

**Govt likely to allow use of yuan**

ISLAMABAD: The government is likely to allow use of Chinese currency, Yuan for mitigating the exchange rate variation risk on the pattern of four other international currencies through amendment in Power Policy 2015, well informed sources told Business Recorder.

The Three Gorges South Asia Investment Limited, in its letter of January 23, 2018 has shown intent to raise foreign financing for development of 1124 MW Kohala Hydropower Project (KPP) in Chinese currency, Yuan. Chinese companies' have already established a few power projects; and is engaged in processing the establishment of more projects in coal and hydel.

National Electric Power Regulatory Authority (Nepra) has approved levelized tariff of Rs 8.2328 per unit for 1124MW Kohala Hydropower Project for 30 years. The reference tariff has been calculated on the basis of net contracted capacity of 1,112.760MW and net annual energy production of 5,149GWh, sources added.

The company while referring to State Bank of Pakistan (SBP)'s circular number ERD /M& PRD / PR / 10/2018-01 of January 2, 2018 has requested Private Power Infrastructure Board (PPIB) to allow financing in Chinese currency indexation in power tariff. PPIB in its letter of February 2, 2018 has referred the matter to SBP for necessary clarifications as to whether, if allowed in future, the SBP would provide cover in Chinese currency for debt repayments and interest, if not available through normal banking channels similar to already allowed currencies i.e. dollar, Pound Sterling, Euro and Japanese Yen. In response, SBP in its letter of February 21, 2018 has duly supported the proposal of inclusion of Chinese currency on the list of currencies entitled for adjustments in power tariff for variation in exchange rate and debt servicing related adjustments. Additionally, it has further reaffirmed that the regulatory framework i.e. Foreign Exchange Regulations, is already in place that facilitates Chinese currency in trade and investments transactions through normal banking channel and authorised dealers. The SBP besides assurance of necessary assistance, if required, in execution of Chinese currency debt repayment has also conveyed to Ministry of Finance for inclusion of Yuan as pricing currency for necessary tariff adjustments for Independent Power Producers (IPPs).

However, presently, the Power Generation Policy, 2015 allows indexation only for four basket currencies i.e. US Dollar, Pound Sterling, Euro and Japanese Yen for which section 10.1 paragraph(vi) of the policy reads as “ in order to mitigate the exchange rate variation risk, specified adjustments for exchange rate variations of US Dollar, Pound Sterling, Euro and Japanese Yen shall be allowed. The adjustment related to debt servicing shall be allowed for these four currencies”.

The request of Three Gorges South Asia Investment Limited to the extent of inclusion of Chinese currency to the basket of currencies to be treated at par with other currencies specified in the Policy would be seen in the context of section 10.1 paragraph vi of the Power Policy 2015 by the Power Division.

Pakistan and China have also explored the possibility of bilateral trade in Yuan and conversion of government to government US dollar loans into Renminbi (RMB). However, no final decision has been taken so far.

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