INVESTING IN THE RIGHT of WAY

INTERNATIONAL BEST PRACTICES TO SECURE COMMUNITY CONSENT FOR TRANSMISSION LINES IN NEPAL

November 2019
EXECUTIVE SUMMARY

In furtherance of the Government of Nepal’s ambitious target of generating 10,000 MW from hydropower projects from 2016 to 2026, several thousand kilometers of transmission line networks are being planned in the mountains and valleys of Nepal to evacuate the power to be generated, both to the national grid and to neighboring countries for export. This has brought large volumes of international finance, including from multilateral development banks, into the country’s transmission sector.

However, transmission line projects have been notoriously fraught with challenges and delays in Nepal owing to disputes with project-affected communities. Transmission line projects impact both the land on which towers are erected, and the land above which transmission wires pass. Communities have various concerns with the way in which transmission line projects are implemented in Nepal, including failures to be adequately compensated, consulted, and resettled; fears about effects on health and safety and agricultural, visual, and economic impacts; and the use of security forces and intimidation to propel projects forward.

The Nepal Electricity Authority (NEA), the country’s state-owned power utility, has faced particular difficulties securing Rights of Way (RoW) from communities. Communities cannot build structures on the land in the RoW, nor plant trees, and banks do not accept the property as collateral for loans. The NEA has typically only offered compensation of ten or twenty percent of the land’s value, which is very low compared to other countries.

Communities in Nepal, including Indigenous Peoples, are not satisfied with these existing practices and have demanded higher rates of compensation in line with legal provisions that guarantee full compensation, community-level benefits, and their right to Free, Prior and Informed Consent (FPIC) protected under international law.

Existing policies and practices governing transmission lines in Nepal are inadequate and fail to adequately address the concerns of communities. In the absence of strong policies, this report examines international best practices on consultation and compensation in transmission line projects, and makes recommendations to investors so their projects in Nepal can be developed in ways that prevent disputes and allow communities to take part in the development decisions that impact them.
Based on a comparative analysis with other jurisdictions, this report recommends that international investors in the transmission line sector in Nepal should ensure:

- Landowners are compensated at least 100% of fair market value for land under the RoW for easements, as determined through an objective process; The RoW width should be at least 60m for all high voltage transmission lines above 132 kV;
- Landowners receive additional compensation for construction-related damage to crops, livestock, and trees and reasonably incurred transaction costs (such as lawyer fees);
- Landowners receive compensation for devaluation of land – under and adjacent to the RoW – due to the construction and presence of the transmission line;
- Communities receive community-level benefit sharing schemes in transmission line projects according to best practices, including project implementers setting aside a percentage of project cost or a fixed amount per kilometre for community benefits;
- Landowners and communities are provided the option of receiving payments in installments either at different milestones of the project cycle or as annual payments rather than a one-time lump sum;
- Individual landowners and communities are consulted with to reduce visual, sound and environmental impacts;
- Meaningful consultation with communities beginning before project implementation and throughout the project cycle with the aim of seeking communities’ free, prior and informed consent (FPIC); and
- Project developers mainstream gender considerations, including the gendered nature of project impacts throughout the project cycle.
INTRODUCTION

In the face of Nepal’s significant untapped hydropower potential, the Government of Nepal set an ambitious target of generating 10,000 MW from hydropower projects in the decade from 2016 to 2026. As a result, several thousand kilometres of transmission line networks are planned in the mountains and valleys of Nepal to evacuate the power that will be generated to the national grid and to neighbouring countries for export. This has brought several international financiers, including multilateral development banks, to deeply invest in the country’s transmission sector.

Although investment in its transmission sector is ramping up, transmission line development in Nepal is fraught with challenges owing to disputes with project-affected communities over issues of compensation and consultation and the impact on their lands, livelihoods, and way of life. As a result, transmission line projects in Nepal are often marked by delays and disputes.

Transmission line projects impact both the land on which towers are erected, and the land above which transmission lines pass. In Nepal, land where transmission towers are built is acquired outright, while the land below wires is acquired through an easement or Right of Way (RoW), which grants a right to use and/or enter onto property without possessing the land.

Affected communities in Nepal have various concerns with transmission line projects, including failures to be adequately compensated, consulted, or resettled; fears about electromagnetic radiation, especially impacts on children; safety fears about live wires being dislodged by earthquakes or weather conditions; restrictions on how land can be used under a transmission line; devaluation of property, and the ability of communities to secure mortgages; impacts on community resources; visual, sound, and ecological impacts; and loss of crops.

The Nepal Electricity Authority (NEA), the country’s state-owned power utility, has run into major problems while attempting to acquire RoWs from project affected communities. Pursuant to the terms of a RoW, communities are prohibited from building structures on the land, they cannot plant trees, and banks do not accept the property as collateral for loans. In return, the NEA has to date most often only offered compensation worth 10 percent of the land’s value and little by the way of benefits to communities for hosting transmission lines on their land. Many communities are not satisfied with existing practices and have demanded higher rates of compensation, individual and collective benefits, and their right to Free, Prior and Informed Consent (FPIC). Unfortunately, there are significant gaps in Nepali law and policies on these issues.

The objective of this report is to examine international best practice on these issues, and to make recommendations to investors so that transmission line projects in Nepal can be developed in ways that secure community buy-in.

This report draws on the work that Accountability Counsel and the Lawyers’ Association for Human Rights of Nepalese Indigenous Peoples (LAHURNIP) has done over many years to support transmission line communities, including in Sindhuli district on the World Bank funded 220 kV Khimti Dhalkebar transmission line, and in Lamjung district on the 220 kV Marsyangdi Corridor transmission line funded by the European Investment Bank.
INDIVIDUAL BENEFITS FOR LANDHOLDERS

A. COMPENSATION AMOUNT

◊ Recommendation

Transmission line investors should ensure:

• Communities are compensated at least 100% of fair market value for land under the RoW for easements, as determined through an objective process; additionally, it is important to have some flexibility for landowners to negotiate higher payments for property-specific impacts where their land is unique, and/or impacts and consequences from losing specific land or properties that cannot be captured by the market rate;

• A minimum payment floor per landowner for being directly affected, regardless of how much of their land falls under the RoW; and

• A per tower “structure payment” made to landholders for every full or partial tower that they host on their land.

Law and policy should also:

• Guide project developers on the process to fairly calculate the value of compensation for land in the RoW; and

• Clearly establish legal rights, obligations, and enforcement mechanisms available to landowners and authorities for transmission line RoW easements.

◊ Existing practices, policies and laws in Nepal

Under Nepali law, landholders are entitled to Muabza (compensation for the land) and Chattipurthi (compensation for the income from the land). The NEA’s current policy appears to be that the land directly under transmission towers are considered acquired and are compensated as Muabza, in accordance with evaluation from a Compensation Committee, and Chattipurthi. Meanwhile, with respect to land under the RoW, the practice has been to treat this as an easement and to give affected landowners 10% of Chattipurthi. Recently, there appears to be examples where the NEA has approved compensation for land under the RoW of up to 20%.

Local communities report there is a lack of transparency in how Muabza and Chattipurthi are calculated. They report the number being taken from a government ledger they have no input on. There is also no flexibility in negotiating how impacts arising from outstanding land parcels can be mitigated or otherwise trigger reasonable grounds for additional compensation. Affected communities have shared that in the first place, the government denies them compensation and people only get compensation if they create pressure.

It is notable that Nepali authorities provided 100% compensation for a 3.85km stretch in the Sindhuli district of Nepal for communities in the RoW of the World-Bank funded Khimti Dhalkebar Transmission Line. However, the government has refused to extend the same level of benefits to other communities, including communities who are affected by other transmission lines.

There is consensus among RoW-affected landholders that 10% or 20% compensation is too low given all the impacts they experience.

◊ Benchmarking – Best practices from other jurisdictions

Internationally, transmission line developers often tend to negotiate easements – a right to use and/or enter onto the property of another without possessing it – individually with the respective landowner. As a result, there is very limited data available about compensation amounts in the public domain. But, there is growing recognition that heterogeneity, especially when coupled with non-transparency, can cause suspicion and distrust among landholders, and there seems to be a trend favoring a set formula for calculating payments to private landowners.

Even jurisdictions that publish a set formula for compensation will offer some amount of flexibility and personalization for specific land parcels as necessary. Most land is also legally considered a non-fungible asset in many jurisdictions. Many utilities strike a balance by publishing a set compensation formula as a percentage of market value, while allowing further negotiations with individual land owners as to how the market value of their land is calculated and individual impact mitigation steps. These mitigation steps can include non-cash steps, such as changing locations, the types of transmission towers, and the RoW.

Please note, in the examples below, the land is not acquired fee simple. Rather, the payment is for an easement only; the landholder retains title to the land within the RoW.
B. WIDTH OF THE RIGHT OF WAY

◊ Recommendation

The RoW width should be at least 60m for all high voltage transmission lines above 132 kV.

◊ Existing practices, policies and laws in Nepal

Currently in Nepal the predominant practice is have a 30m RoW (15m from the centerline on each side), although in some projects, RoWs of 46m and 40m on either side appear to have been applied.19

◊ Benchmarking – Best practices from other jurisdictions

Many jurisdictions have much wider rights of way, as shown by the table below:

<table>
<thead>
<tr>
<th>Project/Utility, Jurisdiction, Country, Region</th>
<th>Year</th>
<th>RoW Width</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>N/A</td>
<td>200 m19</td>
</tr>
<tr>
<td>Manitoba Hydro, Manitoba, Canada</td>
<td>2017</td>
<td>80-100 m20</td>
</tr>
<tr>
<td>Minnesota Power, Minnesota, USA</td>
<td>~2016</td>
<td>61 m12</td>
</tr>
<tr>
<td>Clean Line, Arkansas, USA</td>
<td>2015/16</td>
<td>46-61 m12</td>
</tr>
<tr>
<td>Plains &amp; Eastern Clean Line, Oklahoma, USA</td>
<td>2016</td>
<td>46-61 m21</td>
</tr>
<tr>
<td>Grain Belt Express Clean Line, Illinois, USA</td>
<td>2016</td>
<td>46-61 m21</td>
</tr>
<tr>
<td>Austria</td>
<td>2003</td>
<td>60 m22</td>
</tr>
<tr>
<td>Altalink, Alberta, Canada</td>
<td>2010</td>
<td>60 m23</td>
</tr>
<tr>
<td>Southline, Arizona and New Mexico, USA</td>
<td>2014</td>
<td>46 m24</td>
</tr>
<tr>
<td>Slovenia, Europe</td>
<td>2003</td>
<td>46 m25</td>
</tr>
</tbody>
</table>

Additionally, in order to reduce the exposure to residents, particularly children, to electromagnetic radiation from electricity lines, some countries, state governments, and local governments have stipulated mandatory minimum distances between the transmission line and buildings, houses or schools. For example:

- California, USA: School facilities must be sited a minimum of approximately 45.7m from the ROW’s edge (note: not the centerline)26
- Camas, Washington, USA: Schools and other child intensive locations must be sited at least 45m from the ROW’s edge (note: not the centerline)27
- Luxembourg, Europe: Minimum distance of 30m “must generally be maintained between the centre of the line and dwellings or other existing structures”28

Some projects set a minimum easement payment since some easements may be very small in size. For example, the Plain & Eastern Clean Line in Oklahoma, USA pays private landowners $2,000 per parcel, regardless of the size of the easement area on their land.14

In addition to fixing a percentage and minimum payments, it is important to determine the value of the land in a transparent and fair manner. Most utilities will base compensation on current or fair market value, which is determined through a transparent process. For example,

- Clean Line, Arkansas USA, performs a market study within each county along the proposed route by a certified independent appraiser to determine the current fair market value ranges of properties. These fair market values and specific characteristics of each parcel are reviewed in determining just compensation for each easement. An appraisal may be ordered to determine fair market value of a landowner’s specific parcel of land as required under U.S. law.
- Similarly, the Grain Belt Express in Illinois, USA uses the average value of the land, based on recent sales in the county, and the area of the easement, calculated in acres. Fair market value is determined through a market study of recent fee sales in the county conducted by an independent appraiser.17

16Only information provided is that the utility decided to pay landowners a premium to use their properties, Wind Power Monthly, United States: Power line built in super-quick time (December 2016), available at: https://www.windpowernovetly.com/article/970546/united-states-power-line-built-in-superc-quick-time. Wind Power Monthly, United States: Power line built in super-quick time (December 2016)
18Heartland Transmission Project, Summary of Heartland Considerations, hereinafter, “AB Heartland Summary”
22Western Southline (2014), at 48.
25IL Grain Belt (2016), supra note 4.
28Manitoba Hydro – Compensation Info, supra note 11.
30AR Clean Line (2015), supra note 3.23 OK Clean Line (2016), supra note 4.24 IL Grain Belt (2016), supra note 4
32IL Grain Belt (2016), supra note 4
38For a 220 kV line, minimum distance of 30m “must generally be maintained between the center of the route of the lines and dwellings or other existing structures used as such, for reasons of environmental protection.” EURELECTRIC Report (2003), supra note 10, at 60
C. COMPENSATION FOR CONSTRUCTION RELATED DAMAGE AND TRANSACTION COSTS

◊ Recommendation

Investors should ensure project developers provide landowners additional compensation for:
- Construction-related damage to crops, impacts on marketable timber, livestock, tile drains, fence or gate damage, and damage to trees located outside of the proposed RoW limits; and
- Reasonably incurred transaction costs (such as lawyer fees) associated with the review of applicable closing conveyance agreements.

◊ Existing practices, policies and laws in Nepal

Nepali projects do include compensation for crop damage, however more transparency is required in how amounts are calculated.32

◊ Benchmarking – Best practices from other jurisdictions

Ireland’s EirGrid provides an independent proximity payment for all those whose main dwelling is within 200m of the centerline. The proximity payment is dependent on the voltage of the line, and is based on a sliding scale; the highest amounts are given to those at 50m (Euro 10,000 – 30,000 /home) decreasing in amount per meter to 200m (Euro 2,000 – 5,000/home). These payments appear to be separate from compensation paid within 50m, which is negotiated on a case by case basis. Additionally, under Irish statutory requirements, EirGrid also provides landowners approximately Euro 22,000 per steel tower on their land.33

In Arkansas, USA, Clean Line pays all fees for recording the easement and for any title insurance, and compensates landowners for any damages to crops, marketable timber, and livestock.34

In Canada, Alberta PowerLine offers landowners a pre-determined amount as compensation for crop or pasture damage that may occur during construction. The damages include Alberta PowerLine’s estimate of the value of the crop or pasture loss during construction (year one) and reduced production the following year (year two), amounting totally to $715/acre for “cropland” and $300/acre for “pasture” land.35

Alternatively, landowners may choose to review the construction damages related to crop or pasture loss after construction of the transmission line is complete. In these instances, Alberta PowerLine will ensure crop or pasture damage is reviewed as part of a final construction review meeting held with each landowner.36

Canada’s Heartland Transmission Project in Alberta offers annual structure payments, which is intended to compensate landowners, in part, for the inconvenience and costs associated with weed control, additional operation time, additional seed, and pesticide and fertilizer used when farming around the structures. Additionally, the annual structure payments compensate landowners for loss of crop within and around the structures due to compaction, double seeding, and double spraying.37

In Ontario, Canada, NextBridge pays for:
- Merchantable timber that is removed from the proposed transmission line RoW;
- Reasonably incurred transaction costs (i.e. such as lawyer fees) associated with the review of applicable closing conveyance agreements; and
- Compensating property owners for all damages that arise out of the construction, operation, and maintenance activities of the line, including, but not limited to, damage to tile drains, crop loss, rutting of laneways, fence or gate damage, and damage to trees located outside of the proposed RoW limits.38

Additionally, NextBridge contractually indemnifies property owners from all liabilities, damages, claims, suits, and actions arising out of the transmission line.40

New Zealand’s Transpower commits to remedy any temporary disturbance by reinstating the land to its condition before the work or, if reinstatement is not possible, compensate the landowner for the damage caused.41

D. COMPENSATION FOR DEVALUATION OF LAND ADJACENT TO THE RIGHT OF WAY

◊ Recommendation

Investors should ensure communities receive compensation for devaluation of land – under and adjacent to the RoW – due to the construction and presence of the transmission line.

◊ Existing practices, policies and laws in Nepal

Nepali projects appear to contemplate the government buying the entire parcel of land in cases of part takings, but there are challenges with implementation.42 Under Nepali law, landowners can petition the court to require the Nepal Electricity Authority to purchase the entire plot of land. However, it is not a streamlined or easy process.


34EirGrid, supra note 39, at 5

35AR Clean Line (2015), supra note 3.

36AB Powerline (2015), supra note 14, at 3.

37Id.

38AB Heartland Summary, supra note 15, at 1.

39Id.


42Id.

43For example, in the Thankot-Chapagaon-Bhaktapur 132 kV Transmission Line Project, the Resettlement Plan states ‘if the remaining land parcel after permanent acquisition is too small (i.e. less than 64 square meter), … the entire plot shall be acquired at the replacement cost.’ See Thankot-Chapagaon-Bhaktapur 132 kV Transmission Line Project, Resettlement Plan, at p. 10, available at https://www.adb.org/sites/default/files/project-document/78347/thankot-chapagaon-bhaktapur.pdf
Benchmarking – Best practices from other jurisdictions

In addition to offering compensation for easements, some jurisdictions allow landowners the option to instead sell the whole parcel of land to the utility or otherwise provide compensation for devaluation and other impacts on land that is retained by the owner.

For example, in Minnesota, USA, state law allows eligible agricultural or residential landowners to select to have the utility purchase the entire property over which a high voltage transmission line will pass. The courts decide whether the property qualifies for the “buy the farm” option. Landowners must make a case that the impacts of the power line are substantial—for example, if the line interferes with agricultural operations or is in the immediate proximity of a residential structure. Similarly, in Canada, Manitoba Hydro indicates that in special circumstances, a buyout can be offered to provide compensation to landowners for all related and reasonable relocation costs where the proximity of the transmission line is within 75 m of the landowner’s residence.

Additionally, the Ontario (Canada) Expropriations Act sets procedures around “injurious affection” or reduction in market value of the landowner’s remaining property due to construction of works. Thus, the public communications of Ontario’s NextBridge propose compensation for injurious affection when reductions in market value of the remaining lands are incurred as a result of construction and operation of the transmission line RoW. The utility also contemplates that the amount will be determined by an independent appraisal process.

New Zealand’s Transpower also contemplates that injurious affection occurs when the works are sufficiently substantial to result in a permanent and non-negligible loss of value to the land.

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43 A. Berry (2013), supra note 4, at 9-10.
44 Manitoba Hydro – Compensation Info, supra note 11.
47 NZ Transpower (2010), supra note 42, at 7.
COLLECTIVE BENEFITS FOR COMMUNITIES

◊ Recommendation

Payments to communities, in addition to individual compensation, can become a tool for early and positive stakeholder engagement and increase real and perceived local benefits of projects. Such compensation measures are not meant to replace individual compensation, but rather to offset residual impacts.

Investors should ensure communities are consulted on these community-level benefits, respecting their decision-making processes in deciding whether to accept funds and how they should be used. Where there are traditional Indigenous governance or leadership systems in place, they must be respected and supported.

Community-level payments can lead to the charge that the project is trying to bribe the public and buy acceptance. There is also a risk that poorly planned and distributed community payment provoke charges of corruption and “backroom dealing”. To manage this risk, there needs to be transparency with a systematic process that incorporates a broad range of directly-affected community members in the decision-making process. A consistent formula, governed by agreed upon variables, should set the amounts paid to communities. In this context, good practice guidelines can be used to promote high standards, especially with regard to:

- Communication and transparency;
- Defining eligibility;
- Fund management and dispensation;
- Role of local government and other legislative bodies; and
- Preferential projects for funding.

◊ Existing practices, policies and laws in Nepal

In the World Bank funded Khimti Dhalkebar transmission line, a Vulnerable Community Development Plans (VCDP) provided benefits for communities within 500m of the RoW. Communities reported a lack of information and transparency about such community-level benefits. Many communities report the amounts are too low and inadequate to compensate for the costs and impacts of hosting transmission lines. They complain they are not consulted on the size and use of benefits, and how the funds are to be administered. There are also communities that fail to receive benefits on time, or in full, if at all. There are also fears that politically-affiliated NGOs will co-opt funds and use them for their own purposes rather than for the intended beneficiaries, the project affected people.
Benchmarking – Best practices from other jurisdictions

Key aspects of the above programs are grounded in law and policies:

- In Germany, there is an Electricity Network Charges Ordinance (Stromnetzentgeltverordnung or StromNEV) under which transmission line developers can offer an optional payment to municipalities directly affected by the route of the line. The exact amount paid is based on objective criteria and is bound by a "model agreement". Decisive factors are the number and the transfer capacities of the installed electrical circuits. The money is paid after successful commission of the line. This is a voluntary system enacted by the transmission line developer.53

- In France, the total amount that is to be spent for community payments is set by the French State – the project developer negotiates the structuring of these payments. Additionally, French legislation enables local stakeholder committees to be set up by the relevant Préfet (administrative leader of a local region) in order to determine the scope and beneficiaries of any payments. The Préfet is able to establish different committees for each topic of interest (environment, tourism etc.) and choose the participants who decide how the money will be spent.54

- In Italy, Regions and Local Authorities have the right to stipulate agreements with the transmission line developers in order to request compensation measures.55

- In Ireland, the Government’s “Policy Statement on the Strategic Importance of Transmission and Other Energy Infrastructure” underlined the appropriateness of incorporating community compensation considerations into major infrastructure projects. This gave companies working in the energy sector encouragement to start proactively involving community payment measures into their activities.56

- In Spain, while there is no legal obligation for community compensation/gain, it is often policy for transmission line developers to give money to the municipality on a voluntary basis as part of their corporate social responsibility activities. Projects have included public parks, sporting clubs, social housing etc.57

<table>
<thead>
<tr>
<th>Country - Utility</th>
<th>Amount</th>
<th>Types of Projects</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany - 50Hertz</td>
<td>€60,000 / Km of Line</td>
<td>The money is paid into the general operating budget of the local council, with an understanding it will go to public parks, social welfare, youth welfare, public libraries, building and upkeep of regional roads, and financial support for cultural activities.</td>
<td>Payments are made directly into the operating budgets of the county/parish council. StMertz plays no role in deciding how the community spends the money.</td>
</tr>
<tr>
<td>France - RTE</td>
<td>8% of Total Project Costs for Lines Below 400 kV, 10% for &gt; 400 kV</td>
<td>Money is provided for the following uses: enhancement of the landscape, heritage, tourism, sustainable local development actions and for the undergrounding of existing electrical or telephone networks.</td>
<td>The local Préfet (local government representative) organises and negotiates on behalf of the community, whilst distributing the money amongst the various communities. Money is directed by specialist committees set up by the Préfet.</td>
</tr>
<tr>
<td>Italy - Terna</td>
<td>~6% of Total Project Costs</td>
<td>So far, have funded playgrounds, streetlights, pedestrian/cycling paths, the restoration of public schools and cultural/artistic heritage.</td>
<td>Terna provides a guiding list of projects that it will fund, with the specific projects to be funded jointly agreed upon. It signs agreements with Regions, Provinces, and Municipalities.</td>
</tr>
<tr>
<td>Ireland - EirGrid</td>
<td>€15,000 / Km made available on initial pilot fund.</td>
<td>The four areas identified include: Employment, Education, Environment, Community Facilities</td>
<td>Part of the land is to be managed by the local authority (small grants) with larger, regional grants managed by the “The Community Foundation for Ireland” (a grant managing NGO).</td>
</tr>
</tbody>
</table>

54 RGI - Community Benefits: Case Studies, at 14.
55 Id., at 18.
56 Id., at 12.
PAYMENT TIMINGS: ONE-TIME, INSTALLMENTS, PERIODIC

◊ **Recommendation**

Investors should ensure consultation with communities and individuals on payment plans, including the timing of benefits. Individuals and communities should be given options to choose between different kinds of compensation, including:

- One-time payments;
- Payments at critical junctures, including after signing of easement or permissions, start of construction, and line electrification; and
- Annual payments.

◊ **Existing practices, policies and laws in Nepal**

Currently, payments for RoW are typically made in a lump sum.

◊ **Benchmarking – Best practices from other jurisdictions**

For RoW payments:

- In Ontario, Canada, landowners can choose between lump sum and periodic payments. Annualized payments are calculated by multiplying the lump sum compensation with the prime lending percentage plus one percent.58
- In Wisconsin, USA, for agricultural land, landowners can choose between lump sum and annual payments.59

For transmission tower structures:

- Ireland’s EirGrid pays compensation for the towers in three stages during the construction phase.60
- Clean Line in its projects in Arkansas and Missouri, allows landowners to choose lump sum or periodic payment options for tower structures. Annual payments will be made as long as a structure is in the easement area and will include a 2% annual escalator that will be applied to each annual payment per structure, after the first payment has been made.61
- In Alberta, Canada, the Heartland Transmission Project offers annual structure payments per transmission tower. Similarly, Alberta Powerline provides annual structure payments that are revised every five years. As of June 2015, they ranged from $275 to $1,600, depending on the type of structure, land use, and whether the line ran along the property line or midfield.62

For community level payments, some utilities have adopted payments in installments:

- EirGrid from Ireland pays 20% when construction starts, and the remaining 80% when the line is energized.63
- Italy’s Terna structures payments in three steps: the first 25% when the community benefits open, during construction, and finally, the balance of the agreed upon sum is paid when the power line is operational.64

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58NextBridge - Compensation Principles, at 5.
61AR Clean Line (2015); IL Grain Belt (2016)
63RGI - Community Benefits: Case Studies, at 12.
64Id., at 20
ADDRESSING VISUAL, SOUND, AND ENVIRONMENTAL IMPACTS

◊ **Recommendation**

Investors should ensure project developers consult with individual landowners and communities to reduce visual, sound and environmental impacts. Where impacts nonetheless persist, it is important to compensate communities and property owners such that local economic benefits outweigh the costs.

◊ **Existing practices, policies and laws in Nepal**

Environmental and social documentation for transmission line projects in Nepal reveal that visual, sound and other impacts are seen as inevitable, and no compensation is offered for such impacts. Yet, under the Interim Constitution of Nepal, people affected by environmental degradation and pollution have a right to be compensated by the polluter.66

◊ **Benchmarking – Best practices from other jurisdictions**

In Alberta, Canada, the Heartland Transmission Project committed to gathering information from landowners to understand what views are most important to them. The project documentation indicated that in some cases, the specific location of towers can be shifted to mitigate a potential visual impact.67

The practices in Luxembourg acknowledge that the visual impact of the line is often important, and that as an "industrial" item, a line can conflict with a “natural” or historical landscape especially for areas of outstanding natural beauty.68 There is also recognition that the impact of a line on the landscape is highly subjective. Nevertheless, some objective techniques can be used to mitigate visual and environmental impacts, including:

- Painting;
- Architectural arrangement and landscaping of substations;
- Use of low pylons;
- Reduction of the ecological impact of construction;
- Preservation of small vegetation or bushes;
- Devices to prevent the electrocution of birds;
- Use of narrow pylons to restrict deforestation; and
- Reforestation for major substations.69

Some international best practices suggest that transmission tower aesthetics can be made more acceptable to many people by changes in tower material, height, or color. For conductors, sandblasted wires can be used to reduce the glare from reflected sunlight off of transmission wires. Underground cables can be used in especially sensitive scenic areas.70

In addition to taking steps to mitigate impacts, in the U.K., the National Grid Company also provides guidelines for local developers and planning authorities on mitigating visual, noise and other impacts.71

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65 See for e.g. Nepal Electricity Authority, 220 kV Marsyangdi Corridor - Initial Environmental Examination.
66 Article 30(2) of the Interim Constitution of Nepal, 2015
67 AB Heartland Summary, supra note 15, at 3.
68 EURELECTRIC Report (2003), supra note 10, at 50.
69 Id., at 62.
CONSULTATION AND INFORMATION DISCLOSURE

◊ Recommendation

Investors should ensure meaningful consultation with a view to seek consensus among all stakeholders, and the free, prior and informed consent (FPIC) of Indigenous Peoples and local communities, as rights holders.

As background, in addition to self-contained, traditionally-governed indigenous communities in Nepal, there are many areas where Indigenous Peoples, Dalits, and other groups live together in mixed communities. Indigenous Peoples, including those who live in mixed communities, expect development in Nepal to be in accordance concordance with the nation’s constitutional and other legal obligations, and international commitments to Indigenous peoples under the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and the International Labour Organization (ILO) Convention 169.

Investors should draw on the following best practices:

- First, communities should be consulted to design a consultation process as well as a grievance mechanism.
- Early in the design of individual transmission line projects, communities should be consulted about the project design, including about its route. Communities should be given full and accurate information about projects, especially health, safety, and economic impacts under the transmission line RoW, and adjacent to the RoW. Consultations should be in good faith, with a view to listening and taking steps to mitigate impacts in a manner acceptable to communities.
- Project developers should secure community buy-in for the whole route of the proposed transmission line, and all associated projects, at the start and prior to any construction, rather than on an ad hoc basis as construction proceeds. To help secure community buy-in, information should be provided regarding the purpose of the transmission line, and how the project will benefit the local community, including local electrification and other community and individual benefits the project is offering.
- Project developers and government should have integrated conversations on cumulative impacts and regional impacts associated with the project in the region. Strategic Environmental Assessments evaluating cumulative impacts can be an effective tool in this regard.
- Information should be given in a language and manner understood by affected communities, and communities should be provided sufficient time to understand. Broader information disclosure and consultation should be done in languages and forms understandable to the affected communities, who do not have technical knowledge. There is no substitute for human interaction, but local radio penetration is robust in Nepal and can be a tool to spread certain kinds of information.
- Consultations should occur at individual, group and subgroup levels adopting innovative approaches to include a diversity of ages, castes, genders, wealth-levels, land ownership statuses, Indigenous Peoples, and abilities.

◊ Existing practices, policies and laws in Nepal

Even though Nepal’s constitution, and international obligations under UNDRIP and ILO Convention 169, require the FPIC of project affected communities, especially Indigenous Peoples, there is a lack of consultation at the community level. Many communities have been demanding FPIC in transmission line implementation. In particular, landholders under the transmission line RoW are often not being consulted prior to the erection of towers, even though at that stage the route of the line may be a fait accompli.

There is a lack of information disclosure, consultation and dialogue on the economic, health and safety impacts of transmission lines. The lack of information, and in some cases active misinformation have led to communities raising their concerns. However, Nepali authorities have deployed armed police forces to disperse peaceful protests and there have been instances of community members being detained overnight and forced under the threat of criminal action to sign documents waiving their opposition to transmission projects. Community leaders have also had false charges filed against them.

The use of violence and intimidation, including the deployment of armed forces, to push forward projects is inimical to building trust with local communities and threatens the long-term sustainability and positive impact of projects, which is why dialogue (starting with information disclosure) is crucial.

◊ Benchmarking – Best practices from other jurisdictions

In U.S. states like Idaho, Wisconsin and elsewhere, after the necessary certificates and permits are in place, the consultation process is as follows:

- Title Research—The project developer researches public records to determine who holds title on all lands involved in the project.
- Initial Landowner Contact—The developer contacts each property owner to inform them of the project and to describe the need for the line. The landowner can provide input regarding the project and their property.

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2See for e.g. Nepal Electricity Authority, 220 kV Marsyangdi Corridor - Initial Environmental Examination.


• Surveying and Staking—The project developer seeks permission to access properties along the proposed route for preliminary surveys, and possibly for soil boring. After the design of the line is completed, survey crews will identify the line’s centerline and the location for each pole, using surveying stakes. This allows landowners to review the location of the line and structures prior to entering into easement negotiations. The project developer will discuss any issues or concerns with landowners.

• Document Preparation—the developer prepares all documents needed to complete transactions, such as easements, option agreements, or purchase agreements, and clearing and construction access notices.

• Appraisal—the developer works with a qualified appraiser to develop a compensation payment for each easement. The landowner may be present at the appraisal to identify important property features and uses that affect the fair market value of the easement.

• Negotiated Easement—the developer meets with each landowner to present and discuss maps showing the location of the easement and the line route across the landowner’s parcel. The developer makes an offer of compensation for the easement. The landowner would retain title to the land and may continue to use the property in ways that are compatible with the transmission line. The developer works with the landowner to answer questions and resolve concerns. Under the easement, the landowner is allowed a reasonable amount of time in which to consider the transaction.

• Acquisition by Eminent Domain—if a negotiated settlement cannot be reached, some developers may pursue acquisition by eminent domain (condemnation). This process begins when the developer files a petition to the district court. The landowner is served a copy of the petition and notice of the court hearing. The developer and the landowner may present their cases to the court, including independent appraisals. The court will decide whether the easement will be granted, and what amount constitutes just compensation. If the easement is granted, the developer pays the decided amount for the easement, and construction may begin after a designated amount of time.

• Construction—The developer discusses the construction schedule with the landowner and arranges access to the easement for construction of the transmission line.

• Restoration, Operation and Maintenance—After construction the developer is generally responsible for restoration and cleanup of the transmission right-of-way, as well as ongoing maintenance throughout the life of the transmission line.76

There are also many innovative personalized ways to support affected landowners. For example, Clean Line Arkansas makes representatives available to meet with landowners to answer any questions, to learn more about each landowner’s property and to discuss the project, the easement agreement and the basis of compensation. Clean Line requires that its employees and representatives follow a Code of Conduct, which provides that all representatives treat every landowner with consideration and respect. Clean Line is committed to working with landowners in a timely and efficient manner.77

Additionally, there is helpful best practice guidance from the German context regarding communication management at a public level:

A stringent communication strategy must be followed right from the beginning of a project involving the construction of transmission lines or a substation. The objective is to achieve a positive attitude by the public towards the realisation of planned measures under circumstances that are as free of dissension and emotion as possible.

The basis for this is the early involvement of all the parties concerned by providing them with objective, open, wide-ranging, and easily understandable information. This can be achieved by using the following communication instruments:

• Town Meetings
• Backgrounders For The Press
• One-On-One Conversations
• Presence At Public Events
• Video Animations
• Project Brochures And Polls

The point in time for presenting information to the general public must be selected very carefully.

The policy on information should be that it is open, understandable, and adapted in content to the needs of the target group. The target groups in this context are:

• The Population Affected
• Political Leaders, Representatives Of Public Administration
• Civic Initiatives
• Churches, Business Associations, And Private Organisations

Understandable information should be provided on the planned project with the following content:

• Importance Of The Project For The Energy Sector In Terms Of The Interest Of The General Public In Having A Low-Cost And Reliable Power Supply
• Questions Regarding Transmission Line Routes And Substation Locations
• Necessary Approval Procedures
• Technology Used
• Effects On Health And The Environment
• Information Contacts [Free Telephone Hotline]

Feedback on communication effects could be determined, for instance, by a polling institute on the basis of a telephone poll, making use of a random dialing system.

Polls of this kind should focus on the following points:

• Clarity / Intelligibility
• Further Information Needs
• Personal Attitude Towards The Project78

76 Id. at 2-3.
GENDER CONSIDERATIONS

Finally, it is important to consider and mitigate gendered impacts of transmission lines. Gender related analysis developed as part of Norway’s Transmission Sector Cooperation in Uganda found that:

Construction of transmission lines can have negative impacts that are different for women and men. For example, compensation for land use generally paid to men, who own 94% of the land in Uganda, while women are the majority cultivators and responsible for providing safe drinking water and fuelwood. The influx of male workers and HIV/AIDS infections spread by construction crews affect women as the more vulnerable group. Few opportunities exist for women in local employment in construction projects, which is one of the major local benefits of transmission construction.79

◊ Recommendation

Investors should ensure the following best practices are followed in transmission line projects:

• Fora for information exchange and dialogue for women such as gender focal points at energy sector agencies, should be established. Meet with women and women’s groups separately to share information, consult and seek consent. Make efforts to engage with elderly women, uniquely-abled women, Indigenous women, Dalit women, women-led households, and young women.
• Ensure participation by women in assessments and mitigation plans, community development activities, local employment opportunities, and compensation plans.
• Provide specific gender-focused interventions – with budget allocations – in livelihood support, training, safety nets, health and legal sensitization.
• Gender considerations and gender-sensitive performance indicators could be included in project monitoring and evaluation strategies and frameworks.80

80 Id
CONCLUSION

Affected communities are an important stakeholder in Nepal’s transmission sector. However, between the project financiers, the Government of Nepal, and project implementers, community voices are often side-lined.

Transmission line projects in Nepal have become synonymous with delays owing to disputes with project-affected communities. This report has examined the various grievances of communities impacted by transmission line projects in Nepal, including the concerns of private landholders with respect to inadequate compensation for land within the RoW, increasing the width of the RoW, compensation for other kinds of impacts, and options for receiving payments periodically. There is a clear consensus amongst communities that the practice of only offering ten percent compensation for land under the RoW is deficient and needs to be reformed. This report has also examined demands from communities to receive community-level benefits as compensation for hosting transmission line projects.

International best practices provide important guidance to investors in this context to ensure their investments are sustainable and can secure the consent of local communities, including Indigenous Peoples. Even though Nepali law recognizes the principle of FPIC, too often transmission line project implementers do not carry out FPIC processes during project design. In fact, there have been instances of the use of force and intimidation by local authorities against project-affected communities who are seen as opposing projects. One of the most integral findings of this report is that effective consultation with affected communities at the stage of project design and planning can go a long way to addressing the challenges that emerge in implementing transmission line projects in Nepal.
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