

ECONOMICS

Encourage distributed power generation

IMPLEMENTING RENEWABLE ENERGY FEED-IN-TARIFFS IN NEPAL

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As we tread towards the driest months, many of us must be crossing our fingers hoping there will be no load shedding. And perhaps this might mean it is time for Neapal Electricity Authority (NEA) to focus on improving distribution system, and more importantly implementing Feed-In-Tariff system (FiTs) to encourage distributed power generation to further strengthen the power supply source.

Many countries have implemented FiTs into their energy development plans, which are policy instruments designed to promote rapid deployment of renewable energy (RE) technologies by rewarding energy providers. Though these tariffs are not anything new or cutting-edge, they have proven to accelerate investment in RE technologies through the offering of long-term contracts to RE producers.

FiTs are applicable for a range of beneficiaries including households, enterprises, landlords, farmers, and even organisations. Eligible energy providers are rewarded through payment of a cost-based price for any electricity they supply into the main grid using renewable technologies. The main purpose of the tariffs is to offer compensation to RE producers, providing price certainty and financial assistance for their RE investments. FiTs offer the energy pro-

ducers guaranteed grid access, long-term contract security, and cost-based purchase prices. Implementation of these tariffs is financially beneficial with energy producers being paid for all

the utilisation of novel energy technologies such as wind power, solar photovoltaics, biomass, and geothermal power. The motivation behind this decision was to meet the country's aim of having 40 to 45 per cent of the electricity consumption provided from renewable sources by 2025, and 55 to 60 per cent by 2035, whilst encouraging the development of RE technologies



the energy produced including the amount that is used by themselves, bonus payments for exported electricity fed into the grid, and a significant reduction on conventional electricity bills.

FiTs provide investors with a reasonable return on their renewable energy financings with policies been sanctioned in over 50 countries around the world, including Germany, India, Australia, China, Iran, Kenya, Thailand, and the United Kingdom.

Germany was the first country to introduce FiTs for RE electricity generation to encourage

securing the nation's energy supply. Purchase prices of electricity are based on generation costs specific to varying RE technologies and their size capacities. The rates are also designed in a structure to decline annually based on expected cost reductions, which is known as 'tariff degression'.

In Germany, long-term contracts are tendered to all RE producers in an unbiased manner, and effectively run RE generation projects generate an acceptable rate of return in between five to 10 per cent. This has resulted in the rapid advancements in RE technology and their deployment throughout the nation.

In countries where electricity generation from RE technologies is much more expensive than conventional methods, distribution companies are permit-

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ted to pass on additional costs to the consumers. In Nepal's case, this is the major obstacle as affordability of consumers may restrict the transfer and payment of these costs. From observing the implementation and operation of policy mechanism in various countries around the world, FiTs can be a means for Nepal to promote an interconnection of renewable to the grid. In order to determine and regulate the tariffs in a systematic and efficient manner, it will be necessary for energy producers to have priority access to the grid. Private producers will be able to establish their energy investments to sell unused capacities to NEA, thus expanding use of renewable technologies around the country. However, for small energy generation projects, with current tariff NEA are offering, grid connection is not seen as a feasible proposal.

For FiTs to be implemented in Nepal, the government must explore an alternative funding mechanism to meet the additional costs of generation as it would not be moral to burden the utility or increase consumer electricity bills to make up for the additional costs. A possible option to reduce the cost of generation could be the provision of subsidies on the grid interconnection equipment costs which are relatively expensive and primarily imported. With support from the government and FiTs in place, grid connected distribution will be possible, which in turn will reduce presently experienced line losses, as the electricity will be generated locally without having to be supplied over long distances from a centralised system.

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Rockstart Impact was introduced to Nepali entrepreneurs back in 2014 by One to Watch, an invest management company and has successfully completed two editions till date and are currently running the third iteration. Rockstart Impact bridges the gap between entrepreneurs and impact investors. They select 10 companies each year from over 200 applicants and strengthen their vision and capabilities along with helping them project their growth realistically for the next five years. As a result, Rockstart Impact can connect local entrepreneurs to international growth capital. In 100 days they receive support from international and local mentors. Together they validate innovative business models and set up basic governance systems, making the companies much more lucrative to impact investors. In the last two years with 20 alumni, 16 have secured investment pledges, raising about 2.5 million Euros in investments.

With Willem Grimminck, founder of One to Watch and Rockstart Impact, along with Simon Mathijssen, Programme Director for Rockstart Impact, we delve into the basics of successfully raising an investment and they share their experiences of working with Nepali entrepreneurs. Mathijssen shares, "In the past two years, we have worked with the most capable and ambitious local entrepreneurs who make serious impact and generate serious profit." According to him, these entrepreneurs create jobs and innovate markets for

The untold story

THE PEOPLE AND PROCESS BEHIND ONE OF NEPAL'S LARGEST ACCELERATOR PROGRAMMES

basic needa — agri-food, renewable energy, and healthcare. The companies grow in the programme through inputs from the Dutch men-

patch work of short-term decisions that have been made in the past for it to survive in the first phase. And you need to restructure it to make that one solid foundation for growth." He further says, "That's what you face halfway through the programme, you dig really deep into it and you discover all the weaknesses that need to be fixed in the next 50 days to be investment-ready."

According to him, during the period of a company's evolution, it goes through all different kinds of direction before it finds its way forward. He shares, "And all the decisions that have been made need to be adjusted to the new line and then we talk about finance, registration, skills of a team, partnership, value proposition, focus on business model and everything else."

Mathijssen adds, "I feel that very often entrepreneurs think that when



investor's impact

tors thus gaining an international perspective and the context of doing a business in Nepal through local mentors. He says, "And with this, we have been successful in the past two editions and are sure about at least seven out of 10 companies raising an investment in the current batch by the end of 2017."

Grimminck says, "From the experience of being in Nepal, the companies that are over three years old all look like good cases for investment. But once you are halfway through the 100-day programme, you find a

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Challenges for Gold in 2017

BULL AND BEAR FIGHT FOR GOLD

Vivek Risal
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At the turn of the New Year, Donald Trump had been in the news more often than not. And now that he has been sworn in as the new President of USA, Trump has laid down new policies which have not gone down well with the American public leading to widespread criticism and protests.

In recent memory, no other American President has witnessed so many political dramas in so little time. Amidst the chaos and confusion, the financial markets have undergone a transformation with volatility levels at an all time high. The commodity markets also have not been spared either with the bullish and bearish forces driving the prices. If January was a preview, the bullion market is headed for a rollercoaster of a ride in 2017.

Having commenced at \$1150.33 per troy ounce, gold has spiked by 6.5 per cent to attain the highest price of \$1225.23 per troy ounce on February 2. Out of the total trading days in 2017, gold has had bearish days on only six occasions. The uncertainty of the Trump's administration has boosted the appeal of gold as a safe haven status. In 2017, gold will further be in the spotlight with the following driving factors.

Since gold does not bear any interest, the environment of rates hike could take the shine off gold. The Federal Reserve had last increased the rates to 0.75 per cent in December 2016 which resulted in the decline of the prices to \$1122.73 per troy ounce. As Fed commits once again to increase the rates in 2017, the appreciating greenback will force the traders to leave gold for the more

appealing stock and bond markets. We have also witnessed tremendous improvement in risk management techniques of miners and producers as well as technological improvements. This signifies that the gold miners will have more production even if prices are comparatively lower.

Likewise, gold prices could further slide as supply glut develops. Since the past six years, central banks around the world have been on a gold-buying spree. However, analysts opine that the buying spree could halt in 2017. Lastly, China and India, the largest consumers of the metal, could see a decline in 2017.



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Although India is doing fine irrespective of the demonetisation, economic slowdown in China could hamper the prospects for the bullish trend.

Global uncertainties tend to drive up the prices of gold due to its safe haven status. Likewise, the metal has been in the news due to Trump's elaborate plans to revamp the system. However, with the passage of time, we could observe the emergence of the other factors taking center stage. With only one month over and the good part of the year to go, it's imperative to fasten your seat belts as gold turns the engine on for another unforgettable ride in 2017.

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Right to Privacy

AS IMPORTANT AS THE RIGHT TO INFORMATION

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Disclosing personal things, search and seizure of residence and property of any individual, and investigating correspondences and other matters in an unauthorised manner is a common practice in our country.

Despite the constitutional guarantee of the Right to Privacy, government agencies, especially the police and investigators, bring personal matters under scrutiny. Making public personal affairs, photos and videos are also common in our country due to easy access to media outlets.

Such practices have encroached on the Right to Privacy. According to Article 28 of the Constitution, the body, residence, property, documents and data, correspondence and character of anyone shall not be encroached upon except in accordance with the law.

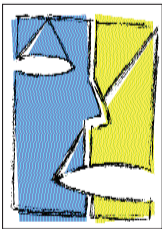
In relation to the investigation of the murder case of then Justice of the Supreme Court Rana Bahadur Bam, the police

rampantly went through phone calls and read SMS of individuals without permission from the individuals and the court.

A division bench of Chief Justice Kalyan Shrestha (now retired) and Justice Devendra Gopal Shrestha issued a verdict directing authorities concerned to respect privacy. Baburam Aryal, Tank Aryal, Santosh Babu Sigdel and journalist Taranath Dahal had

moved the Supreme Court seeking its order to the Office of the Prime Minister and Council of Ministers, Ministry of Home Affairs, Police Headquarters, Nepal Telecom, Ncell and United Telecom to respect the privacy of people. In its verdict, the country's highest court has directed authorities not to violate privacy of any individual, but take permission from the court while investigating.

In fact, the Right to Privacy is an equally significant right in democracy as the Right to Information, but the activities of government authorities and the media tend to encroach on the privacy rights of individuals.



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