

MEKONG RIVER BASIN

# ADB AGREES TO FINANCE NAM NGUM 3 DAM

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Asian Development Bank (ADB) has approved funding of about US\$465 million for the construction of a 440MW hydropower plant as it believes the project will generate revenue for Laos to free itself from poverty.

The plant, estimated to cost around US\$1 billion, will be built and operated for 27 years by the Nam Ngum 3 Power Company (NN3PC), which is owned by three private sector companies: Thailand's GMS Lao Company Ltd. and Ratchaburi Electricity Generating Holding PCL, together with Axia Power Holdings, a wholly owned subsidiary of Japan's Marubeni Corporation.

The government of Laos will also hold a stake through the Lao Holding State Enterprises (LHSE).

According to the ADB, it will lend up to US\$350 million to NN3PC. Under a risk participation agreement, commercial financial firms will assume the risk on up to US\$150 million of that. Thai banks and other international financial institutions will also provide loans to the project. ADB is also lending approximately US\$115 million to the Lao government to finance LHSE's equity stake in NN3PC.

The Nam Ngum 3 plant, expected to be operational in 2017, will be located upstream of two existing hydropower plants, and downstream from another plant that is currently under construction. The Nam Ngum 4 A and B plants are also planned upstream of Nam Ngum 3.

"Earnings from clean energy exports are vital to poverty reduction efforts in landlocked Laos, where one in every three people survive on less than US\$1.25 a day," said the Director in ADB's Private Sector Operations Department, Christopher Thieme.

The new plant is expected to generate upwards of US\$770 million for Laos, of which more than US\$200 million is specifically earmarked for poverty reduction and environmental protection programmes.

The public-private Nam Ngum 3 power plant, on the Nam Ngum River in northern Laos, will provide 2,072 gigawatt hours of clean energy annually for export to neighbouring Thailand.

About half of Thailand's greenhouse gas emissions come from power generation, and most of its electricity is generated by power plants using fossil fuels, primarily natural gas.

"By using hydropower instead of fossil fuels, Thailand will avoid an average one million tonnes of carbon dioxide emissions every year – the equivalent of taking 175,000 vehicles off the road," said the Director in ADB's Southeast Asia Department, Anthony Jude.

About 45 more households located along the upgraded national road and the transmission line may lose housing and parcels of land, and will be fully compensated for their losses.

"Many families in these impoverished communities have lived in relative isolation with only limited healthcare and social service access," said Mr Jude. "Villages most affected by the project will receive higher quality healthcare and improved education."

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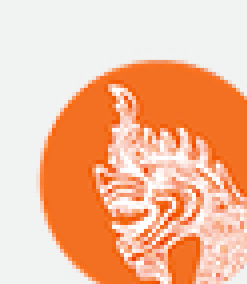
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