

INDIA, BHUTAN SIGN PACT FOR FIRST JOINT HYDEL PROJECT

Relevant for: International Relations | Topic: India - Bhutan

Bhutan Minister Tandi Dorji with S. Jaishankar. File photo

India and Bhutan took a major step forward for the construction of the 600 MW Kholongchhu project, their first hydropower joint venture project in Bhutan's less developed eastern region of Trashiyangtse.

The project's "Concession agreement," which was signed in the presence via video-conference of External Affairs Minister S. Jaishankar in Delhi, and Bhutan's Foreign Minister Tandi Dorji and Economic Affairs Minister Loknath Sharma in Thimphu, marks a shift as it is the first time an India-Bhutan hydropower project will be constructed as a 50:50 joint venture, not as a government-to-government agreement.

Speaking at the ceremony, both Foreign Ministers called the agreement a "milestone" in the India-Bhutan partnership, under which four hydropower projects have been built in the last 30 years totalling a capacity of 2,100 MW, and another two are under construction. The Kholongchhu project is one of four additional projects agreed to in 2008, as a part of India's commitment to help Bhutan create a total 10,000 MW of installed capacity by 2020.

'Mutually beneficial'

"[The] hydro power sector has been the most visible symbol of the mutually beneficial bilateral cooperation between our two countries," said Mr. Jaishankar at the signing ceremony between the JV Partners Sutlej Jal Vidyut Nigam (SJVN), a Himachal Pradesh PSU, and the Bhutanese Druk Green Power Corporation (DGPC).

"I congratulate both the JV partners for this remarkable feat and hope that they will leave no stone unturned in expeditiously completing the project," he said.

Signed in 2014

The inter-governmental agreement for the Kholongchhu project was signed after prolonged negotiations on the structure of the joint venture, in April 2014, and the foundation stone was laid when Prime Minister Narendra Modi travelled to Thimphu a few months later.

However, progress on preparing the site ground to a halt in December 2016 over India's new power tariff guidelines (on Cross Border Trade of Electricity - CBTE), until the government amended its guidelines after negotiations with the Bhutan government. During Monday's ceremony, the Bhutanese Foreign Minister said the delay had "some benefits" as many issues on the ground were ironed out during the period.

According to the agreement finalised, the construction for the Kholongchhu Hydro Electric Power (HEP) project will begin soon, and be completed in the second half of 2025.

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