



Nepal

GDP: **\$19.6bn**

Five-year economic growth rate: **4.2%**

Population: **28.1m**

Total clean energy investments, 2009-2014: **\$137.0m**

Installed power capacity: **771.0MW**

Renewable share: **40.4%**

Total clean energy generation: **1.6TWh**

Top energy authority: **Ministry of Energy**

OVERALL RANKING
2014

17

2015

10

OVERALL SCORE
2015

1.63

PARAMETER	RANKING	SCORE
I. Enabling Framework	15	1.44
II. Clean Energy Investment & Climate Financing	03	1.68
III. Low-Carbon Business & Clean Energy Value Chains	15	2.65
IV. Greenhouse Gas Management Activities	30	1.01

SCORE SUMMARY

Nepal scored 1.63 in *Climatescope* 2015, placing it 10th on the list of countries overall. The country's ranking rose seven places on the list from 2014, thanks largely to strong improvement of its score on Clean Energy Investment Parameter II in general and on its Growth Rate of Clean Energy Investments Indicator, in particular.

On Enabling Framework Parameter I, Nepal scored 1.44 thanks to a particularly good performance on the Distributed Energy Regulatory Framework Indicator. In fact, it had the third highest score on Parameter I among all nations in APAC. On Clean Energy Investment and Climate Financing Parameter II, the

country scored 1.68. Its score more than tripled from 2014, primarily to due to a jump in its score on Growth Rate of Clean Energy Investments Indicator and the Loans, Grants & Grant Programs Indicator.

On Low-Carbon Business & Clean Energy Value Chains Parameter III, the country saw its score unchanged at 2.65.

On Greenhouse Gas Management Activities Parameter IV, Nepal scored just 1.01 as its score declined on the Carbon Offsets Historical Activity Indicator.

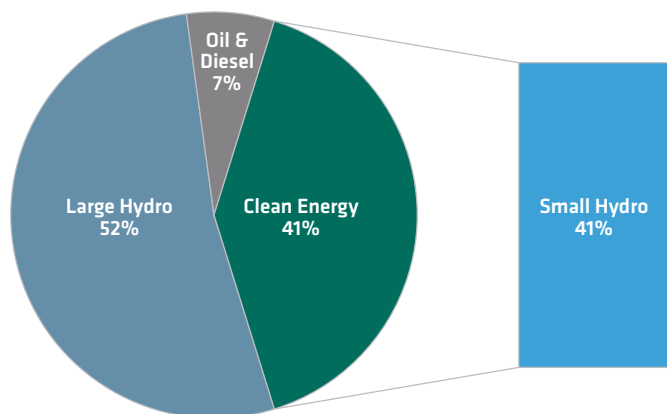
For further information, access www.global-climatescope.org/en/country/nepal

OVERVIEW

Home to Mount Everest, Himalayan glaciers and heavy rainfall, Nepal's moving-water resources are plentiful. Consequently, almost all of the country's grid connected power is generated by 718MW of hydro plants. Small hydro contributes 43.76% of the total hydro generation. In July 2014, Nepal set a target of adding 628MW of large and small hydro by 2017.

INSTALLED POWER CAPACITY BY SOURCE, 2014 (%)

771GW total installed capacity



Source: Bloomberg New Energy Finance, Nepal Electricity Authority, Government of Nepal Department of Electricity Development

Still, Nepal faces an energy deficit (supply fell 22% short of demand in 2014). Aside from insufficient capacity, the seasonal nature of hydro generation aggravates the problem and power cuts can last up to 12 hours a day winter. Retail tariffs are heavily subsidised, which makes it harder for renewable energy projects to compete on price without subsidy.

KEY POLICIES

Debt-Equity Incentives	Renewable energy subsidies have been introduced equal to 40% of the cost of the project (with a further 40% covered by a soft loan). The subsidy amount is determined by the remoteness of the location.
Energy Target	The 2012-13 Economic Survey set a long-term target to derive 10% of electricity generation from renewable energy by 2033. Small hydro had a 2016 target of 15MW, while wind and solar were 1MW and 6MW, respectively.
Feed-in-Tariffs	Tariffs set in 2011 for small hydro plants stand at \$0.09/kWh in the dry season and \$0.05/kWh in the wet season.
Tax Incentives	The 2013-14 budget lists several tax benefits for renewable energy developers, including tax holidays, reduced income tax and exemption from customs duty.

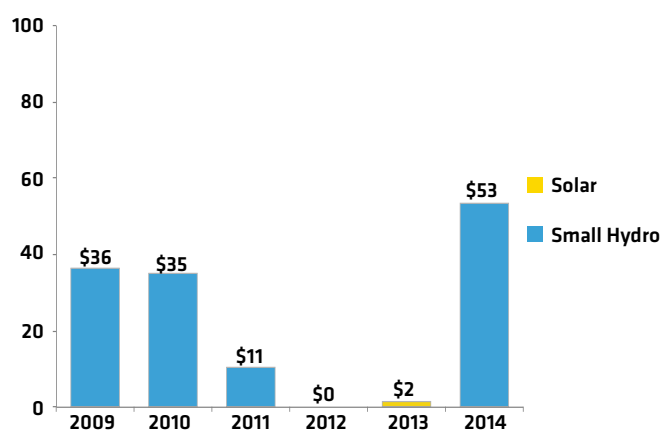
Source: Bloomberg New Energy Finance Policy Library

Over 64% of the installed hydro capacity is owned by the Nepal Electricity Authority (NEA). That authority is also the sole owner and operator of Nepal's distribution network.

Nepal offers 35-year feed-in tariffs to hydro plants of up to 25MW. The tariffs are rarely revised, and developers consider them too low. Developers also perceive high risks due to political uncertainty and NEA's weak financial health: the NEA had accumulated losses of over \$250m as of early 2015. Debt financing is complicated by the country's banking rules, which require senior management of development companies to be financially liable for loans.

ANNUAL INVESTMENT IN CLEAN ENERGY, 2009-2014 (\$m)

\$137m total cumulative investment



Source: Bloomberg New Energy Finance

Notes: Total investment includes: Asset Finance, Corporate Finance and Venture Capital / Private Equity Commitments.

The government in 2012 launched a five-year National Rural Renewable Energy Programme. The program is supported by several development agencies, both bilateral and multilaterals, through a \$184m Central Renewable Energy Fund and administered by a semi-government agency, Alternate Energy Promotion Centre.

In December 2014, the World Bank approved a loan of \$130m to develop Nepal's first large grid-connected solar PV plant of 25MW and to pilot a program to reduce the distribution losses in the country.

The devastating earthquake in April 2015 damaged 42 hydro plants, according to the Independent Power Producers Association Nepal. This is expected to set back targets and progress as resources are redirected to repairing structural damage at existing dams. It is likely that Nepal's addition targets will have to be re-evaluated.