

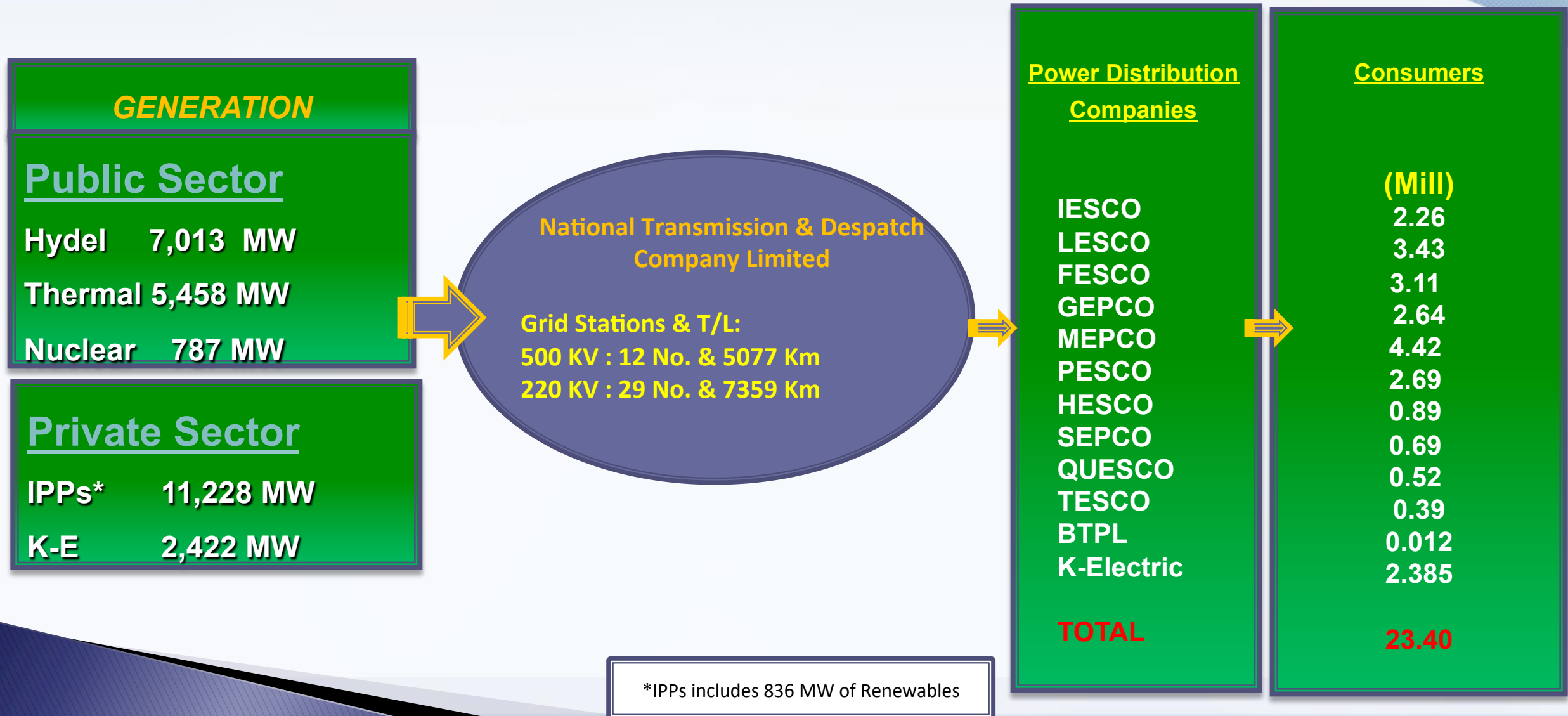
# **ATTRACTING PRIVATE SECTOR FINANCING FOR ENERGY PROJECTS**



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# PAKISTAN POWER SECTOR - TRANSMISSION



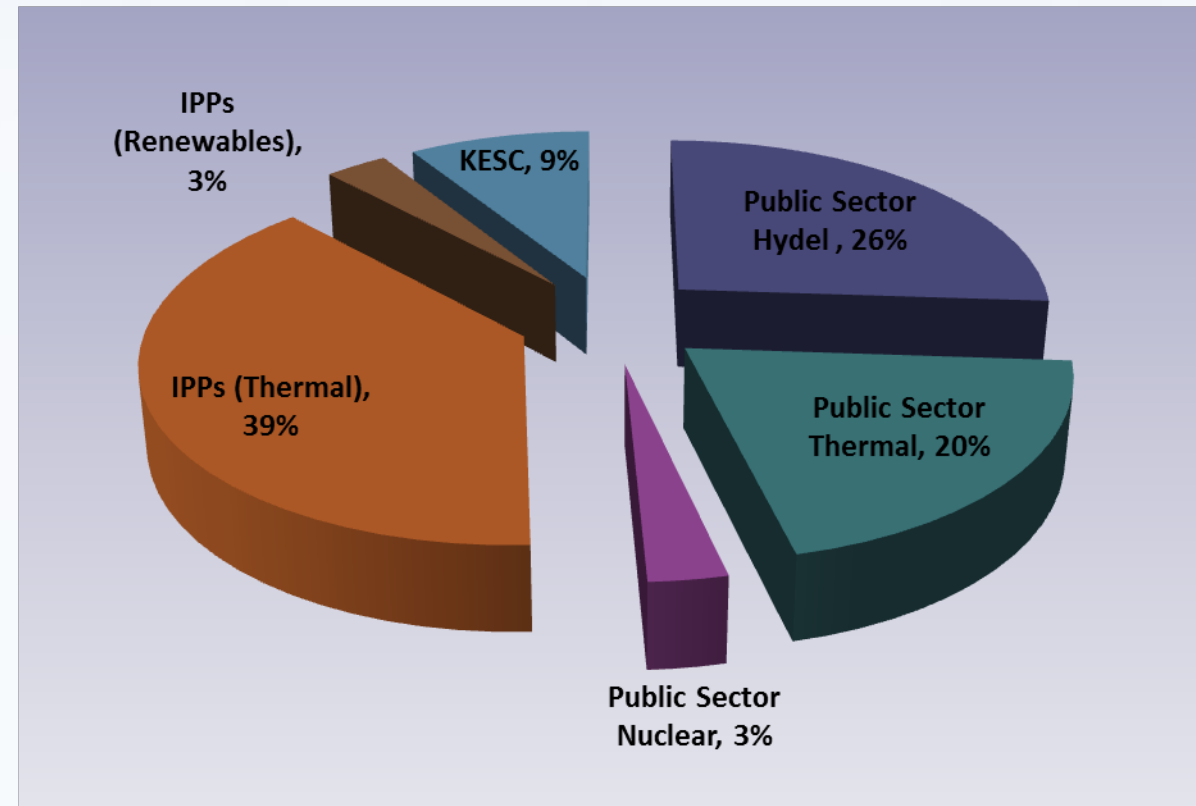
# IPPS CONTRIBUTING MAJOR PORTION IN PAKISTAN'S GENERATION CAPACITY

## Public Sector

	MW	%
Hydel	7,013	26
Thermal	5,458	20
Nuclear	787	3
Total	<u>13,258</u>	<u>49</u>

## Private Sector

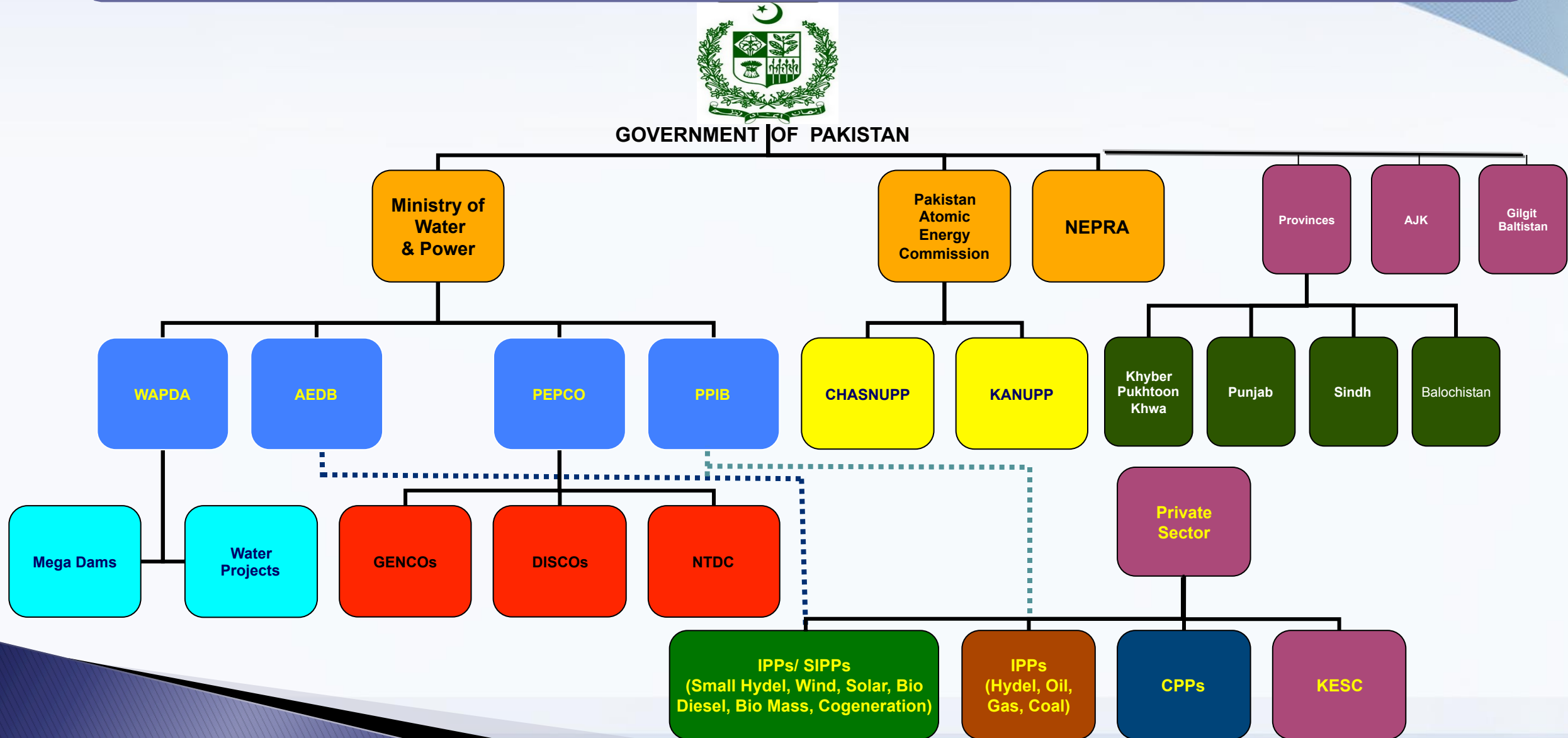
IPPs	10,392	39
IPPs(Renewable)	836	3
KESC	2,422	9
Total	<u>13,650</u>	<u>51</u>



**Total Installed Capacity 26,908 MW**

*Source: Power System Statistics – 39<sup>th</sup> Issue*  
*IPPs (Renewable) includes (SHPP 128MW, Wind 308MW, Solar 400 MW)*

# PAKISTAN POWER SECTOR – KEY PLAYERS



# **PPIB - ONE WINDOW FACILITY FOR PRIVATE SECTOR**

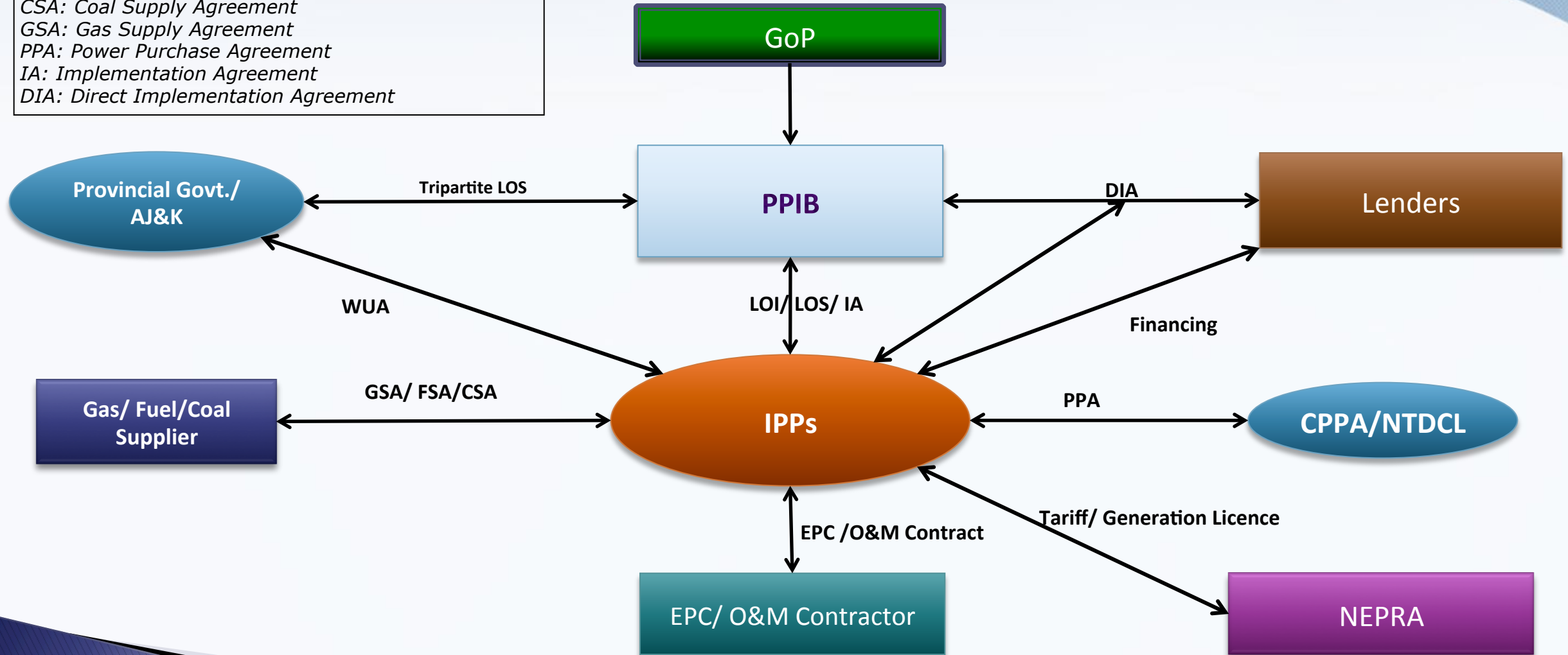
- Created in August 1994 as a one-window facilitator on behalf of Govt. of Pakistan (GOP) to promote private investments in power sector
- Approves IPPs projects, executes Implementation Agreements and provides GOP guarantees
- Facilitates IPPs in executing security documents with relevant GOP agencies and provincial entities
- Coordinates/ Liaisons with local and international multilateral development/ Financial Institutions
- Managed to induct 32 IPPs totaling 10,392 MW with cumulative investment of over US\$ 12 billion
- Attracted leading international investors and lenders to invest in country's power sector.
- Contributed in development of domestic capital markets
- Supported economic growth and enhanced power supply

# PRIVATE POWER PROJECTS IN OPERATION

	Number of Projects	Capacity (MW)	Investment (Million US\$)
■ Project prior to 1994 Power Policy	1	1,292	1,608
■ Projects under 1994 Power Policy	15	3,124	3,490
■ Project privatized from public sector	1	1,638	1,583
■ Project under 1995 Hydel Policy	1	84	215
■ Projects under 2002 Power Policy	13	2,934	3,248
■ Project Under 2015 Power Policy	1	1,320	1,912
■ <b>Total</b>	<b>32</b>	<b>10,392</b>	<b>12,056</b>

# IPP MODEL IN PAKISTAN

CSA: Coal Supply Agreement  
GSA: Gas Supply Agreement  
PPA: Power Purchase Agreement  
IA: Implementation Agreement  
DIA: Direct Implementation Agreement





# **PPIB's CURRENT PORTFOLIO OF MORE THAN 19,500 MW**

- **32 multiple fuel based under process IPPs of more than 19,500 MW worth multi billion dollars**
- **16 Hydro IPPs of 6,430 MW**
- **13 Coal based IPPs of 9,491 MW and**
- **03 R-LNG based power projects of 3,633 MW**
  
- **Present target is to complete and commission 18 IPPs of around 14,000 MW by 2021**
  
- **Handling first ever transmission line project in private sector, also first ever HVDC line of country**
  - **±660 kV Matiari-Lahore HVDC Transmission Line Project, sponsored by SGCC**
  
- **PPIB's Current Portfolio includes 12 multiple fuel based Power Generation Projects of 10,934 MW and one HVDC Transmission Line Project under CPEC Framework.**



# **INCENTIVES UNDER POWER GENERATION POLICY 2015 (1/2)**

- **PPIB /relevant entities in the Provinces / AJK / GB will provide a one-window facility for implementation of projects under the Policy.**
- **Exemption from Corporate Income Tax, Turnover Tax, Withholding Tax and Sales Tax, only 5% concessionary Import Duty on plant & equipment not manufactured locally**
- **GOP Guarantees obligations of power purchaser & provinces**
- **GOP provides protection against Political Force Majeure, Change in Law and Change in Duties & Taxes**
- **For Hydro Power Projects; WUC will be paid @ Rs. 0.425/kWh to the province where the project is located.**
- **Power Purchaser to bear Hydrological Risk for Hydro projects**

# **INCENTIVES UNDER POWER GENERATION POLICY 2015 (2/2)**

- **Attractive ROE provided by the Regulator**
- **To mitigate high underground geological risk, long construction period and environmental sensitivities following tariff re-openers are provided by NEPRA**
  - **Cost Escalation in Civil and Cost Variation for E&M works**
  - **Resettlement Cost**
  - **Cost variation due to Geological Conditions limited to Tunnel Area**
- **Tariff indexation for inflation (US CPI & Pak WPI)**
- **Government ensures conversion of Pak Rupee & remittance of foreign exchange for project-related payments**

## **INCENTIVES OFFERED UNDER POLICY FOR PRIVATE SECTOR TRANSMISSION LINE PROJECTS 2015 (1/2)**

- Transmission projects to be offered to Private Sector by PPIB
- Award of Projects through ICB and Upfront Tariff
- Policy to cover Transmission Line & Grid Station projects of 220 kV voltage level and above (EHVAC & HVDC)
- Land & Right of way to be provided by NTDC
- Project Term: 25 years on BOOT basis
- NTDC to pay a fixed Transmission Service Charge, regardless of the quantum of energy transmitted
- Exemption from Corporate Income Tax for first ten years including turnover rate tax and withholding tax on imports
- Standardized Security Package (IA & TSA)

## **INCENTIVES OFFERED UNDER POLICY FOR PRIVATE SECTOR TRANSMISSION LINE PROJECTS 2015 (2/2)**

- **GOP will provide guarantee for payment obligations of the (NTDCL).**
- **The Government protection against (i) specific force majeure risk and (ii) changes in certain taxes and duties**
- **Import plant and equipment upon payment of reduced Customs Duty of 5%**
- **All tariff payments will be in Pak Rupees (PKR)**
- **The projects will be allowed indexation in line with tariff indexation available to the IPPs developed under the 2002 Power Policy**
- **Withholding tax on dividends @ 7.5%**

# LESSONS FOR PRIVATE SECTOR INVESTMENTS (1/2)

- **Clarity and Competitiveness of the Policy Incentives**
- **Upfront availability of Standardized Security Package Documents**
- **ROE commensurate with Country's Risk and Competitive with Peers**
- **Tariff Determination Approach: Autonomous Regulator; Upfront Tariff**
- **Tariff Indexation for Inflation and Exchange Rate Variations**
- **and Reliable Dispute Resolution Procedures - International Arbitration**
- **Legal Jurisdiction**
- **Simplified and Transparent Project's Award Process**
  - **One Window Facilitation**
  - **Acquisition of Power and Award of Projects through Competitive Bidding Process**

## **LESSONS FOR PRIVATE SECTOR INVESTMENTS (2/2)**

- **Financial Viability and Cash flow**
  - **Recovery from Consumers**
  - **Technical Losses and Theft**
- **Free Repatriation of Dividends and Foreign Exchange Availability**
- **Transmission and Distribution Systems Upgradation and Expansion**
- **Policy Continuity and Political Stability**
- **Specific Incentives / Regulation to cater Specific Projects e.g. Hydropower Projects**
- **Foreign Ownership /Shareholding in the Project Company**
- **Medium to Long Term Integrated Energy Planning – Fuel Mix**
- **Achievable Technical Parameters and Realistic Projects' Implementation Time Lines**
- **Development of Wholesale Competitive Market**





**Thank You**