

# Our main focus is on Indigenous resources including Clean and Green Hydropower: Shah Jahan Mirza

*Exclusive Interview of Managing Director Private Power & Infrastructure Board (PPIB) Shah Jahan Mirza*

**O**ur main focus is to develop indigenous resources including hydro in the country".

This was stated by Managing Director, Private Power & Infrastructure Board (PPIB), Shah Jahan Mirza during an exclusive interview session with the Energy Update. Following are the important excerpts of his interview for our readers:

**Energy Update: Tell our readers about the background history of the PPIB as how it came into existence?**

**Shah Jahan Mirza (SJM):** PPIB was created in August 1994 as a one-window facility of Government of Pakistan (GoP) to promote, encourage, facilitate and safeguard private investment in Power Sector. The organization assists GoP in formulation of Power Policies and facilitates investors in development of Power Generation (IPPs) and related Infrastructure Projects under long term Concession Agreements pursuant to GoP Power Policies. PPIB approves project proposals, issues Letter of Interest (LOI), Letter of Support (LOS), executes Implementation Agreement (IA) and issue GoP's guarantee to Sponsors against payment obligations of Power Purchaser. In order to implement WAPDA Strategic Plan 1992 related to unbundling of WAPDA and market liberalization, it was felt necessary to have a dedicated entity

■ By Halima Khan



to attract private investment for setting-up new power generation facilities in the country. Accordingly with the objective of doing business and facilitate investors, a one window operation was started through creation of PPIB. In order to have expeditious decision making with the consensus of all federal and provincial stakeholders, PPIB Board is governed through high powered Board chaired by Federal Minister for Energy (Power Division) having secretary level representation from federal and provincial governments, Azad Jammu and Kashmir (AJ&K) and Gilgit Baltistan (GB). The organization obtained statutory status in March 2012 through Act of Parliament. Later on in November 2015, specified public sector power projects to be implemented in IPPs framework were also included in PPIB's mandate through amendment in its Act.

#### **EU: Tell our readers about the Contribution of PPIB in the Power Sector till date?**

**SJM:** I feel great honour to express that PPIB has been making major contribution in economic development of the country by adding reliable power generation to the national grid through both private and public sector's investment. It has been successfully attracting and facilitating foreign direct (FDI) and local investments in Pakistan's power sector. The organization is currently administrating Forty (40) multiple fuel based commissioned private power projects with a cumulative capacity of 17,551 MW with investment of around US\$ 20 billion, which is more than 50% of country's total generating capacity of the country. There are times when these IPPs have been contributing to the grid up to 70 % of the electricity being supplied to the consumers in Pakistan. In addition to these commissioned projects, currently PPIB is handling portfolio of twenty five (25) new multiple fuel (coal, hydro, R-LNG/Gas) based IPPs with cumulative capacity of around 12,464 MW worth multi billion dollars. These projects are at different stages of implementation. It is expected that ten projects of 5,470 MW will be commissioned by Year end 2022

Further PPIB is acting as front line institution of Government in implementing Flagship CPEC Program by processing major chunk of Power Sector's projects under the auspices of CPEC. PPIB's Current Portfolio has thirteen CPEC Power Projects of 11,634 MW worth 18.5 Billion US\$. Out of these,



four coal based projects of 4,620 MW have already been completed and supplying reliable electricity to the national grid whereas other projects are at different stages of implementation. I would like to mention for the interest of readers that PPIB is also handling 880km long, 4,000 MW capacity,  $\pm 660$  kV Matiari-Lahore HVDC (High Voltage Direct Current) Transmission Line Project, first ever transmission line project of the country in private sector, being sponsored by State Grid Corporation of China. The project is at advanced stage of construction and expected to be completed by March 2021.

#### **EU: Tell our readers about the efforts of PPIB to facilitate the development of hydroelectricity sector in Pakistan?**

**SJM:** In the hydro generation, I would say that the process was slightly slow due to various associated technical, strategic, locational, transmission inter-connection and legal complexities, e.g. as per the constitution of Pakistan, consultation with the provinces for constructing hydro power projects is required as it is a provincial resource which takes time and efforts. A major part of the hydro resources are located in the AJ&K where there is an entirely different legal regime and government setup. The process regarding development of hydro-power projects in private sector was started with the announcement of 1995 hydro power policy, where government announced upfront tariff but for certain reason the government withdrew that decision and the policy was not success-

ful. However with tireless efforts of GoP and PPIB, the first project that saw light of the day was 84 MWs Laraib Energy that was commissioned in July 2013. Thereafter, 147 MW Star hydropower and then recently 102 MW Gulpur have been commissioned. These first three projects are located in AJ&K and sponsored by renowned international investors and lenders which clearly show the confidence of investors' and lenders community in Government Policies, Security Package Agreements and PPIB's facilitation.

Now we can claim with confidence that hydropower development through private sector participation has picked up the pace and PPIB being a central organization has crucial and leading role in development of hydropower projects in country, currently managing 16 under process Hydro IPPs of 6,448 MW (52% of PPIB's current under process projects portfolio) including four CPEC Hydro IPPs of 3,414 MW. These projects are at various stages of development with commissioning time lines upto year 2028 and beyond. We have a security package and agreement structure that is not only acceptable to the local investors and local banks but also acceptable to the international investors and lenders. All these projects are being financed by the international banks while some of them have also international sponsors

It is important to express that two CPEC Projects of 1,590 MW including 720 MW Karot and 870 MW Suki Kinari have achieved significant progress in construction and expected to be completed by December 2021 and



December 2022 respectively. The two other CPEC Projects of 1,824 MW including Kohala 1124 MW and Azad Pattan 700 MW are under Financial Close stage. Security Agreements of these two projects have been executed last month in the presence of Honorable Prime-minister of Pakistan which is a land-mark step towards clean and green energy. It is worth mentioning that Kohala Project is a single largest investment in private sector worth 2.4 billion US\$ whereas Azad Pattan will bring investment of 1.6 billion US\$ to the country. These projects are expected to achieve financial closure by early to mid of next year.

### **EU: Tell our readers any new initiative of PPIB in the hydro-electricity sector?**

**SJM:** PPIB has been working on number of initiatives which have been started with the objectives to exploit the hydro resource of the country to increase the share of indigenous and green energy. With the same objective PPIB has not only been playing leading role in development of Hydropower Projects in country ranging from small to large scale hydro projects under 1995, 2002 and 2015 Power Generation Policies but also providing its full support to provincial governments on various policy and technical matters related to tapping hydro potential at provincial level.

Pursuant to Power Generation Policy 2015, PPIB has started implementation of Tripartite Letter of Support Regime where provinces can develop hydropower projects in close collaboration with PPIB under Tripartite Letter of Support Regime. In this regard, Punjab and KPK have Facilitation Agreement with PPIB to get support at Federal level to harness the province's hydro potential.

A recent initiative started by the PPIB is related to Small Hydro Power Projects (SHPPs) for which LOIs have been issued by the provinces and AJ&K but they have been stuck-up for last many years. Some of them have been pending for last seven to 10 years as there was no way forward for them. So last year it was decided to do these projects under the 2015 power policy. Accordingly PPIB has been processing SHPPs under Tripartite Letter of Support Regime in close collaboration with provinces and AJ&K governments. First two letters of support have been issued to two SHPPs (total 15 MWs) to be developed in AJ&K and numbers of other SHPPs are in pipeline. The initiative has opened another door in the arena of hydroelectricity to be produced by the private sector. The development of SHPPs

have numbers of associated benefits including helping in local development, evacuation at lower voltage level of 11 KV and 132 KV with less transmission cost and low transmission losses and reducing load on national grid.

### **EU: Is there is any policy shift with regard to the PPIB to do these Small Hydropower Projects?**

**SJM:** Historically SHPPs were included in Renewable Energy Policy 2006 administrated by AEDB and above 50 MW were under 2002 Policy administrated by PPIB. However this divided regime could not get success due to multiple reasons and not a single SHPP could be developed. Finally the Ministry of Energy (Power Division) after detailed deliberation with all stakeholders including AJ&K and provincial governments in order to expedite the development of SHPPs decided to give the mandate of processing of SHPPs to PPIB having demonstrated experience and expertise in the field under the Power Generation Policy 2015. The 2015 Policy is approved by the Council of Common Interests and doesn't distinguish on the basis of size of the hydropower projects making PPIB fully empowered to process SHPPs and these SHPPs are eligible to get the same concessions as available to the large hydropower projects under the Policy. Currently PPIB is working on development of Security Package for SHPPs and it is expected with the finalization of Security Package, the Implementation, Power Purchase and Water Use Agreements for these two SHPPs having LOS from PPIB will be executed without any delay.

### **EU: Do tell our readers about the major issues prospective private sectors investors and companies face in launching new energy projects in Pakistan and the efforts of the PPIB to resolve them?**

**SJM:** Project developers face number of issues in pre-development, development and operational phases including land acquisition, environmental approvals, right of way for transmission projects, tariff approval, import duties & taxes, delays in completion of interconnection and transmission facilities, State Bank of Pakistan approval's, delays in Payment by Power Purchaser, Fuel Supplies, tax issues etc. PPIB stands side by side with the Project Sponsors to resolve these issues for the timely completion of projects. We as one window facility rigorously follow up these issues with the concerned authorities, arrange meetings

and use all available resources for amicable resolution of these issues.

### **EU: Do tell our readers the efforts in general by the PPIB to promote use of indigenously available resources of energy for cheap electricity production in Pakistan?**

**SJM:** I would like to say that number of initiatives have been taken and completed by PPIB to bring the sustainability and affordability in the Power Sector by reducing dependence on imported fuel and increasing share of indigenous resources, which make history in Pakistan Power Sector that's include development of Hydro Power Projects, development of huge Thar Coal reservoir and power projects which can change the energy destiny of Pakistan, implementation of SHPPs and induction of first ever Private Sector & first ever HVDC Transmission Line Project of Country, 878 KM long, 4000 MW Capacity,  $\pm 660$  kV Matiari-Lahore Project. Further to protect the environment, all Power Projects are being developed in strict compliance with the National and International environmental/emissions standards of World Bank/IFC, etc.■

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