

## BRAZILIAN NGO AND SOCIAL MOVEMENTS FORUM

### INTERNATIONAL RIVERS NETWORK

#### Brazilian hydroelectric auction fails to increase capacity, attract investors

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(Sao Paulo, Brazil) A government auction of new hydroelectric power plants, supposed to encourage private investment in Brazil's hydropower sector, has been "a failure" according to leading civil society groups. The initial auction of hydroelectric projects of the Lula administration, held yesterday, had only seven projects on the block. Most private companies stayed away from what they considered risky investments in new dams. Once built, the power plants auctioned off yesterday will add less than 1% to the existing national electricity generating capacity, hardly making a dent in Brazil's growing energy deficit.

Brazil's Mines and Energy Ministry had originally planned to offer 17 new dam projects through the auction. In the end, only seven dams, with a total capacity of 776 MW, and a projected construction cost of \$1.4 billion, obtained the provisional environmental licenses required under the new concessions system.

Ten of the 17 dams ran into hurdles in obtaining environmental licenses from state and federal licensing agencies as a result of their likely impacts on endangered species, critical ecosystems, indigenous communities, and waterfalls of high tourism potential. The largest of the 17 projects, Ipueiras, on the already heavily-dammed Tocantins River, remained off the auction block after federal licensing authority Ibama ruled it would cause unacceptable environmental impacts if built, affecting fish species and savanna areas considered to be priorities for conservation.

Lucia Ortiz, of Brazil's NGO and Social Movements Forum, said the auction's failure was foreseeable, and that the Brazilian government made a serious mistake in selecting the dams without first drawing up a national energy plan. "Under the excuse that Brazil runs the risk of imminent blackouts, the government tried to offer projects which were totally unacceptable in terms of their social and environmental impacts. It should have first considered less-destructive alternatives," said Ortiz.

Some companies which have invested in large hydroelectric projects in recent years stayed away from today's auction. Industry spokesmen said the ceiling of \$50/MWh for selling energy to the national power utility was too low to ensure the projects' profitability. Most of the rights awarded today to build new projects went to state electric companies.

Glenn Switkes, of International Rivers Network said “The auction’s failure to attract more private investors clearly demonstrates that, without public subsidies, companies are unwilling to put their own money on the table to construct hydroelectric dams. Large dams may go the way nuclear power has gone in Brazil, as a form of energy whose real costs make it too expensive to rely on as an energy source.”

The Brazilian NGO Forum said Brazil should prioritize efficiency measures, such as retrofitting older dams, and reducing transmission losses, which are currently nearly three times the international standard. According to Ortiz, “Independent studies have shown that by adopting energy efficiency measures, Brazil could save the amount of energy currently generated by Itaipu, the world’s second largest dam with an installed capacity of 12,000 MW.” Some such initiatives are underway in Brazil, including requiring new efficiency standards for electric motors, and Brazil’s 2001 energy crisis resulted in the adoption of energy conservation measures by many industrial and residential consumers. “Sustainable energy alternatives such as biomass and wind energy need to be brought to the forefront of energy planning in Brazil,” says Ortiz.

Despite the problems encountered in licensing new dams for the auction, Brazilian energy planners say they are preparing even larger and riskier projects for future offers to investors, including a two-dam complex on the Madeira River, which if constructed would provide more than 7,000 MW in new generating capacity, and an 11,000 MW dam on the Xingu, both in the Amazon. According to Switkes of IRN, “the Madeira and Xingu dams are a worst-case scenario as far as Brazil’s energy planning goes. The dams have the potential to drown areas of enormous biodiversity, displacing indigenous peoples and other traditional populations of the Amazon.”

The next power plants on the auction block will be gas-fired plants, with a higher price ceiling than the hydroelectric plants. The government hopes that some of the dams found to be unfeasible for licensing will subsequently receive approval from environmental authorities and can be re-offered in the coming months.

For more information

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