

**AGREEMENT
BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF INDIA
AND
THE ROYAL GOVERNMENT OF BHUTAN
CONCERNING
COOPERATION IN THE FIELD OF HYDROELECTRIC POWER**

The Government of India and the Royal Government of Bhutan, bearing in mind the friendly relations existing between the two countries and their peoples;

Recognizing that the cooperation the two countries have developed in the hydropower sector is capable of contributing greatly to the economic growth and to the greater welfare of the two countries;

Recognizing the need for energy security of their respective countries;

Being desirous of achieving the development of hydropower in the Kingdom of Bhutan in a manner that will make a lasting contribution to the economic development of both countries;

Recognizing that desirable benefits to their countries can be secured by cooperative measures for hydroelectric power generation; and

Realizing the need to accelerate construction of hydropower plants

HAVE AGREED AS FOLLOWS:

ARTICLE-1

The Government of India and the Royal Government of Bhutan agree to facilitate, encourage and promote the development and construction of hydropower projects and associated transmission systems as well as trade in electricity between the two countries, both through public and private sector participation.

ARTICLE -2

For projects to be implemented jointly by the two Governments through joint ventures or government owned agencies, a suitably empowered joint group would be set up to facilitate identification of projects, preparation of Detailed Project Reports (DPRs) and selection of agencies for speedy implementation of projects. The Government of India agrees to a minimum import of 5000 MW electricity from Bhutan by the year 2020.

ARTICLE-3

The development of projects would be governed by project implementation and power purchase agreements. The parties entering into such agreements shall mutually determine the terms and conditions of such agreements including implementation, the quantum and parameters of supply, the points of delivery and the price of supply of electrical power.

ARTICLE-4

The parties entering into such agreements shall be accorded all necessary assistance by the respective Governments, in accordance with the laws and regulations of the respective countries, for conduct of surveys including field investigations and for construction, installation, operation and maintenance of facilities required for generation, transmission, and sale of power in the territories of their respective countries.

ARTICLE-5

The parties entering into such agreements shall be granted all the incentives and concessions by the respective Governments, available under relevant laws, policies and regulations of the respective countries, for generation and transmission of power.

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ARTICLE-6

The parties entering into such agreements shall fulfill all necessary requirements stipulated in relevant laws and regulations and shall also comply with necessary technical requirements of the respective countries.

ARTICLE-7

Power exchange between the two countries shall play an important role to ensure energy security. In this respect, India shall continue to supply power to Bhutan in the event of any shortfall of power supply in Bhutan through various arrangements and delivery points mutually agreed upon.

ARTICLE -8

The two countries shall cooperate in the development of renewable energy and both countries shall support each other to develop projects under the Clean Development Mechanism of the Kyoto Protocol, using India's carbon emission baseline, and any other international mechanisms that may come into force to encourage renewable energy.

ARTICLE -9

For the construction and operation of hydro projects in Bhutan by public sector and government owned agencies, India shall facilitate the availing of facilities including financing from various financial institutions in India and deployment of human resources as may be desired by Bhutan.

ARTICLE-10

Any differences regarding interpretation and application of this Agreement shall be resolved by mutual consultations between the two Governments.

ARTICLE -11


This Agreement shall come into force on the date of signing of this Agreement. It shall remain valid for a period of sixty (60) years from the date of its coming into force and its validity may be extended by mutual consent. The provisions of this Agreement shall be reviewed after an interval of ten (10) years or earlier as required by either Government and shall be amended by mutual consent. Either party desirous of terminating this Agreement shall provide a minimum of one (1) year prior notice.

ARTICLE-12

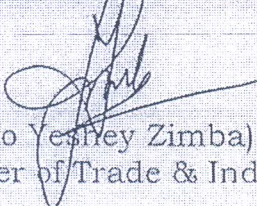
The quantum of electricity to be imported from Bhutan shall be appropriately enhanced as required during the review period.

In WITNESS WHEREOF the undersigned, duly authorized by their respective Governments have signed this agreement at New Delhi this the Twenty Eighth Day of July, Two Thousand and Six, in two (2) original copies in Hindi, Dzongkha and English and all texts being equally authentic. In case of any divergence in interpretation, the English text shall prevail.

FOR THE GOVERNMENT
OF THE REPUBLIC OF INDIA


(Sushilkumar Shinde)
Minister of Power

FOR THE ROYAL
GOVERNMENT OF BHUTAN


(Lyonpo Yeshey Zimba)
Minister of Trade & Industry