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Editorial



Vicious circle in power sector

It looks as if Nepalese will have to live with energy crisis for a long period instead of becoming prosperous through the appropriate utilization of its vast resources.

One after another, new problems are adding up in the sector. To name a few: • a liquidity crisis in Nepalese banks; • bank interest rates increased to nearly 14.5% per annum; • the Power Purchase Rates (PPA), with a nominal escalation rate, are not viable or relevant; • climate change affecting hydrology and hydropower investment by increasing risk; • set back in the West Seti Hydropower Project (750 MW) implementation; • controversy surrounding the procurement activities in the Upper Tamakoshi Hydropower Project (456 MW); • Maoist obstruction in the Upper Karnali, Arun-III and Upper Marshyangdi Hydropower Projects; • continuing political unrest causing *bandhs*, strikes, etc.; • a seriously weak national economy; • limited action by the Nepal Electricity Authority (NEA) in expanding transmission lines approved by the 38-Point Program; • strong local objection for laying transmission lines, etc.; • continued load-shedding, which is crippling the economy; • political instability; • long delays in approving the Electricity Act and Electricity Regulatory Commission Act, and other legislation; and • lack of legal instrument to implement Hydropower Development Policy, approved in 2001.

In previous issues of this journal, we have pointed out that the Upper Tamakoshi Hydropower Project (456MW) is the hope of the nation, that its implementation must be in a “war footing”, and that progress must be monitored directly by the Prime Minister’s Office. However, lack of transparency in the procurement of consultant and contracting services are seriously hampering progress. Many people fear that this project will follow the path of Mid-Marshyangdi Project (70 MW), which is infamous for its high time and cost overruns. Ways must yet be found to implement the Upper Tamakoshi HEP on a “war footing”.

One recourse is to increase the NEA tariff, which has not been increased in the last nine years. This will allow increase of the PPA rates. The Nepal government, however, has no intention to increase the NEA’s tariff, fearing opposition from the public. But the government cannot go against market forces indefinitely. We strongly urge the Electricity Tariff Fixation Commission to approve the tariff increase immediately. Furthermore, government subsidy is required on bank interest rates for lending beyond 11.5%. The liquidity problem of the banks needs to be addressed by the government with support from international financial agencies. And, problems with the Upper Tamakoshi HEP and other ongoing NEA projects must addressed, and their implementation proceed forthwith.

In the end, we strongly urge to Nepal Government to address and approve Joint Appeal for Rapid Hydropower Development in Nepal published, following a statement in this journal by 26 cooperating agencies associated with hydropower development in Nepal.

In this issue we have covered the innovative transformation created in the semi-arid region of Rajasthan through traditional water harvesting. We now need to learn from the lessons of Rajasthan to make Nepal free from water shortages.

Jeewan P. Thanju
Editor-in-Chief