India – Nepal: Electricity Diplomacy

What is the issue?

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An important step in promoting electricity trade between India and Nepal took place recently when Energy Secretary-level talks known as the joint steering committee meeting concluded in Kathmandu.

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What has been decided at the talks?

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- It was decided to endorse the detailed project report of the **400 kV Butwal-Gorakhpur cross-border transmission line.**
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- It follows the guidelines issued by India's Ministry of Power for cross-border electricity trade on December 5, 2016.
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What is the Power Trade Agreement?

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- It was only in 2014 when India and Nepal signed a Power Trade Agreement that the doors opened for Nepal developers/traders to access the Indian power market.
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- At first, Nepal was apprehensive that it would not get a fair deal trading with a large neighbour, but power is now traded in India on exchanges transparently and the price is known to all, thus assuaging some of Nepal's apprehensions.
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- Recently, the Indian government issued guidelines and draft notification on **Cross-Border Electricity Trade (CBET) policy** to enable Indian - Nepal producers/traders to seamlessly exchange power with neighbouring nations.

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What does the statistics say?

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- Due to political uncertainty, the development of Nepal's hydro potential has been delayed.
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- Out of an economically viable and technically feasible potential of 43.5 GW, **only 0.8 GW had been developed.**
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- By selling power to India, Nepal could have developed its economy at a faster rate.
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- Bhutan has reaped the benefit of power export to India and its per capita income in purchasing power parity adjusted for international dollars increased from $475 in 1980 to $7,860 in 2015.
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- Nepal's electricity supply in 2015-16 was around 5,100 GWh, of which 3,300 GWh was domestic generation and remaining 1,758 GWh was import from India.
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- **Per capita electricity consumption in Nepal is one of the world's lowest, at 119 kWh in 2012.**
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What the USAID study says?

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- The Integrated Research and Action for Development **(IRADe)** has carried out a detailed modelling study which explored electricity trade potential on an hourly basis till 2045.
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- This study was carried out as a part of US AID-supported South Asia Regional Initiative for Energy Integration project.
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- The trade takes place at a price that is acceptable to both buyer and seller. Its macroeconomic impact has also been estimated.
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- For example, Nepal's revenue from export of electricity to India increases its

ability to import more goods and also to invest more in the economy.
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- This increases its gross domestic product, consumption and use of electricity, which improves quality of life.
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- Trade also benefits India.
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- Meeting the evening peak in India when its large solar PV capacity would not be available becomes easier and cheaper.
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What is the way ahead?

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- A climate of confidence and trust in the long-term trading relationship between India and Nepal can greatly help Nepal meet its ambitious target and provide an opportunity for Indian investors to invest in Nepal.
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- This could help us smoothen our recently strained relations with Nepal as well as strengthen our historically friendly ties
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Source: The Hindu

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