

# The first Joint Venture agreement signed for Kholongchhu project

**Tenzin Lhamo**  
*from Thimphu*

The Concession Agreement of Kholongchhu Hydroelectric Project was signed between the Ministry of Economic Affairs, Royal Government of Bhutan (RGoB), and the Kholongchhu Hydro Energy Limited (KHEL) on June 29 in Thimphu. The Agreement was signed through a Video Conference in the presence of Dr S. Jaishankar, Minister of External Affairs, Government of India (GoI), and foreign minister, Dr Tandi Dorji.

KHEL is the first

Joint Venture Company to be undertaken under an Intergovernmental Agreement signed for the Joint Venture projects to be constructed through a Public Sector Undertaking of the RGoB represented by Druk Green Power Corporation (DGPC) and a Central Public Sector Undertaking of the GoI.

The agreement provides a legal foundation whereby concession rights are given to the developer to build, own and operate the project for a period of 30 years, and then transfer it to the RGoB in good running condition free of cost in keeping with the Bhutan

Electricity Act and Bhutan Sustainable Hydropower Development Policy.

Though, the pre-construction works have been completed, the work awarded for the construction of the dam, headrace tunnel, and the powerhouse have been delayed as the two government has to finalize tariff determination on a long-term power purchasing agreement (PPA) before signing the agreement.

KHEL is expected to provide work for about 500 people and its contractors will be able to employ even more during

the construction. The supplementary benefits of the project are access roads connecting gewogs and shortening of travel time, widening of the national highways near the project, and the renting of accommodation from the local community at Doksum.

The project was incorporated on June 12, 2015 to implement the 600 MW Kholongchhu Hydroelectric Project in Trashiyangtse. The project is being financed through a debt-equity ratio of 70:30 with 50-50 equity holdings between the DGPC and the Satluj

Jal Vidyut Nigam Limited (SJVNL). The foundation stone for the Project was laid by the Prime Minister of India on June 16, 2014 and the Ground Breaking Ceremony of the Project was graced by His Royal Highness the Gyaltshab Prince Jigme Dorji Wangchuck on September 18, 2015.

The project is expected to generate about 2568.88mn units annually. With the implementation of the Joint Venture project, the Indo-Bhutan cooperation in hydropower development is expected to be further strengthened.

# Concessional Agreement for 600 MW Kholongchhu HEP Signed

By **Phurpa Wangmo**  
**Thimphu**

The Concession Agreement for the 600 MW Kholongchhu (Joint Venture) Hydroelectric Project between the Royal Government of Bhutan and Kholongchhu Hydro Energy Limited was signed on 29 June, Thimphu, in the presence of Dr. S. Jaishankar, External Affairs Minister, Government of India and Lyonpo Dr. Tandi Dorji, Foreign Minister, Royal Government of Bhutan.

Lyonpo Loknath Sharma, Minister of Economic Affairs, Royal Government of Bhutan and senior government officials including Foreign Secretaries of India and Bhutan, Secretary (Power), GoI, Ambassador of India to Bhutan and Ambassador of Bhutan to India

were also present at signing ceremony, which was held through video conferencing.

The 600 MW run-of-the-river project is located on the lower course of the Kholongchhu River in Trashiyangtse District in Eastern Bhutan. The Project envisages an underground powerhouse of four 150 MW turbines with water impounded by a concrete gravity dam of 95 meters height.

It will be implemented by Kholongchhu Hydro Energy Limited, a Joint Venture company formed between Druk Green Power Corporation (DGPC) of Bhutan and Satluj Jal Vidyut Nigam Limited (SJVNL) of India. The signing of the Concession Agreement will lead to commencement of construction and other works of this first Joint Venture Hydroelectric Project between India and Bhutan.

The project is expected to be completed in the second half of 2025.

The External Affairs Minister of India and Foreign Minister of Bhutan emphasized the importance of hydro power development as an important pillar of mutually beneficial bilateral economic cooperation. They also recalled the trust, co-operation and mutual respect that have long characterized the unique and special friendship, anchored in mutual understanding and reinforced by a shared cultural heritage and strong people

to people links between India and Bhutan.

Hydropower sector is the flagship area of India-Bhutan bilateral cooperation. The 720 MW Mangdechhu hydroelectric project was jointly inaugurated earlier in August 2019 by the Prime Ministers

of India and Bhutan. With this, four (04) hydroelectric projects of bilateral cooperation (336 MW Chukha HEP, 60 MW Kurichhu HEP, 1020 MW Tala HEP and 720 MW Mangdechhu HEP), totaling over 2100 MW, are already operational in Bhutan.



# Main civil work constructions of 600 MW Kholongchhu project comes into force

The commencement of the construction will start the award of the main civil works for the construction of the dam, headrace tunnel, and the powerhouse

## Lhakpa Tshering

The signing of a concession agreement for 600 MW Kholongchhu Hydroelectric Project Limited (KHEL) will lead to the commencement of constructing the main civil works of the first Joint Venture

(JV) hydroelectric project between Bhutan and India.

The concession agreement was signed between the Ministry of Economic Affairs and the KHEL on 29 June in Thimphu in the virtual presence of minister for foreign affairs, Dr Tandi Dorji, and

Indian external affairs minister Dr S. Jaishankar.

The project which started in 2014 was on halt since December 2016 as the two governments were still under discussions to finalize tariff determination for the sale of its power on a long-term Power Purchasing

Agreement (PPA) for the signing of the concession agreement.

Speaking at the signing ceremony via video conference, minister for foreign affairs, Dr Tandi Dorji,

**READ MORE  
ON PAGE**

**02**



CONTINUED  
FROM PAGE 1

## Main civil work constructions of 600 MW Kholongchhu project comes into force

said the delay in the project's implementation has undertaken further confirmation of field investigation to reduce the possibility of unexpected hindrances during actual implementation.

Lyonpo said all these findings are incorporated in engineering designs. "My view is that it is only natural that the details of the project of such magnitude should be thoroughly worked out before the construction begins," he said.

He said the completed pre-construction activities such as the building of access roads, and bridges will enable the contractors to begin the actual work and speed up the project after it awards the main works.

The construction activities expect to employ about 500 people and its contractors will employ even more and drive economic growth in the country. "The project will bring many opportunities to the community who will be directly benefited," Lyonpo said.

The Ambassador of India to Bhutan, Ruchira Kamboj, said the project



*The foundation stone for the project was laid by the Prime Minister of India Narendra Modi during his visit to Bhutan on 16 June 2014*

promises to bring greater growth and prosperity in Trashiyangtse, which she said, was very much in tune with the government's emphasis on an inclusive development model where no one is left behind.

The immediate benefits of the project include access roads connecting gewogs and shortening of travel time, widening of the national highways near the project, development of the integrated township, and the renting of accommodation from the local community at Doksum.

Both governments have

emphasized the importance of hydro-power development as an important area of mutually beneficial bilateral cooperation. Kholongchhu will further cement the Bhutan and India cooperation in hydropower development.

Lyonpo Dr Tandi Dorji said hydropower projects are of paramount importance for both countries as they serve to further integrate economies, bring further prosperity and enhance energy security for both the countries.

Ambassador Ruchira Kamboj also said this project is inarguably another

step towards clean energy which is truly an example to the world. "The world undoubtedly needs to learn from Bhutan and its relentless passion towards safeguarding its beautiful land," she said.

She said Kholongchhu is a continuation of bilateral cooperation. "With this seventh hydro project, we further the noble visions of both His Majesty and Prime Minister Modi as we develop even greater trust between our two countries," she said.

The other four hydroelectric projects of bilateral cooperation are 336 MW in Chukha, 60 MW Kurichhu, 1,020 MW Tala, and 720 MW Mangdechhu, totaling over 2,100 MW, are already operational while the Punatsangchhu-I and II are in progress.

The 600 MW Kholongchhu project will be implemented by KHEL, a Joint Venture (JV) launched between Druk Green Power Corporation (DGPC) of Bhutan and Satluj Jal Vidyut Nigam Limited (SJVNL) of India.

The hydropower sector is the flagship area of Bhutan and India's bi-

lateral cooperation. The construction of a 50:50 first-ever joint venture project is expected to be completed in the second half of 2025 and would generate about 2,568.88-million units annually.

Once the project is commissioned, the JV partners will run it for 30 years, called a concession period, after which the full ownership will transfer to the Bhutan government at no cost in good running condition.

The agreement provides a legal basis whereby concession rights are given to the developer to build, own, and operate the project during the concession period. It will start the award of the main civil works for the construction of the dam, head-race tunnel, and the powerhouse.

The foundation stone for the project was laid by the Prime Minister of India on 16 June 2014 and the groundbreaking ceremony of the project was graced by His Royal Highness the Gyaltshab Jigme Dorji Wangchuck on 18 September 2015.

# Concession Agreement on 600 MW Kholongchhu Hydroelectric Project signed



## HYDRO POWER

By Karma Choden  
in Thimphu

The Concession Agreement of Kholongchhu Hydroelectric Project was signed between the Ministry of Economic Affairs (MoEA) representing Royal Government of Bhutan (RGoB) and the Kholongchhu Hydro Energy Limited (KHEL) on June 29, 2020, at Thimphu.

KHEL is the first Joint Venture company to be implemented under an Inter-Government Agreement (IGA) signed in 2014. It was incorporated on 12th June 2020 to implement the 600 MW Kholongchhu Hydroelectric

Project in Trashi Yangtse. It is expected to complete by the second half of 2025. The partners of the project are India's Satluj Jal Vidyut Nigam Limited (SJVNL) and Druk Green Power Corporation Limited (DGPC).

Though the pre-construction works of the project that commenced in the early September 2015 are nearing completion, the award of the main civil works for the construction of the dam, head-race tunnel and the powerhouse has been delayed as the two governments were still under discussions to finalize tariff determination for the sale of its 70% electricity on a long-term Power Purchasing Agreement (PPA) for the signing of the Concession Agreement (CA). With the re-

cent finalization of the tariff setting formulation between the RGoB and Government of India (GoI), the Concession Agreement for Kholongchhu was signed.

The Minister of Foreign Affairs, Dr Tandi Dorji said, "The signing of the concession agreement has been deferred as the two governments were under discussions to decide the tariff determination for the sale of its power for long-term PPA. I am pleased that the tariff setting formulation between two governments got finalized according to the joint proposal submitted by the partners."

With the Concession Agreement signed, it is decided that the tariff will be determined based on the cost of completion and market

condition and 30 % of the electricity will be sold in the commercial open market.

The signing of the CA will lead to the commencement of the construction of the hydropower in full swing after the tenders are awarded. The project is expected to generate about 2,568.88 million units annually.

During the construction, KHEL is expected to employ about 500 people and its contractors will be able to employ even more. The other benefits of the project are access road connecting gewogs and shortening of travel time, widening of the national highways near the project, development of integrated township and the renting of accommodation from the local community at Doksum.

India's External Affairs Minister Dr S. Jaishankar via video conference in the signing ceremony said, "The commencement of the construction activities of the project will create economic and employment opportunities in Bhutan in this critical time."

The foundation stone for the project was laid by the Indian Prime Minister on 16 June 2014 and the groundbreaking ceremony of the project was graced by His Highness the Gyaltshab Prince Jigme Dorji Wangchuck on 18 September 2015. The Indo-Bhutan cooperation in hydropower development will be further strengthened with the implementation of the Joint Venture project. The project will commence by the end of this year.