

Comments on the Clean Development Mechanism Project Design Document for the Buon Kuop Hydropower Project, Viet Nam

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Background Information

The Srepok River is a 400 km tributary of the Mekong River, which originates in the Central Highlands of Vietnam and then flows into Cambodia's provinces of Mondulakiri, Ratanakiri and Stung Treng where it merges into the Sesan River. The Sesan River then joins the Sekong River which later converges into the Mekong River.

The total area of the Srepok River basin is approximately 29,450 km², of which 11,250 km² is located inside Cambodia. There are approximately 144 villages located within the Cambodian section of the Srepok River basin. The majority of the villagers living along the river are ethnic minorities, including Punong, Jarai, Tampuon, Brao, Krueng, Thmon and Kraol ethnicities. The river's rich and complex ecosystem is directly connected to the region's fisheries, food security, culture, and people's principle source of livelihood, which is based on fisheries and agriculture.

As the Srepok River is an integral part of the Mekong River basin, it is governed under the 1995 Mekong Agreement, which is a regional inter-governmental agreement signed by Vietnam, Cambodia, Laos and Thailand. Together the four parties have agreed:

To cooperate in all fields of sustainable development, utilization, management and conservation of the water and related resources of the Mekong River Basin including, but not limited to irrigation, hydro-power, navigation, flood control, fisheries, timber floating, recreation and tourism, in a manner to optimize the multiple-use and mutual benefits of all riparians and to minimize the harmful effects that might result from natural occurrences and man-made activities.

Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin, Chp. III, Art.1

The environment and affected people are thus contractually protected in agreement between these countries. Moreover, the parties agree that the riparian state is responsible for transboundary damages:

Where harmful effects cause substantial damage to one or more riparians from the use of and/or discharge to waters of the Mekong River by any riparian state, the party(ies) concerned shall determine all relative factors, the cause, extent of damage and responsibility for damages, caused by the state in conformity with the principles of international law relating to state responsibility, and to address and to resolve all issues, differences, and disputes in an amicable and timely manner by peaceful means as provided in Articles 34 and 35 of this Agreement, and in conformity with the Charter of the United Nations.

Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin, Chp. III, Art.8

The construction and operation of the 280 MW Buon Kuop hydropower project on the Srepok River in the Central Highlands of Vietnam has caused large-scale environment, social and economic impacts to downstream communities in Cambodia since mid 2005. By changing the natural state of the river system through the alternation of its natural flood pulse, the river

flow is no longer natural and is a source of floods, water surges and dry-ups. In addition, the water quality has deteriorated causing an increase in water-borne illness and disease and fisheries have declined due to the blocking of a crucial fish migration route and a loss of spawning habitat (please see section on *Inadequate Consultation and Community Opposition to Project* below for more information). This project in turn has directly undermined the productivity of livelihoods along the Srepok River and the Cambodian government's efforts to alleviate poverty and develop the country in a sustainable manner.

False Claims of Additionally

The 280 MW Buon Kuop hydropower project can not be considered additional, as the project began operation, without CDM credits, on March 29, 2009. While the PDD states that capital has been prioritized to thermal projects and securing imported coal for Vietnam's pipeline of coal-fired plants due to more attractive prices and that "hydropower projects are comparatively disadvantaged in the competition for capital" (p.17), the PDD does not provide adequate evidence of this nor does it provide a realistic picture of the problems Buon Kuop has had in securing finances for the project due to the project's revenue risks, liabilities and unattractive environmental and social impacts.

The project's questionable economic feasibility are well-known to investors with numerous revenue risks including: unreliable/low value power output; lower than planned output due to competing demands for the dam's water supply and/or droughts; shortened project lifespan due to rapid sedimentation in the project's reservoir; underestimated compensation costs, and no licensing agreement. Project liabilities include: claims for compensation due to unnatural flood releases and damages and full project costs have not been assessed within the EIA reports.

Besides the revenue risks and liabilities associated with the project, the environment and social concerns of the project have made the project unattractive to potential investors. In 2005, Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI) began to consider Vietnam's request for help financing the Buon Kuop dam. In correspondence between the Sesan Protection Network (the precursor of the 3S Rivers Protection Network), which represents Srepok community representatives in Cambodia, and JBIC/NEXI, JBIC wrote that they understood the importance of environmental and social considerations and would proceed with the decision-making process with "due diligence." JBIC/NEXI later rejected Vietnam's request for financing due to the public concerns raised by affected communities regarding the project's social and environmental costs.

Inaccurate Information in Project Design Document

B.5. Alternative energy projects

The PDD states that the location does not provide sufficient renewable resources except for water resources and that Vietnam does not have experience at the scale of the proposed project activity with other renewable sources (p.12). However, this assertion is untrue and ignores the historical prioritization for old energy technologies that Vietnam has given to hydropower and other unsustainable energy options.

Hydropower development on the Srepok River has been in the pipelines since the 1970's (at latest) with the Mekong Committee's (the precursor of the Mekong River Commission) 1973 report which identified twelve hydropower projects and twelve irrigation projects in the Srepok River. The project was later included in Vietnam's National Hydropower Plan Study

(1999-2005). While dams have remained in the spotlight of Vietnam's energy plans, newer forms of renewable technologies that are more sustainable have been increasingly prioritized

According to recent news sources EVN has called for investing in hydro-electric and thermal plants, improving generation at existing plants, and upgrading transmission lines as a way to overcome the country's energy shortages.

In addition, wind power plants and other forms of sustainable renewable energy options have been increasingly prioritized in Vietnam. In the Central Highlands, Cavico Transport Corporation will be constructing the first 30 MW wind power plant and in the future hopes to expand the plants to 100-300 megawatts, based on the results from recent studies done by the Company's consultant firm, PECC 3 (Power Engineering Consulting Company 3).

B.5. Project Timeline and Project Implementation Milestones

The PDD states the construction of Buon Kuop dam began in 2006 (p.19), however, this information is false as the project was commissioned in 2003. By 2005, the Vietnam News Agency had reported "since the project's inception, progress at the site has included construction of the dam, the spillway and the waterway systems and the power-station itself." Additionally, the PDD omits past important financial milestones for the project's history. In 2003, ABN-AMRO and several international banks agreed to provide EVN with export credit financing for the Buon Kuop dam among others. That same year, the Bank for Agriculture and Rural Development of Vietnam provided a USD 136.3 million loan for the project. In 2005, Japanese Sumitomo Corporation was provided a contract worth nearly 50 million USD to deliver two turbines for the dam while also supervising installation. One year later, JBIC/NEXI rejected Vietnam's request for financing due to public concerns regarding the project's environmental and social risks (as mentioned above).

Inadequate Consultation and Community Opposition to Project

Downstream affected communities in Cambodia's northeastern provinces were not properly informed and consulted regarding the planning, construction or operation of the Buon Kuop dam, its 2002 Environmental Impact Assessment nor its plans to develop this project as a CDM project.

Consultation with Cambodians regarding hydropower development along the Srepok River in Vietnam, including the Buon Kuop, Ban Tou Srah, Srepok 3, Drayl Linh New, Srepok 4 and Duc Xuyen dams, occurred in the form of a one-day workshop in Phnom Penh on January 12, 2007. This workshop was organized only after negative impacts on the Srepok River began to be attributed to Vietnam's Buon Kuop dam and after a year long campaign by civil society organizations calling for Vietnam to publicly release its 2006 Sida/NORAD funded SWECO EIA report for public scrutiny. The EIA report was the first and only EIA assessment EVN has carried out for the Cambodian side of the Srepok River due to Vietnam's upstream cascade of planned and constructed hydropower dams. At this workshop, the Government of Vietnam and EVN acknowledged the devastating impacts Vietnamese dams have caused on Cambodians on the neighboring transboundary Sesan River and made several commitments to Srepok villagers including to adhere to international standards on sustainable development and mutual benefit, to listen to stockholder's opinions, and to achieve maximum mitigation of adverse impacts.

No mention in the PDD is made to opposition of downstream communities in Cambodia to the project or the commitments made by EVN at the 2007 meeting. However, in a Srepok Community Statement dated January 12, 2007, which was presented to EVN and other relevant stakeholders, the community representatives stated "we, the 11,000 villagers living

along the Srepok River have been facing negative impacts and are seriously concerned about the hydropower development for the Srepok River basin in Vietnam.” The villagers went on to state the following issues they have been suffering:

- Irregular water fluctuation, deep water pools are becoming shallower, and there is increased riverbank erosion
- Human and animal health have been affected by bad water quality
- Unnatural floods have destroyed riverside rice and farm fields, as well as people’s property
- Unreliable water flows have caused people to abandon their riverside rice fields and some people have left their homes in search of employment and food
- Fishery resources have declined which has caused villagers to lose their fishing occupation
- These changes in the river have impacted our culture.

The Srepok community representatives then requested compensation for past, present and future harms, a working notification system, for donors to stop funding dam projects that lack people’s participation and a halt to hydropower development on the Srepok River. Despite these community requests and EVN’s above mentioned commitments, Vietnam has continued to ignore the opposition of affected communities to the Buon Kuop dam and have yet to materialize on any of its earlier promises.

Transboundary Environmental Impacts

Despite transboundary impacts from the Buon Kuop dam occurring in downstream Cambodia since mid 2005, the Environmental Impact Assessment for Cambodia from Vietnam’s dams on the Srepok Rivers was not publicly reviewed until January 2007. The EIA report predicts that Vietnam’s hydropower development as planned will have serious negative impacts on Cambodian people’s livelihood and food security. The report further acknowledges that more detailed EIA studies, consultations with downstream communities, and analysis of mitigation measures should be done before approval or construction of each of Vietnam’s hydropower dams.

A January 2007 Independent Expert Review of SWECO’s EIA report concluded that the report was both incomplete and inadequate and that further work was required to meet international standards or for the report to be used as a basis for investment decision-making or project approval. The review also provided eight overall comments:

1. Inadequate EIA Process
2. No Assessment of Compensation or Benefit-Sharing
3. No Cost-Benefit Analysis
4. Inadequate Data and Environmental Impact Assessment
5. Unclear Mitigation Measures
6. Inadequate Modeling and Analysis of Different Operating Scenarios and Downstream Impacts
7. Inadequate information on Dam Operating and Licensing Agreements
8. No Analysis of Viable Power Supply Alternatives

The 3S Working Group, a coalition of civil society organizations working on hydropower issues in the 3S region of Cambodia, questioned the overall sustainability of the Srepok hydropower projects in its October 2006 review of the report by stating “the EIA fails to demonstrate that downstream impacts are manageable or that the proposed project’s benefits outweigh costs.”

Conclusion

According to the above mentioned reasons, the Buon Kuop project's request for CDM credits should be rejected on the basis of lacking adequate stakeholder consultation, its non-additionality, and most importantly because the dam can not be considered to be contributing to the region's sustainable development or the objectives of the Kyoto Protocol.

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