



GWP Nepal

JVS-NePaSaFa Interaction Program on



38th Pani Satsang

Challenges of Crafting Nepal-India Water and Energy Relations

Annapurna Hotel, Kathmandu, 18 July 2014

Summary of the Discussions

A. Water Storage and its Multiple Benefits

1. For food production and for life, water has no alternative but power can be produced from a range of alternatives. It is therefore absolutely imperative that Nepal's present and future water needs for life and for food production must be secured in projects aimed at harnessing this vital resource. It cannot be undervalued nor should it be short-changed for short-term needs and interests.
2. Water storage projects no doubt accrue multiple downstream benefits, and Nepal must therefore stake claims for sharing these benefits with the downstream riparian countries. However, serious practical initiatives must be urgently undertaken to clearly identify, quantify and agree between the riparian countries on the basis of sharing those benefits, which must be worked out and negotiated on equitable basis. In the past, India's senior political leadership had agreed to Nepal's prior rights and requirements at various times; but a serious loss of institutional memory in Nepal has led to some unfortunate back-sliding on this front.
3. Regarding the Mahakali Treaty, India has in principle accepted the equal sharing of cost and downstream benefits from the Pancheswar Project but its practical implementation is still awaited. This long-pending matter should be taken up as the first positive step in confidence building. However, there currently exist critical technical and interpretational differences on issues related to sharing the gamut of benefits from this project between the two countries. Practical steps must be taken to fulfill the obligations of both the parties in the past treaties and agreements, to sincerely sort out differences, and to strengthen mutual trust.
4. In the event that agreeable sharing of downstream benefit cannot be reached with India, then Nepal should give priority to those storage projects whose downstream flow can be used within Nepal.

B. Power Trade

1. Power trade and hydropower development cooperation are two different issues and therefore, they must be kept apart and dealt with separately.
2. The concept of power trade between Nepal and India had started a long time ago as an MOU was signed back in 1996. Furthermore, Nepal had submitted a proposal on Power Trade back in 2010, but this proposal has never been acknowledged. Instead, it has been reported in the media that India recently has sent a new proposal to Nepal Ministry of Energy. It has been

known through the media that this new proposal has been named as "Power Development Cooperation Agreement", and also that this new proposal is totally different from the one Nepal submitted in 2010. Ministry of Energy has not made the contents of the so called "Power Development Cooperation Agreement" public, nor has it shared and discussed it with the political parties, civil society and the experts. The content of such "Power Development Cooperation Agreement" must be made public and transparently discussed among all stakeholders.

3. If Nepal is to enter into any new agreement, its content and the issues involved in it should be discussed widely with a view to solicit expert opinion and to build consensus among the political parties. For building trust and confidence between India and Nepal on matters of water resources cooperation for mutual benefit, there is a need to set positive and constructive examples by doing projects which could enthuse such trust and confidence. In the present situation it is not advisable for both the countries to jump into any comprehensive agreement on water resources.
4. Demand and market for domestic consumption of energy is already high in Nepal and it is growing rapidly in contrast to the NEA projection, which has not taken due account of suppressed demand or replacement of fossil-fuel based generation which has grown alarmingly since 2008. Nepal is paying a very high economic and financial price to meet this demand. Therefore, power trade should be for export of the surplus power only after meeting Nepal's domestic requirements.
5. Transmission line (Grid Connectivity) is a major constraint for power trade between India and Nepal. Without resolving this issue, including the issues if any in the past agreement with India on this subject, power trade is not possible.
6. To start with, power trade can take place in alternative ways too; for example, swapping (bartering) of electricity between India and Nepal according to the season of high demand in the two countries (wet season and dry season).
7. If the power exchange has to take place in monetary terms, then the pricing should be based on commercial market price for export to India and on cost+ basis for the domestic consumption in Nepal, since Nepal's development requirements dictate that electricity be seen as an infrastructural requirement, an input to industrialization that provides jobs in Nepal for her growing youthful population.
8. India's views and commitments towards developing regional power market must be made clear. A better and more vibrant South Asia can emerge with the establishment of regional or subregional power grid connectivity and power market with attributes like non-discriminatory access, commercial trading and market based pricing.

Institutional Issues:

1. Water Resources Ministry must be re-instated.
2. Water and Energy Commission and its secretariat must be strengthened and empowered.