

SOUTH ASIA



Nepal

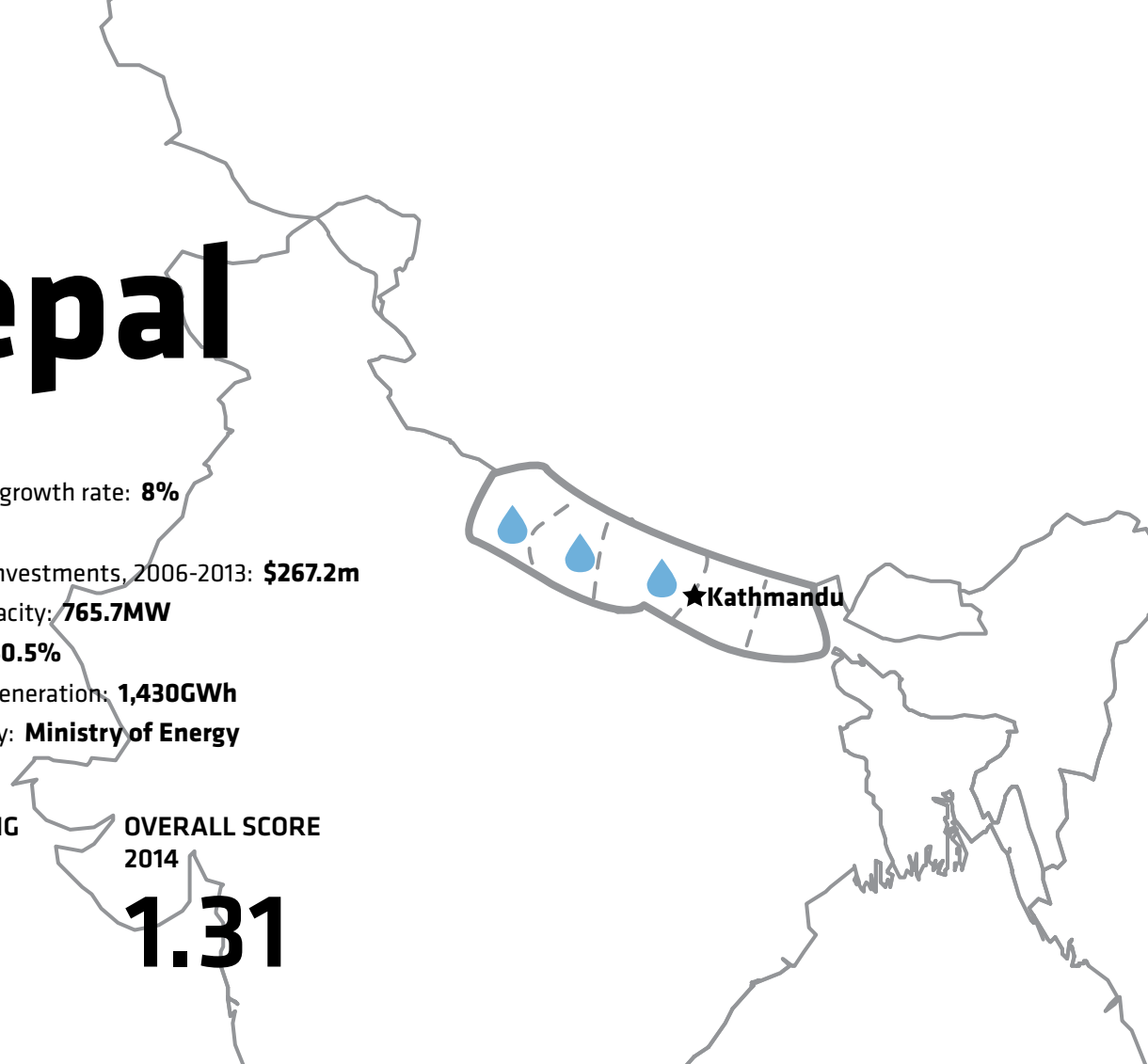
GDP: **\$19.3bn**
 Five-year economic growth rate: **8%**
 Population: **27.8m**
 Total clean energy investments, 2006-2013: **\$267.2m**
 Installed power capacity: **765.7MW**
 Renewable share: **40.5%**
 Total clean energy generation: **1,430GWh**
 Top energy authority: **Ministry of Energy**

OVERALL RANKING
2014

17

OVERALL SCORE
2014

1.31



PARAMETER	RANKING	SCORE
I. Enabling Framework	12	1.39
II. Clean Energy Investment & Climate Financing	28	0.56
III. Low-Carbon Business & Clean Energy Value Chains	16	2.65
IV. Greenhouse Gas Management Activities	24	1.26

SUMMARY

Nepal scored 1.31 to take 17th place among the 55 countries on *Climatescope* 2014. It performed best on Enabling Framework Parameter I and worst on Clean Energy Investment Parameter II.

The mountainous nation is highly reliant on hydropower, sourcing some 93% of its generating capacity from its many rivers. The country's power distribution and transmission system reaches just 63% of the population and is operated almost entirely by a state-run entity.

Those connected to the grid can expect frequent blackouts, especially during the dry season. In 2013, there were 615 outages, each averaging more than six hours. These can be attributed

to the seasonal nature of the country's hydro capacity, a fundamental supply-demand gap of 1,228GWh and system losses equivalent to 25% of total generation.

In February 2013, Nepal announced subsidies to support renewable energy deployment and electricity access for low-income households. The program provides a feed-in tariff for small hydro and capital expenditure subsidies for solar, biomass and wind. These depend on the size of installation, number and type of households using the technology and the remoteness of project. Nepal could become an exporter of power to its neighbours, India and China.

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

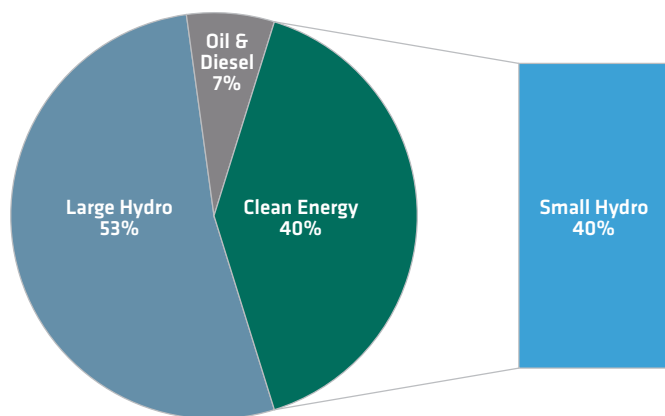
PARAMETERS AT A GLANCE

Nepal was strongest on Enabling Framework Parameter I (taking 12th place globally) thanks to its energy access policies, and in particular, its clean energy rural electrification programs.

State-owned Nepal Electricity Authority provides distribution and transmission services to 95% of the total consumer base, and although Nepal lacks a dedicated regulator, independent power producers operate about 30% of total installed capacity.

INSTALLED POWER CAPACITY BY SOURCE, 2013 (%)

765.7MW total installed capacity



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

From 2006 to 2013, installed capacity jumped 24%, with renewables rising by an even larger 33%. Small hydro, the country's flagship clean energy sector, accounts for 309MW of the total 765MW installed capacity. As a result, Nepal scores highly on the Clean Energy Installed indicator. Distributed clean energy capacity grew five-fold over the same period, going from 6MW in 2006 to 30MW at the end of 2013.

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.

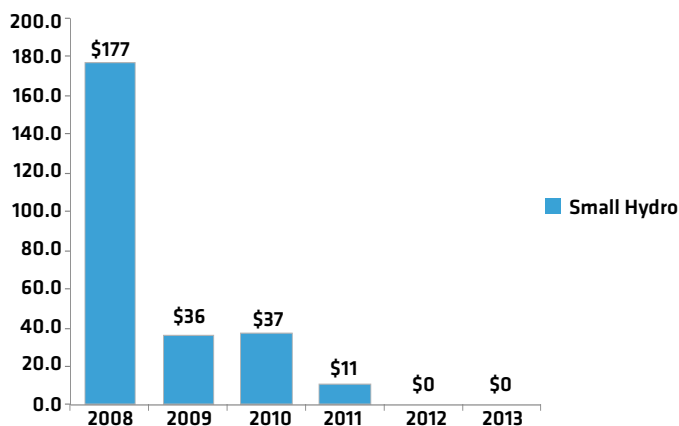
Source: Bloomberg New Energy Finance Policy Library

The country placed 28th on Clean Energy Investment Parameter II, a relatively poor performance. This is because clean energy investment has targeted at small hydro to the exclusion of all others, and has not grown significantly since year-end 2011 when it stood at a cumulative \$267m since 2006. In addition, microfinance has had a limited impact.

Nepal's focus on off-grid generation through its Energy Sector Assistance Program (which ended in 2012) helped it to a relatively strong 16th place on Low-Carbon Business Parameter III. The presence of manufacturers of efficient cookstoves, solar lighting devices, solar and hydro-powered mini energy systems, mini wind turbines and battery banks lifted Nepal's Clean Energy Value Chain and Service Provider indicator scores. Additionally, the country is home to institutions and organizations that provide capacity-building and education.

ANNUAL INVESTMENT IN CLEAN ENERGY, 2008-2013 (\$m)

\$261.2m total cumulative investment



Source: Bloomberg New Energy Finance

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

Nepal was weaker on GHG Management Activities Parameter IV, taking 24th place. This reflected the lack of an emissions reduction target and absence of an emissions trading system or crediting mechanism. Investor pressure on companies to disclose emissions is also very low.