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MULTILATERAL DEVELOPMENT BANKS' COLLABORATION:
INFRASTRUCTURE INVESTMENT PROJECT BRIEFS

Pakistan: Gulpur Hydro



Overview

The 102 MW Gulpur Hydropower Plant is the third independent power producer in Pakistan. Pakistan has been developing an increasing number of hydropower projects to fully tap in to its 60,000 megawatt hydropower potential.

This series showcases how the Multilateral Development Banks' collaboration supports the development and implementation of infrastructure investment. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

Background

Pakistan has been facing a severe power deficit for several years, with daily load shedding of around six hours in several urban areas and more in rural areas. The power deficit is estimated to have curtailed economic growth by about 2 percentage points of Gross Domestic Product (GDP) annually. The Government of Pakistan (GoP) has embarked on a power sector reform agenda to improve sector sustainability and mobilize significant investments, including from the private sector, to address the country's power sector challenges. While the current installed hydropower capacity in Pakistan is 7,116 MW as of FY14 (of which only 214 MW is from the private sector), Pakistan has hydropower capacity that is estimated at 60,000 MW.

Project Description

Gulpur HPP involves construction and operation of a 102 megawatt run-of-the-river hydroelectric power generation facility on Poonch River some 28 kilometers upstream from Mangla Dam, Pakistan's second largest water storage reservoir. The Poonch River is a tributary of the Jhelum River. The project will be the third independent power producer of hydropower in Pakistan and will sell all of its electricity to the National Transmission and Despatch Company Limited (NTDCL) under a 30-year power purchase agreement. The Project's major components include a dam, intake structure and a power house.

Including contingency, the total project cost is estimated at \$365 million and will be funded with 25 percent equity and 75 percent debt by the lenders, including IFC. The project is being developed by Mira Power Limited (MPL), a special purposes vehicle incorporated in Pakistan. MPL is majority owned by Korea South-East Power Co. (KOSEP, a subsidiary of the Korean utility, KEPCO). Other shareholders in MPL include Daelim Industrial and Lotte Engineering & Construction.

Multilateral Development Banks' Role

The project has benefitted from:

- An International Finance Corporation (IFC) loan of \$50 million
- An IFC Syndicated loan of \$72 million
- An Asian Development Bank (ADB) loan of \$65 million
- A Multilateral Investment Guarantee Agency (MIGA) Guarantee of \$82.7 million covering equity investments to 15 years against the risk of breach of contract

Outcomes

Gulpur HPP, which is currently under construction, will provide cost competitive generation and additional electricity supply to the national grid. The Company estimates that Gulpur will generate 465 GW hours per year. By utilizing an indigenous, renewable resource to generate electricity at lower cost than imported thermal alternatives, the Project will help to diversify the power sector's fuel mix and contribute to the country's energy security.

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