

Innovative ways of financing for hydel sought

Experts and industry insiders have called for more optimisations and innovative ways of financing in the country's hydropower sector.

Speaking at a panel discussion on 'FDI in Nepal's Power Sector' during the Nepal Power Investment Summit, which kicked off in the Capital today, hydropower developers said that there are no ways other than attracting foreign investment in Nepal's power landscape to boost economic growth of the country.

"However, since hydropower projects are capital intensive and have longer gestation period, innovative financing solutions like equity financing is the need of time," said Rajen Kandel, director of Kandel Group.

According to him, lack of investment opportunity within Nepal and the growing demand of energy every day offers high level of investment scope for international investors to build hydropower projects in Nepal.

Similarly, N L Sharma, chairman of India-based Satluj Jal Vidyut Nigam (SJVN), pointed out political instability, lack of tax incentive, hassles during the land acquisition process and clearance of forest, and environment as some factors hindering foreign direct investment (FDI) in Nepal's energy sector. Informing that the Arun III, which is a 900-megawatt hydropower project financed by SJVN, was soon kicking off, he suggested government to make sure to develop transmission lines before the completion of any hydropower project.

Meanwhile, speakers at the discussion panel also called for an independent power sector regulator to check the demand and supply side situation as well as to fix the energy tariff in the country.

Apar Neupane, vice-president of Finance at Equicap Asia Pvt Ltd, opined that the mismatch in the interests of several stakeholders was the biggest hindrance for attracting FDI to Nepal. "From the government to the project affected area, from the developer to the contractor and financier, there are multiple stakeholders involved and they all have their own interests. When interests collide, the project gets affected," he stated.

Meanwhile, Joseph Hoess, director of Dragon Capital, Vietnam, said that the hassles that foreign investors have to go through while doing the ground works were what was aggravating the situation. "Private investors seek maximum returns within a short period of time, but here in Nepal we have to invest for more than five years doing basic things like getting approvals and clearances," he informed.

Organised by the Energy Development Council (EDC), the three-day long summit aims to introduce Nepal as a safe investment space in the hydropower sector.

A total of 350 delegates from 24 countries including those from SAARC region, Europe, China, Korea and the US, among others are participating in the event that will last till Monday, according to the organisers.

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