

Bakun Dam generates Putrajaya-S'wak tension
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Many were relieved at the announcement that one of Malaysia's most controversial and largest projects - the Bakun Dam - will finally be completed by this December, after 16 years of construction.

However, problems surrounding the world's second highest concrete-faced rockfill dam are far from over.

Apparently tension is brewing between the Sarawak and federal governments over who should be the winner in the tariff negotiation.

Some worry that the state government is using its power over the dam impoundment as a bargaining chip to demand a lower tariff.

But Sarawak Hidro Bhd, the owner of the Bakun Dam wholly-owned by the Finance Ministry, has dismissed such speculation.

Taib's smelter eyeing cheap power

According to media reports, the power purchase negotiations between Sarawak Hidro and Sarawak-owned energy provider Sarawak Energy Berhad had hit a snag.

Sarawak Energy was said to be eyeing for a cheaper tariff of between six to seven sen per kWh - much lower than the 10 to 15 sen per kWh demanded by Sarawak Hidro in order to cover the project's cost overruns.

Two smelter companies - Sarawak Aluminium Company, a joint-venture between Cahaya Mata Sarawak Berhad (CMS) and Australia-based Rio Tinto Aluminium, and Smelter Asia Sdn Bhd, a joint-venture between GIIG Holdings Sdn Bhd and Aluminium Corp of China Ltd - were also said to be aiming for a lower tariff.

Both companies have become key buyers of the electricity produced by the dam, which can reach 2,400MW.

CMS is a conglomerate owned by Sarawak Chief Minister Taib Mahmud's family. A cheaper tariff would mean lower costs for the smelter.

Meanwhile, GIIG Holdings Sdn Bhd is a company controlled by tycoon Syed Mokhtar Al-Bukhary who emerged as Malaysia's key industrial player during former prime minister Dr Mahathir Mohamad's rule.

Impoundment permit as bargain chip?

Another contentious issue between the state and federal governments involves the ownership of the Bakun Dam.

The former reportedly wanted to buy up the dam at RM6 billion, but the latter was looking at an indicative price of RM8 billion.

Hence, when Sarawak Hidro openly urged the state government to give the green light to

impound the reservoir as soon as possible to reduce adverse costs, speculation ran rife that the state government was using the impoundment permit as a bargaining chip in the tariff negotiation.

According to Sarawak Hidro, the dam had met the requirements for impoundment since April this year and it had submitted its undertakings to Sarawak's Ministry of Public Utilities in line with the state cabinet decision.

The state government has yet to respond, but time is running out for Putrajaya.

According to a Star report in January quoting Sarawak Hidro general manager Tan Yong Long, the impoundment was originally slated for last November.

bakun dam scale model of completed project 301007It needs seven months to reach the minimum operating water level for tests of the turbines to be carried out before commercial power can be generated.

Due to the delay, Sarawak Hidro will suffer an additional outlay of a maximum RM10 million per month starting June or July next year from interest, maintenance and other operating costs, according to Sarawak Hidro managing director Zulkifli Othman.

"If we are given the green light, we are looking at October to start the impoundment subject to the water level of the river," he told Malaysiakini when contacted today.

However, Zulkifli denied that the state government was using the impoundment permit to put pressure on Putrajaya in the tariff negotiations.

It has nothing to do with the tariff negotiations, he stressed.

Zulkifli added that the state government needs to make adjustments to the current river transportation arrangement before allowing the impoundment as it would affect the river flow and water level of Sungai Rejang, which is the main means of transport in central Sarawak.

"We have submitted the information they need. The decision will be made known by the end of August, we hope," Zulkifli said.

Sarawak Hidro also targeted the end of this year to seal the power purchase agreement with Sarawak Energy.

The Sarawak government could not be reached for comment.

Cost overrun plagues Putrajaya

Cost of the controversial project had ballooned from an initial RM2.4 billion when it was announced in 1986 to around RM7.3 billion this December when the project is expected to be completed.

The project is mostly funded by taxpayers money through borrowings from the Employees Provident Fund (EPF) and Kumpulan Wang Persaraan (KWAP), whose loan had skyrocketed to RM5.75bil.

With such a tremendous cost overrun, should the adverse costs continue to spiral up, the

BN federal government will be subject to fierce attacks from the opposition.

azlanIt had in fact claimed its first casualty - the plantation giant Sime Darby Berhad - the main contractor of the project. It had recorded more than RM1 billion in total cost overruns from civil works on the project.

However, if the federal government had compromised on a cheaper tariff, it would face another crisis - its inability to cover the RM7.3bil project cost. Ever since its inception a question mark has been hanging over the ability of the mega-dam to break even.

How the two sides reach an agreement could determine whether the rakyat's hard-earned money has been poured into a white elephant project, yet again.

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