Nepal must lock in India's power market before the window closes

India's electricity demand is projected to double over the next decade, but its expansion of solar, wind and nuclear power means Nepal cannot always relay on cross-border trade.

POST FILE PHOTO

The 456MW Upper Tamakoshi in Dolakha currently stands as Nepal's biggest hydroelectricity project.

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India's electricity demand is projected to more than double over the next decade as the country pursues its ambition of becoming a developed nation and a leading global economic power by 2047.

The Central Electricity Authority's National Generation Adequacy Plan (2026-27 to 2035-36), which maps India's power sector transition over the next 10 years, projects peak electricity demand to reach 458.7 GW by 2035-36. To meet that demand, India's total installed capacity is expected to more than double from 520.5 GW to 1,121 GW.

On August 15, marking India's 80th Independence Day, Prime Minister Narendra Modi announced that his government was moving ahead with a target of 100 GW of nuclear power capacity by 2047, describing nuclear energy as an important component of the country's energy security.

These developments point to a potentially huge market for Nepali electricity in India. But energy experts warn that Nepal cannot take the Indian market for granted.

India is not only expanding its own generation capacity to meet rising demand, but is also rapidly investing in solar, wind, hydropower, battery storage, pumped-storage projects and nuclear energy. Its push towards a diversified energy mix could eventually make Indian buyers more selective about the electricity they purchase from Nepal.

The nuclear power expansion, in particular, could become another factor that Nepal needs to consider while planning its hydropower strategy.

"Now we need to focus on agreements of five, 15 and 25 years with India or Bangladesh for individual projects," said Kulman Ghising, former energy minister. "For that, the government must move seriously to ensure the market for electricity, from developing hydropower projects to expanding cross-border transmission lines and exporting power."

India's latest energy projections suggest that it will increasingly need electricity that is available when required, reliable and competitively priced—not just surplus power generated by Nepal during the monsoon.

> There are also worries about geopolitical risk of depending heavily on a single market.

That makes long-term power purchase agreements (PPAs) increasingly important, stakeholders say.

Some also worry about the geopolitical risks of depending heavily on a single market. Nepal-India relations have at times deteriorated sharply, with India imposing major economic blockades or trade restrictions on Nepal in 1969, 1988-89 and 2015-16 amid geopolitical tensions and disagreements over Nepal's domestic or foreign policies.

If bilateral relations sour in the future, India's expanding domestic generation capacity could give it greater flexibility in deciding whether and when to purchase electricity from Nepal, say experts.

As India expands its solar, wind, hydropower and energy-storage capacity, it will increasingly be able to assess Nepal's electricity on the basis of price, reliability and availability.

That is why experts say Nepal needs to lock in markets through long-term agreements while also diversifying beyond India.

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