Proceedings of the Interaction on West Seti Hydropower Project

Kathmandu, Nepal
26 September, 2008

Organized by

Jalsrot Vikas Sanstha (JVS), Nepal

Foreword

Established in 1998, Jalsrot Vikas Sanstha (JVS), Nepal is actively involved in policy analysis, research and study in water resources sector. It is providing the platform for the experts, academia and other concerned professionals to share the views on various facets of water resources.

The interaction program on 'West Seti Hydropower Project' was organized to discuss the opinions from both the developer and the individual experts. The aim of the program was to disseminate the information among the stakeholders including local people in order to receive the response so that developer will be able to know their concerns and plan for speedy implementation.

West Seti Hydropower Project is a big project undertaken to-date in the country. The contribution of the project is of significance, in view of the recent announcement of the Government of Nepal for generating 10,000 MW of hydropower within this coming decade. The importance of this is also reflected by the presence of local people, developers, professionals and policy makers in this interaction program. JVS appreciates their valuable participation and is highly honored by the presence of Hon'ble Minister of Water Resources and Secretary, Ministry of Water Resources, Government of Nepal.

Finally, JVS would like to thank all the participants for their contribution to make this interaction program a success.

Jalsrot Vikas Sanstha (JVS), Nepal
Anamnager, Kathmandu
September, 2008

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1 Background

West Seti Hydro Power, a storage type project plans to generate 750 MW of power which is over 100 MW of the total power generated to date in Nepal. The project is in far western development region and the dam site of the project is located at 82 kilometer upstream of the confluence of Seti and Karnali River. The project area covers six districts namely Doti, Dadeldhura, Baitadi, Bajhang, Kailali and Kanchanpur.

The generated power will be for use of Nepal and India. Nepal will receive 10% of the generated power free of cost. India will purchase the rest paying a price negotiated between the private development and the purchaser in India. Power Trading Corporation Limited, India (PTC) has already signed a power purchase agreement with West Seti Holdings (HK) Ltd (SMEC) to this effect.

Government of Nepal (GoN) has issued a 30 years license to SMEC to construct the hydropower station, water storage dam, transmission line, make sale and afterward transfer all the project assets in fully operating condition under built, own, operate and transfer (BOOT) arrangement. SMEC has registered West Seti Hydropower Limited as a Nepali company for the work. The construction work is expected to be completed in five years and six months time whereas, the distribution/sale from the licensee will last 24 years and six months. The project during the construction phase will employ approximately 3400 people. The estimated cost of the project is US$ 1.5 billion.

An interaction program on West Seti Hydropower Project has been organized by Jalsrot Vikas Sanstha (JVS) in Kathmandu, to share the views of SMEC, experts and concerned people.

2 Objectives

The objectives of the interaction program were to:

- Provide general information on the project of its technical, financial, environmental, management and social aspects.
- Provide a single platform for the developers, experts, government and effected locals to share facts and experiences.
- Help establish a common understanding between different stakeholders for timely construction and completion of the project.

3 Agenda

The one-day long program was divided into three parts - (a) opening of the program, (b) presentations and (c) discussion. The agenda is presented in Annex.

3.1 Participants

A total of 50 participants attended the program. The participants were from government, experts, local affected persons, and media persons. The list of participants and their contact addresses are presented in Annex .

3.2 Opening of the Program

Mr. S.N. Upadhayay, Secretary General of JVS welcomed the participants and provided a general introduction on JVS. The JVS established a decade ago (1998) and has been actively engaged in different facets of water resources sector in Nepal. This includes policy analysis, research and studies. JVS has been providing a general platform/forum for experts and concerned people to deliberate and discuss various aspects on water resources. JVS also publishes reports on different works of interest. JVS is also a member of Global Water Partnership and acts as office of Nepal chapter.

Mr. Upadhayay opined that successful construction and operation of the project will be an example of commitment of the developers and government. It will also help to maintain a conducive environment for development of hydropower and water resources in the country. Moreover, the project will be instrumental to achieve the target set by GoN to leap forward by developing 10,000 MW of hydro power within a decade time.

4 Presentation

The program provided the platform for presentation of facts and opinion of both the developer and the expert. Two presentations were made, one, by Mr. Bill Bultitude, from West Seti Hydropower Limited (WSHL) and another by Mr. Ratna Sansar Shrestha, FCA.

The summary of each presentations are given below:

4.1 West Seti Hydro Power Project Presentation

by Mr.Bill Bultitude, Executive Chairman, West Seti Hydropower Limited (WSHL)

- The presentation was grouped under six broad headings. The background information dealt with the different activities accomplished to startup the project. It also gave information on power generation, storage dam and transmission arrangements. Accordingly, the project has been initiated in July 1994 when SMEC signed Memorandum of Understanding (MOU) with Department of Electricity Development (DoED) of GoN and over these fourteen years (September 2008) ten activities such as

signing of project agreement with GoN, Power purchase agreement (PPA) with PTC, agreeing Nepali Financial Institution to float debenture, approval of US$900 million loan from Chinese Bank, completion of Detail Project Report and Environmental Impact Assessment, negotiation of PDB contract, Asian Development Bank (ADB) give mandate for contribution , GoN agrees to take up 15% equity in the project and lately (June 2008) submission of application to GoN for generation and transmission license have been completed.

The prospective share holders of the project are SMEC with 26% ownership, Asian Development Bank with 15%, China National Machinery Import Export Corporation 15%, Infrastructure Leasing &Financial Services Ltd.15%, Special Purpose Vehicle (for Nepalese Investors) 14% and GoN 15% respectively.

- The presentation made an attempt to clarify the issues of upstream and downstream water use emphatically stating that in reality the Nepalese people will be able to use the upstream water resources for all types of water uses and the augmented flow to downstream will help use water efficiently and effectively. Moreover, it stated that the project will cause no inundation problem in Nepal as it is not connected with any barrages downstream.

- The presentation listed the benefits available to the Nepalese people and the country. The benefits include employment opportunity, training and skill development to enhance the capacity of the people in the far western region, technology transfer, Injection of development fund for road, rural electrification and water supply, equity participation to the tune of 4% of the project's equity by the people of the region and the participation in contractual services by the builders and suppliers, etc. The total revenue benefit was estimated at US$ 2150 million from various income points such as dividend, tax, energy royalties and free energy over the generating license period for the country.

- The presentation claimed that the social and environmental issues have been well addressed. The EIA was conducted as per the World Bank guidelines and GoN has already approved the document. The project plans to establish administrative units to monitor the environment and social issues. The project informed that the resettlement, rehabilitation and compensation issues of the project affected people will be addressed following the guidelines of international best practices, policies and guidelines of ADB and GoN.

- It was informed that all the project details, facts, etc. have been widely disseminated through the information centers, media and project personnel to the stakeholders as well as the people of the region. Further, it was argued that the project has conducted consultation programs at national, regional, district and local level.

The presentation is given in Annex.

4.2 Economic Assessment of West Seti Project- A Nepali Perspective

By: Ratna Sansar Shrestha, FCA

- The presentation covered a wide range of issues pertaining to downstream effects, energy and carbon trading benefit. It argued that Nepal is not receiving any downstream augmented benefit for the economic loss arising from foregoing of alternative use of storage and flood control. Drawing a parallel with the West Seti Project, as the installed capacity of this project without a reservoir is just 100 MW, and construction of the reservoir in Nepal has alone generated 650 MW of power and hence Nepal had to receive its due share of power, which is 325 MW. He cited the example of Colombia River Treaty between USA and Canada and said that in sumular condition Canada was getting half of the power generated by the construction of reservoir in its territory and letting to submerge its land. Further, he also stressed that the project exports "clean" power whereas Nepal is not gaining carbon credit to this effect.

- The presentation stated that the project's reservoir will submerge cultivable land, five main tributaries and forest. It will also displace people. Nepal is also foregoing the consumptive use of the upstream water sources in the project districts.

- The presentation argued that all the cost of the project in the form of inundation/submergence, displacement, restriction on consumptive use and unavailability of water in de-watered area, are borne by Nepal whereas India the sole buyer of the power receives all the benefit in the form of good quality low cost power, flood control, dry season augmented flow and carbon trading benefit.

  Nepal at end of 30 years will receive a US$ 1.2 billion project which will be worth US$ 67.88 million only in hand over time whereas, the loss to Nepal on carbon trading alone is estimated at US$555 million during the operational period of the project. Again, the storage capacity of reservoir will be

diminished as per the experience of other river system and thus affecting the availability of water for power generation after it is handed over to Nepal. At that time, the decommissioning cost will be tremendous.

- The presentation attempted to make an economic assessment analyzing backward, forward, investment and fiscal linkages of the project. The country will hardly benefit from the huge foreign exchange spent, as only 3.56 of the total investment is expected to percolate into domestic economy. The demand of power has increased considerably over the years in the country. However, Nepal is receiving only 10% of the total power generated from the project and has given consent to export 90% of the power to India. This disregard forward linkages benefit which entails using the electricity domestically resulting multiplier effect on the economy. Again, the Nepali economy will hardly benefit under the investment linkages as significant amount in investment is in borrowed foreign exchange and a great share of earning is expected to use in debt servicing. The Nepal treasury will receive a meager export tax 0.05% of the revenue and an energy royalty of 2%. No other taxes including corporate tax paid by Nepalese at the rate of 20% is levied to the project.

- The presentation concluded that the project will be useful if Nepal receives compensation of the land used for construction, inundated/submerged and payment for facilitating flood control measures as well as 325 MW of power. An alternative arrangement to build the project as a multipurpose one that is able to provide irrigation and other water use along with the power generation solely for use of Nepal was suggested. In case of surplus energy it will be sold to India in a competitive price.

The presentation is given in Annex.

5 Floor Discussion

After setting the stage with the structured presentations, the floor was opened for discussion. The participants took part in the discussion actively and on the basis of the presentations shared their expertise and experiences on different aspects of the project.

Fourteen participants offered their comments and suggestions on the presentation. The names of the participants were: Mr. Janak Lal karmacharya, Mr. Ratan Bhandari, Mr. Kris Thapa, Mr. Krishna Sigdel, Mr. Ram Chandra Chataut, Mr. Sriman Shrestha, Mr. Ratan Saud, Mr. Kishore Babu Aryal, Mr. Laxmi Prasad Upadhyay, Mr. Keshab Dhoj Adhikary, Mr. Narendra Bahadur Singh, Mr. S.R. Lacoul, Prof. Dr. Jagan Nath Shrestha and Mr. Ratneswore Lal Kayastha.

During the discussion, comments and suggestion on the presentations were made. The participants also offered their opinion to the project for improvement and felt a need to provide more benefit to Nepal. The discussions and the comments therein are broadly grouped here under:

5.1 Theme of the Presentation

The two presentations differed greatly in style, information and interpretation. The participants felt that the presentations were biased and one was more positive than other in providing the information. Suggestions were offered for making a more balanced and unbiased presentations.

5.2 Information

The participants commented that, as the project is "the power project", it is not considerate to raise the issues on inundation, flood control and irrigation. It was suggested that project of this size may not be considered as clean development mechanism. However, the clean power has been able to displace carbon effect largely in India and to some extent in Nepal. It was also pointed out that the basic information such as the cost of the project differ in the two presentations (US$ 1.5 billion vs US$ 1.2 billion) and the figure of employment also varies (3500 workers vs 5000 workers).

5.3 Communication

It was commented that there is a need to establish a good relationship with rapport at the local level and particularly with the project affected people .It was suggested to provide more benefit to the local people.

5.5 Human Capital Development

There could be a plan and implementation arrangement in "Human Capital Development". This will enable to establish a "backward linkages" in the project areas. The project may also consider for developing technical human power so that the basic work could be done locally.

5.4 Implementation

The project has already taken a little over 14 years, yet it has not been able to break the ground. It was suggested for fast implementation so that the projected benefits are derived early. As a matter of fact, the delay in the implementation has negatively impacted the people of that area because no other development work is being conducted due to the belief that he area has been set aside for West Seti Hydropower Project.

5.5 Suggestions

The participants made suggestions which include, increase in tariff on sale price to India. This could be done by making a periodic revision of tariff. Preparation and execution of a rehabilitation plan for the displaced people at the cost of project. The program must be designed and

implemented by the project in support of local economy, providing benefit to the affected households.

6. Concluding session

- Summarizing the interaction program, Mr. Som Nath Poudel of JVS highlighted the information provided by the presentation. He opined that the participants could judge the cases in merit. He felt that the project will be relatively easier to implement if participatory approach be adopted.

- Mr. Shanker Prasad Koirala, Secretary, Ministry of Water Resources, thanked the organizer for the interaction program as it disseminated information and shared the experience of people engaged in hydropower sector. Describing the complexities involved, he hoped that the project will be successful in converging the diverse interest of the people and agencies involved to a single interest i.e. 'generating hydropower'. The successful implementation of this project will be an example and give enough strength to the people, developers and the government to achieve the target set by GoN of generating 10,000 MW in coming decade. The Secretary further mentioned that the Ministry of Water Resources is considering to review the project agreement to make it more beneficial for the people and the country.

- Addressing the interaction program, chief guest, Hon'ble Minister of Water Resources, Mr. Bishnu Prasad Poudel highlighted two opposite views of the presentation and said that both the presentations have provoked some food for thought. He stated that, in view of the power generation and other spin off effect West Seti Hydropower Project is an important project for the country. Chief guest requested to view the project in the national perspective and informed that GoN is committed to develop the project. The project is being implemented as it is beneficial to the people and the country. GoN is considering in expediting the process of people's participation in various phases of project implementation. GoN will also explore the various possibilities and alternatives to harness the water resources of the country including hydropower with the technical and financial support from the bilateral and multilateral agencies as well as private developers. Finally, he thanked for organizing such type of interaction program.

- At the end of the session, Mr Iswer Raj Onta, Chairman of JVS offered vote of thanks to Hon'ble Minister and the Secretary of Ministry of Water Resources, GoN. He also thanked to the presenters, participants as well as the media who took active participation in the interaction program. Mr. Onta concluded the program by saying that this project could be an example to other future projects which are likely to come for achieving the target of 10,000 MW power in the country within ten years time.

Interaction on
West Seti Hydropower Project
26th September 2008, Kathmandu

Participants List

S. N.	Name	Organization
1	Mr.Bishnu Prasad. Poudel	Hon'ble Minister, MoWR
Government		
2	Mr. Shanker Pd. Koirala	Secretary, MoWR
3	Er. Sanjaya Dhungel	WECS
4	Mr. Shital B. Regmee	MoWR
5	Mr. Keshab Dhoj Adhikari	SDE, MoWR
6	Mr. Shreeranjan Lacoul	DG, DOED
7	Mr. Sunil Malla	DDG, DOED
8	Mr. Bhoj Raj Regmi	DMD, NEA
9	Er.Rajendra K Kshatri	WECS
10	Mr. Suresh Raj Uprety	WECS
11	Mr. Govinda Poudel	MoWR
12	Er. D. P. Jaishy	MoWR
WSHL		
13	Mr. Himalaya B. Pande	West Seti
14	Mr. Bill Bultitude	West Seti
15	Mr. Eddie Barendse	West Seti
16	Dr. Saroj Adhikari	West Seti
17	Mr. Gopal P. Singh	West Seti
18	Mr. Dilli Nuepane	West Seti
19	Mr. Krishna Karki	West Seti
20	Mr. Bidhyapati Mishra	West Seti
21	Mr. Shakil Shrestha	Web Developer
22	Mr. Krish Thapa	Web Developer
23	Mr. Subasj Manandhar	Web Developer
JVS		
24	Mr. I. R. Onta	JVS

25	Mr. S. N. Upadhyay	JVS
26	Dr. Upendra Gautam	JVS
27	Mr. S. N. Poudel	JVS
28	Dr. Vijaya Shrestha	JVS
29	Mr. Ajoy Karki	JVS
30	Dr. Janak Karmacharya	CEDBL
31	Mr. Ratneshwor Lal Kayastha	Former Secretary
32	Dr. Kishor Babu Aryal	Former Secretary MoWR
33	Mr. Chadreshwor Rauniyar	SARA
NGO		
34	Mr. Ram Chandra Chautaut	WAFED
35	Mr. Ratan Bhandari	Paschimanchal Sarokar Samaj
Media		
36	Mr. Bikas Thapa	Kantipur National Daily
37	Mr. Krishna Adhikari	RSS, Reporter
38	Mr. Devi Sap	NTV
39	Mr. Arjun Joshi	Image TV
40	Mr. Dipendra Bista	Media
41	Mr. Birendra Bd. Saud	Media
42	Mr. Janak Tiwari	Chitwan Weekly
43	Mr. Laxmi Pd. Upadhayay	Gorkhapatra Daily
44	Mr. Baburam Khadka	Nepal Samacharpatra Daily
45	Mr. Krishna P. Sigdyal	NEFEJ
46	Mr. Shard C Aryal	Business World
47	Mr. Thira Lal Bhusal	The Kathmandu Post
Project Affected People		
48	Mr. Ratan B. Saud	Chair, WS Concern Main Committee
49	Mr. Tilak Singh	Reservoir Area
50	Mr. Laxman B. Singh	Reservoir Area
51	Mr. Narendra B. Singh	Concern Group
52	Mr. Raju Bhattarai	Concern Group
53	Mr. Robin Pratap Singh	Concern Group
54	Mr. Suresh Singh Dhami	Concern Group

55	Mr. Raghu Nath Ojha	Concern Group
56	Mr. Man Bd. Adhikari	Stakeholder Affected
57	Mr. Tej Bd. Singh	Stakeholder Affected
58	Mr. Dil Dutta Pant	Stakeholder Affected
59	Mr. Dil Raj Pandey	Stakeholder Affected
60	Mr. Janak Chand	Stakeholder Affected
Others		
61	Mr. Tula Narayan Shah	Debates for Development Nepal
62	Dr. Sanjeev Shah	Shah Consult
63	Mr. Shreeman Shrestha	Former Secretary NPC
64	Prof. Janan Nath Shrestha	Institute of Engineering
65	Prof. Amrit Nakarmi	TU
66	Mr. Ratna Sansar Shrestha	Water Resources Analyst
67	Mr. Shahid Parwez	ADB
68	Dr. Ekraj Ojha	Freelancer
69	Mr. Dambar Nepali	Freelancer

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West Seti Hydropower Project

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Hotel Royal Singi, Kamaladi
26th September 2008, Kathmandu

Program

26th September 2008 (10 Ashwin, 2065), Friday		
Time	**Activities**	
08:30-09:00 am	Arrival of Chief Guest and Participants	Tea/Coffee
	Program Chair	Iswer Raj Onta, JVS
9:00 – 9:10	Welcome	Surya Nath Upadhyay, Program Moderator - JVS
9:10 – 9:15	Address	Shanker Pd. Koirala, Secretary - MoWR
09:15-09:40	Presentation: West Seti – A Perspective	Ratna Sansar Shrestha, Water Resource Analyst
09:40-10:10	Presentation: West Seti Project – An Overview	Bill Baltitutue, EC - West Seti Hydropower Limited (WSHL)
10:10-12:40	Floor Discussion	
12:40- 12:45	Address by the Chief Guest	Hon'ble Vishnu Poudel, Minister of Water Resources
12:45 -12:55	Conclusion	Som Nath Poudel, JVS
12:55-01:00	Vote of Thanks	Iswer Raj Onta, JVS
01:00 -	Lunch	