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**US\$648 MILLION WORLD BANK LOAN AGREEMENT FOR THDC TO BUILD  
444 MW HYDROPOWER PROJECT IN UTTARAKHAND SIGNED;  
PROJECT TO SUPPLY LOW-CARBON ELECTRICITY TO NORTH INDIA**

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The World Bank today signed a US\$ 648 million loan agreement with THDC India Ltd (THDC) to build the Vishnugad Pipalkoti Hydro Electric Project on the Alaknanda River in Uttarakhand, which is expected to generate an estimated 1,665 million kilowatt-hours of electricity each year to help relieve India's chronic power shortage. The agreements in this regard were signed by Shri Venu Rajamony, Joint Secretary, Department of Economic Affairs, on behalf of the Government of India; Shri R.S.T. Sai, CMD, THDC; Shri S.D.Sharma, Additional Resident/Investment Commissioner on behalf of the Government of Uttarakhand and Mr Roberto Zagha, Country Director for India on behalf of the World Bank.

The 444 Megawatt Vishnugad Pipalkoti Project will provide a valuable addition of peaking power to India's Northern Grid, which faces severe power shortages at high-consumption times. The electricity generated from the Project will be supplied to the states of Punjab, Haryana, Rajasthan, Uttar Pradesh, Himachal Pradesh, Uttarakhand, Chandigarh, Delhi and Jammu & Kashmir. The Project will also help reduce India's greenhouse gas emissions by 1.6 million tons each year, compared to a thermal plant of the same capacity.

Apart from helping provide power at reasonable cost to those who currently have limited or no access to electricity, the Project will also provide the state of Uttarakhand with a royalty of 12 percent of the power generated, which is estimated to be around Rs. 90 crore (around US\$ 20 million at current exchange rates) each year at expected tariffs.

World Bank financing will help build project infrastructure that includes a 65-meter diversion dam near Helang village in Chamoli district of Uttarakhand to create a small reservoir in the Alaknanda River; a 13.4-kilometer headrace tunnel to carry the water to an underground powerhouse near Haat village to generate the power and; a 3 km-tailrace tunnel that will take all the diverted water back to the river.

There will be negligible impact on downstream water quality as a result of the Project and THDC will ensure that there is a minimum flow of 15.65 cumecs of water in the Alaknanda at all times to sustain the aquatic health of the river. This is equivalent to approximately 45 percent of the average lean season flow in the Alaknanda and represents one of the highest minimum flow standards maintained by any hydropower project in India.

Located on a section of the Alaknanda where it flows through a deep, largely uninhabited gorge, the Project is expected to have minimal negative impacts on the local communities and the environment. Detailed social and environmental impact assessments, conducted after consultations with local communities and experts, have confirmed that these impacts (see box) are manageable with identified measures.

Speaking on the occasion, Joint Secretary Shri Venu Rajamony said that the Vishnugad Pipalkoti Project would help supply clean, carbon-friendly power to the Northern Grid at peak demand time and help reduce shortages in nine states. He said that this project is a trend setter as far as hydroelectric projects in the country are concerned and incorporates a number of special environmental and social safeguards such as maintenance of a high minimum flow standard in the Alaknanda at all times to sustain the aquatic health of rivers; no house or field to be lost due to submergence; robust planning for afforestation, provision of free electricity to affected household for 10 years; allocation of one percent of project revenues for local area development; provision for dedicated stream of funds for building village infrastructure over next five years; allocation of 12% free power to the State of Uttarakhand; etc. Special efforts are also being made to set up systems to ensure that construction of the project does not impinge upon the social and natural environment of the area; insure all houses and structures along the length of the tunnel in order to compensate villagers in case of any damage; and to build strong retaining walls around the debris dumping sites to prevent muck falling into the river, he said.

Mr Roberto Zaghera, World Bank Country Director said that the Vishnugad Pipalkoti Project was cleared for construction only after the Ministry of Environment & Forests studied the cumulative impacts of hydropower development on the Alaknanda basin and, as such, it incorporates important safeguards such as a higher environment flow standard. He said that the World Bank is happy to support THDC as it strives to incorporate better technical, social and environment practices into its projects. A part of the Bank loan to THDC will help support the company's capacity-building program that seeks to bolster its core technical staff and develop new competencies in the areas of social and environmental management at the Project and corporate levels.

**DSM/GN**