

July 19, 2010

**Comments to ERM Certification and Verification Services Ltd Regarding
the Guangxi Dahua Hydropower Project**

International Rivers provides the following comments on the application for CDM validation of the Guangxi Dahua Hydropower Project (GDHP). The comments are based on information from both government and industry online sources.

Summary of Concerns

The 110MW GDHP, which is an extension of the existing Dahua Dam, is non-additional. The website of the operator of the existing dam states that the expansion project started construction in 2007 and was completed in July 2009. It cannot therefore depend on carbon credit income for its completion. The project should not be validated by ERM.

The existing dam has a history of severe and unresolved resettlement problems. Compliance with the World Commission on Dams requires addressing unresolved problems at existing dams before building new projects. The GDHP therefore does not comply with the WCD. Because EU law requires that large hydro projects comply with the WCD if their credits are to be used within the European Trading System, GDHP credits would not be valid for ETS compliance.

1. Lack of Additionality

According to the GDHP Project Design Document, the project's feasibility study was completed in November 2007 and project proponents "seriously considered" the CDM in February 2008. However, according to the website of the Guangxi Branch of China Datang Corporation, which operates the Dahua Dam, the new project started construction in July 2007. According to the same source, the enlargement project has already completed construction and started operation in July 2009.¹ This contradicts the PDD, which claims that construction began in November 2008.

The project is non-additional, because it started construction a year before the CDM was considered, as stated in the PDD.

¹ "Guangxi Dahua Hydropower Plant," Datang Corporation, in Chinese: <http://www.dtgx.cn/company.php?cid=2>. Translation: "The Dahua hydropower expansion project started construction on July 26 2007, and is located on the left bank of the original dam. A turbine generation unit with a 1x110 MW capacity was installed. The project was put into commercial operation in July 2009."

2. Social Impacts

A 2004 article on the website of the *People's Daily* (the mouthpiece of the Central Committee of the Communist Party of China) talks in great detail about the severe social and environmental costs of the original Dahua Dam²:

- The Dahua Dam, completed in 1985, is one of three major hydropower stations on Hongshui River. The other two are the Yantan and Bailongtan. Over 100,000 people were evicted to make way for Dahua and Yantan dams. These 100,000 people fell into dire poverty after resettlement. Most of them received inadequate compensation.
- Many of these displaced people found it difficult to survive on the small areas of poor quality land provided to them. Some of them suffered from serious flooding in 1988 and 1992 and had to sell their sons and daughters to human traffickers.
- The local Dahua officials have on the one hand tried to stop these villagers from petitioning in Beijing, and on the other hand written to China Datang Corporation, the current operator of Yantan and Dahua, to demand they allocate some of their profits to fund proper resettlement.
- A Yao Nation autonomous county was created in 1988 to accommodate the resettled people. By 2004, one out of four farmers in this county was a dam refugee. Four-fifths of the population was considered living in poverty, making it safe to assume that compensation did not reach many of those displaced by the dam.
- The original project destroyed much more forest than was originally planned, and compensation for displaced farmers was only half of what was promised.
- The three Hongshui River dams have flooded an area of about 3973 square kilometers. Due to the reservoir and resettlement, local villagers now have problems generating income, finding transportation, and accessing water, education, medical care, and even electricity. The power generated at Dahua and Yantan hydro projects was primarily supplied to Dahua County, whereas the people living in the resettlement areas cannot afford the electricity.

The PDD fails to mention any of these issues under E.1. Stakeholders' comments. Of those who participated in the 50 questionnaires, almost half have a high school education level, which means few or none of the people originally affected by the project were questioned, since most cannot access educational resources according to the *People's Daily*.

According to the EU Linking Directive, CDM credits from large hydro projects (greater than 20 MW) can only be used in the European Trading System if the projects meet the standards of the WCD. The UK's Department of Environment 2005 checklist³ also "requires a declaration from project participants in these projects, indicating that the development of the proposed project

² "Responding to the demands of large hydro," *People's Daily*, 28 July 2004.
<http://www.people.com.cn/GB/huanbao/1072/2670617.html>

³ "Guidance on approval and authorization to participate in Clean Development Mechanism project activities." 2005. UK Department of Environment. <http://www.internationalrivers.org/files/DEFRAcdmaproval-guidance.pdf>

activity will respect the criteria and guidelines identified in the Report produced by the World Commission on Dams.” The PDD for GDHP makes no mention of the WCD.⁴

WCD Strategic Priority 3 (“Addressing Existing Dams”) states that “Opportunities to restore, improve and optimize benefits from existing large dams and other river basin developments should be used as an entry point to address unmitigated social problems associated with the dams in that river basin.” Given the serious outstanding social impacts from the Hongshui dams, and that fact that there does not appear to have been any serious effort to repair these impacts, the GDHP cannot be judged to comply with the WCD Strategic Priority 3. (Information is not available to judge whether GDHP complies with other WCD strategic priorities).

Sincerely,

A handwritten signature in black ink, appearing to read 'Katy Yan', with a long horizontal flourish extending to the right.

Katy Yan
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⁴ WCD Strategic Priority 3: Outstanding social issues associated with existing large dams should be identified and assessed, and processes and mechanisms developed with affected communities to remedy them.
http://www.unep.org/dams/WCD/report/WCD_DAMS%20report.pdf