



Laraib, 1st independent hydropower plant

Project start-up: **2009**

Financing: **\$26M loan**

Partner: **Laraib Energy Limited**

Impacts

This is the first hydropower project to be developed by the private sector in Pakistan and the first major structured project financing in the State of AJK. There will consequently be a significant catalytic effect for the energy sector.

This effect will be even greater due to the country's **huge unexploited hydropower potential (48 GW including 4 GW in AJK)** that can restore a balance in the sources of energy supply in Pakistan which are today 70% thermal (totaled installed capacity in Pakistan: 20GW).

In addition to the energy independence that will result from this rebalancing, **hydropower development will reduce volatility in the cost of electricity** which is one of the main causes of the crisis in the sector. This project is consequently fully in line with the Pakistan Government's strategy to raise and diversify its generating capacity by using hydropower.

Context

Pakistan has an energy deficit and total production cannot meet growing demand. Service quality is poor and unreliable. This deficit stems from:

- Sharply rising demand (an average of 8% p.a. between 2004 and 2008) due to both demographic and economic growth and an increase in the electrification rate: 65% of the population (60% in rural areas) now has access to electricity;
- Insufficient generating capacity: the lack of public investment in both maintenance and the installation of new generating capacity has led to a stagnation in the installed generating capacity (currently 19 700 MW) and extremely poor performance from existing equipment.

Energy consumption rose by 30% between 2004 and 2008, while there was absolutely no change in generating capacity. This signaled a long-term crisis in the sector which indeed began as early as in January 2008. Its economic consequences have been worsened by skyrocketing oil product prices.

The Pakistan authorities have implemented reforms (sector liberalization, regulatory, fiscal and tariff environment, and creation of an inspection body) in order to give private investors incentives to invest in hydropower generation and develop the country's hydraulic potential. **Laraib Energy will be Pakistan's first private and independent hydropower plant.**

Project objective

The construction and operation of an 84 MW hydropower plant will raise Pakistan's generating capacity which is today suffering from a sizeable deficit. The country will, at the same time, benefit from a relatively low production cost.

Project description

The project involves building and operating an 84 MW hydropower plant at New Bong Escape which is located at roughly 120 km southeast of Islamabad. This power plant is Pakistan's first private hydropower producer.

Finally, this project will create **90 direct long-term jobs** and almost 500 jobs during the construction phase.

Moreover, there are extremely limited environmental and social impacts because:

- no population displacement is required;
- it is a run-of-river plant and does not require a reservoir;
- the land required for the canal and equipment does not appear to house any particularly rare vegetal or animal species;
- there is little impact on river / canal flows upstream and downstream from the plant.

The project company, Laraib Energy Limited, was specifically set up for this project in Pakistan in August 1995 by a group of private investors. They have now become minority shareholders of Laraib since the arrival of a new majority shareholder, the well-known “Hubco”, in August 2008.

The total project cost stands at some \$233 M. PROPARCO, which is allocating \$26M, is participating in a financing totaling \$174,75 M in cofinancing with the International Finance Corporation, the Asian Development Bank, the Islamic Development Bank and two Pakistani commercial banks.

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