of the German-Nepal Friendship Association (GNFA). "It is high time his unrivalled contributions to Nepal be recognized by the Nepalese media, civil society and the government of Nepal," he added.