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## **Comments on the BONYIC HYDROELECTRIC project submitted by FERN**

**FERN supports the comments submitted by Alianza para la Conservación y el Desarrollo (ACD) and requests that the Bonyic hydroelectric project be rejected as a CDM project for the reasons outlined in detail in the ACD submission.**

In particular, FERN would like to emphasize the controversial nature of the hydro project itself, which led to the Inter-American Development Bank (IADB) having refused to participate in this hydro power project in 2005 (see letter submitted with ACD submission to the CDM). According to the Project Design Document (PDD p. 17-18), Corporación Interamericana para el Financiamiento de Infraestructura (CIFI) and Banco Centroamericano de Integración Económica (BCIE) also declined participation in the Project due to financial considerations.

Registration of the project would further set a worrisome precedent with regards to the priority attributed to funding being available for resettlement BEFORE a project is started. The Project proponents, Columbian company EPM has undertaken direct financing of the Project after other potential financiers pulled out of the project. The company explains in the PDD that the money raised from sale of CDM credits would among others be used to compensate communities who stand to lose their land as a result of the hydro project. What if the project proponents fail to sell credits? Will the communities not receive compensation? This argument alone ought to have precluded the project from even reaching validation stage.

### **Environmental Considerations**

The reservoir is located within the Palo Seco Protected Forest and very near to the boundary of the La Amistad International Park, a UNESCO World Heritage Site shared with the Republic of Costa Rica. We understand that an earlier environmental impact assessment approved in 1998 was considered insufficient by the promoting company, EPM. A new, yet still deficient, environmental impact review was conducted in 2005, and based on its approval, a land concession of 1,250 Ha of the Palo Seco Protected Forest was granted to HET by the National Environmental Authority of Panama (ANAM) last year. The Project will affect pristine forest areas, which are currently the habitat of Harpy Eagles, Tapirs and Jaguars, among many other rare and endangered species. An appropriate biological survey of the areas affected by the dam has never been conducted, and long-term environmental impacts have never been seriously considered neither above nor below the dam site.

***FERN works to achieve greater environmental and social justice, focusing on forests and forest peoples' rights in the policies and practices of the European Union.***

In response to this situation, the UNESCO World Heritage Committee has recently expressed “utmost concern” for the lack of adequate mitigation measures to prevent the extirpation of up to 16 species of migratory fish and shrimp in the La Amistad World Heritage Site as a result of the construction of Bonyic and several other hydroelectric projects in the buffer zone of this protected area.<sup>1</sup> Based on these considerations, the La Amistad International Park may be declared a World Heritage Site in Danger in 2011.

### **Social Concerns**

We further question the veracity of claims made in the PDD regarding the positive contribution of HET on the Naso way of life! We have been informed about the hydro company having contributed to increasing strife within the community through its methods of rewarding those in favour of the project. We understand that the promise of direct revenues from carbon credits (25%) has constituted a main incentive for the division of the traditional Naso leadership.<sup>2</sup> We believe it is crucial that compensation obligations not be linked to support for a project – as it appears from the PDD of Bonyic.

In this context we would also note that the Naso peoples have recently presented a petition to the Inter-American Human Rights Commission (IAHRC) in relation to outstanding land right and title issues, in which the construction of the Bonyic Hydroelectric Project is explicitly considered as one of the main threats to Naso cultural survival.

Numbering around 3,500 people, the Naso are in serious danger of disappearing as a living culture. The arrival of the hydroelectric project, the division of the traditional leadership and the Government refusal to grant land rights have greatly demoralized the population and created a time bomb for a social explosion. Community compensation through carbon credits and the few temporary jobs created by the construction work will not solve the core issues affecting the Naso people, and instead may lead to further political division and cultural erosion (as recognized in the PDD p. 38 and 43-44).

### **Free, Prior and Informed Consent**

The PDD misleadingly refers to two critical moments of community consultation in 2005 and 2010. We understand that the 2005 consultations leading to the approval of the Environmental Impact Assessment were forced upon the Naso population as documented in the document *The Tiger and the Turbine*.<sup>3</sup> These consultations do not even approximate to the standards of the UN Declaration on Indigenous Peoples or the World Commission on Dams.

We further understand that the claims about a second consultation period are plainly false. As expressed in the PDD (p. 48), this “consultation” occurred at an exhibition on clean

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<sup>1</sup> See UNESCO 2010 Report on the State of Conservation of World Heritage Properties inscribed in the World Heritage List p. 87.

<sup>2</sup> See PDD p. 16-17.

<sup>3</sup> <http://www.mcgill.ca/files/standd/JPaiementPhDFinal.pdf>.

production in Panama City without the participation of any of the affected individuals, not even those in favor of the Project. How could such an event be considered ‘consultation’?

**Economic Considerations (including the question of additionality)**

Contrary to what is expressed in the PDD, the construction of the Bonyic hydroelectric project does not constitute any innovation, but instead represents common business practice in Panama. There are currently 17 hydroelectric projects under construction in Western Panama, most of which have a low installed capacity of less than 20 MW.<sup>4</sup> Although many of these projects are currently requesting carbon credits, construction has continued unabated in most of these projects despite delays in validation for several of these projects.

In the case of Bonyic, the continued investment of EPM during the last three years in spite of the lack of external funding and the continuous confrontation with the Naso population suggest that the Project is sufficiently profitable to justify direct investment by the Company even assuming such high risk levels. In a cost-benefit analysis developed in 2005 by the Conservation Strategy Fund (CSF), it was found that hydroelectric projects in the Teribe-Changuinola watershed enjoyed a positive net present value that justified appropriate community compensation even without considering any revenues from carbon credits.<sup>5</sup>

Thus, in conclusion, the project not only fails to make a credible case regarding the additionality of emissions savings claimed; it also has already and will continue to cause significant negative social, environmental and cultural impacts. The Bonyic hydro project therefore must not be registered as CDM project.

Regards,



Jutta Kill

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<sup>4</sup> <http://burica.wordpress.com/2010/05/25/63-proyectos-hidroelectricos-en-la-provincia-de-chiriqui/>.

<sup>5</sup> <http://www.ibcperu.org/doc/isis/7450.pdf>.