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# “Nepal need standard policies and Acts acceptable for international lenders”

**Bo-Seuk Yi** joined Nepal Water and Energy Development Company (NWEDC), the developer of 216 MW Upper Trishuli-1 Hydropower project, as the CEO some three months back, representing South Korea's state-owned entity Korea South East Power Co. (KOSEP) that owns and operates about 10,000 MW power plants in South Korea. Though stationed in Nepal just recently, he has an experience of closely monitoring NWEDC for last 6 years as a Team Leader of Overseas Hydropower Team of KOSEP and Director of NWEDC. *New Business Age* asked him about the current status of the project and his impressions about Nepal. Excerpts from that interview:

## How has your experience been so far?

The Upper Trishuli -1 Hydropower Project to be developed by NWEDC would be a run-of-river type hydropower project of capacity 216 MW in the Haku VDC of Rasuwa District. The project will be developed by KOSEP as the lead sponsor and Daelim and Kyeryong as other Korean shareholders, who have extensive experience of developing and executing power projects of this size. Other shareholders include IFC (World Bank Group), who is also going to be lead arranger for debt and a local partner Jade Power with experience in local hydropower sector.

I have been involved in this project since the last six years, first as a director and then as a CEO. I have found that Officials of Government of Nepal are very enthusiastic for developing this project. The momentum was slow in the beginning but now things have started to become very positive.

## What issues are you facing as a foreign investor in Nepal?

As Nepal does not have much experience in international project financing in the hydropower sector, there is a lack of availability of standard polices and Acts for the execution of PDA and PPA which is acceptable to international lenders.

## How do other countries in which you have worked compare to Nepal in terms of attracting

## foreign investments?

We started development of hydropower projects simultaneously in Nepal and Pakistan. Our project in Pakistan achieved financial closure last year and is already under construction. This is because of the favorable policies of the Government of Pakistan like payment guarantee by the government, dollar tariffs for the whole concession period, hydrological risk borne by the government, guarantee of minimum equity IRR (17 percent) etc.

## What do you think the Government of Nepal should do to attract investment?

The Government of Nepal should have standard policies and Acts for the execution of PDA and PPA acceptable to international lenders. Additionally, the minimum return to the investors should be guaranteed through a cost-plus tariff mechanism. Also, as the NPR-USD exchange rate is highly volatile, the investors should be protected from adverse effects of such exposure.

## What is your Company's long term goal and thinking in Nepal?

Our long term goal is to partner with Government of Nepal on its development approaches. Our parent company, KOSEP, is a government-owned entity in South Korea. Therefore, we are not driven by profit, rather, we want to build relationship

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**nwEDC**

NEWATER & ENERGY  
DEVELOPMENT COMPANY



**Bo-Seuk Yi**  
CEO, NWEDC

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between South Korea and Nepal. Our plan is to re-invest in other projects from any surplus earned from this project just like Chilime HEP is developing additional projects of total 270.3 MW.

### **Personally what is your opinion about Nepal?**

I have found that Nepal and Nepalis are very happy, welcoming, kind-hearted and talented. In fact, I have started learning the Nepali language as I have been feeling a very close connection with this country. There is a lot of potential for development of hydropower and tourism sector and Nepal should find out ways for harnessing these sectors.

### **How is the proposed Upper Trishuli 1 hydropower project progressing?**

We are in the final stages of concluding PDA with the government. We expect it to be done by the end of April. As major matters in PPA will be addressed by PDA, we will start PPA negotiations with Nepal Electricity Authority (NEA) immediately. At the same time, we are also repairing and constructing Access Road and Camp Facilities in the Project Area.

### **What is the progress on PDA negotiations of**

### **the project which has been stuck due to the disagreement on PPA in dollar terms or local currency?**

As I mentioned earlier, we are in the final stages of signing PDA. Some of the key issues of PDA like payment guarantee of NEA and forex risk sharing have already been addressed by the government through "Concept Paper on National Energy Crisis Mitigation and Electricity Development Decade, 2072." There are minor outstanding issues, which, we believe, can be sorted out during final negotiations.

### **How do you think the delay in signing PDA and PPA will affect the overall project? How could the disputes be resolved?**

The delay in signing PDA and PPA will increase the cost of the project. Additionally, it will be very difficult to convince our sponsors and other shareholders to keep on injecting additional funds into the project without the execution of PDA.

Regarding the PDA, we only have some minor issues to be solved. Regarding the PPA, we have already submitted our tariff proposal and signed technical MOU with NEA. So, we believe after execution of PDA, there won't be many issues in PPA because major matters in PPA will



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be addressed by PDA and the forex risk sharing has already been addressed through “Concept Paper on National Energy Crisis Mitigation and Electricity Development Decade, 2072.”

**Given the current obstacles, how can the project start commercial production of electricity by December, 2020?**

We had originally planned to start commercial production by December, 2020. However, we have not yet been able to obtain financial closure as PDA and PPA have not yet been concluded. Therefore, based on our revised schedule, if the PDA will conclude by April, 2016, then, we can achieve commercial production before January, 2022.

**11 prospective international lenders are involved in the Upper Trishuli 1 project. How has been their response regarding the delay in concluding PDA and PPA?**

We believe we are very fortunate that even after last year’s devastating earthquake and delay in execution of PDA and PPA, our sponsors and lenders still have kept faith in our project. In fact, we have just successfully concluded our Lender’s Update Program for prospective lenders on April 4, 2016.

**What hurdles and bottlenecks do you see in the development of hydropower sector in Nepal?**

**How can we remove these impediments?**

Let me answer this question from the perspective of international investors. As I mentioned earlier, unavailability of standard bankable project documents, absence of cost-plus tariff System and lack of coordination between government agencies are the major hurdles. To remove these impediments, there should be standard bankable documents in place for international financing and the tariff should be on cost-plus basis and also proper coordination between government agencies.

**Anything else you would like to highlight?**

After the conclusion of Korea war in the 1950’s, South Korea was in a very dire condition. However, through continuous effort, today, we are a country with 13th largest GDP in the world. We have gone through all the conditions in which Nepal is today such as lack of power, poverty and low per capita income. Therefore, we firmly believe that by our experience, we can contribute towards development of Nepal.

More importantly, there is a lot of potential for development of hydropower and tourism sector in Nepal. As our parent company KOSEP owns and operates about 10,000 MW of power plants in South Korea, we strongly believe that we can make a positive contribution towards development in this sector.