

Signing of Japanese ODA Loan Agreement with the Lao People's Democratic Republic

–Support for Peak Power Supply in the Capital Region of Laos, the "Battery of ASEAN"–

On June 21, the Japan International Cooperation Agency (JICA) signed a Japanese ODA loan agreement with the Government of the Lao People's Democratic Republic in the capital of Laos, Vientiane, to provide up to 5,545 billion yen for the Nam Ngum 1 Hydropower Station Expansion Project.

This project will aim to increase generation capacity to meet the peak power demand of the capital region by adding an extra power generation unit at the Nam Ngum 1 Hydropower Station located approximately 65 kilometers to the north of Vientiane Capital. The funding for this project will be allocated to civil works, equipment procurement and consulting services (monitoring of construction, environmental social considerations and the like).

Referred to as the "battery of ASEAN," Laos is furthering the development of power that uses the country's ample potential hydropower. Of the total power produced in Laos, 80 percent is exported to Thailand and other neighboring countries, a major source of foreign currency. Given the economic growth in Laos in recent years, however, the domestic power demand has grown, with power consumption at least tripling over the past decade, and the amount of power imported from neighboring countries has tended to increase proportionately. Furthermore, the vast majority of the power supply sources in Laos is hydropower, so there is a large fluctuation in output between the dry and rainy seasons, and the gap between power supply and demand is particularly large in the dry season during peak hours in the central region where the capital region is located. From a perspective of a stable supply of power to the capital region and energy security, the development of power sources for domestic demand is a priority in Laos.

Through grant aid and Japanese ODA loans, Japan has provided construction support for the Nam Ngum 1 Hydropower Station starting in the 1960s, and has further provided support for rehabilitating the first and second turbines since the turn of the century. Boasting a holding capacity approximately twice that of Lake Inawashiro in Japan, the mammoth reservoir of the hydropower station is 7 billion cubic meters in size, and has a stable inflow of water throughout the year, so it is expected that the hydropower station will be contributing to alleviating the power deficit in the capital even in the dry season.

Given these circumstances, when Laotian Prime Minister Thongsing Thammavong visited Japan in March 2012, he requested financial cooperation for this project. For the construction, the project calls for piercing of the existing dam body, which will allow for work to proceed without stopping generation at the existing units. Another advantage of the project is that because it is an expansion using the current dam, there will be almost no environmental or social impact on the reservoir or the downstream.

The support from Japan thus far and this project are expected to contribute to an expanded domestic power supply in Laos that is stable, sustainable and efficient.

Reference

1. Terms and Amount of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Nam Ngum 1 Hydropower Station Extension Project	5,545	0.55	0.01	40	10	General untied

2. Project Summaries

Executing Agency

Electricite du Laos

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3. Planned Implementation Schedule

(i) Completion of project: June 2018 – when the facilities are put into service

(ii) Tender announcement of initial procurement package for international competitive bidding on project construction: June 2014 (announcement of Pre-Qualification)

Procurement package titles: Civil Works, Procurement and Installation of Hydraulic Equipment (Intake and Pipeline), Procurement and Installation of Power Generation Equipment