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manser
fonds**

for the peoples of the rainforest

Save Sarawak's Rivers Network (SAVE Rivers)

Jaringan Selamatkan Sungai-Sungai Sarawak

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Ref. No: 001 of 01/ 0015

Y. Bhg. Tan Sri Dato' Setia Haji Ambrin Bin Buang
Office of the Auditor-General
National Audit Department
No. 15, Level 4, Persiaran Perdana, Presint 2
Federal Government Administrative Centre
62518 PUTRAJAYA
Email: ag@audit.gov.my

Miri, Malaysia
21st January 2015

Re: Audit of the Murum HEP in Sarawak

Dear Y. Bhg. Tan Sri Dato' Setia,

On behalf of Save Sarawak's Rivers Network, Bruno Manser Fund and International Rivers, we are writing to request your office's expertise in relation to the Murum Hydroelectric Project in Sarawak. We would like to inquire about whether there was an audit already done for this project at the federal level, and if so whether the results are accessible. If no inquiry has been conducted to date, we would like to respectfully submit an urgent request for the completion of an audit of the Murum Dam, in relation to whether it meets all federal guidelines on construction, operational management, financial integrity and compensatory measures for affected populations.

Rationale for Due Diligence at Murum HEP

An assessment conducted by the Norwegian consultancy firm Norconsult in March 2014 revealed serious flaws with the turbines of the Murum Dam. Norconsult assessed the turbine runners and concluded: "The runners do not meet the contract specifications". They criticized the quality of

the welding and grinding and highlighted the existence of dangerous cracks and pores. They reasoned that the “turbine runners are not suitable for installation and operation”. These flaws “may cause small or catastrophic break downs”. Based on information from Sarawak Energy’s own public statements, it is apparent that the turbines have already been installed, making the proposed rectification measures difficult to implement. In a press statement dated 4th July 2014, Sarawak Energy assured the Malaysian public that all rectification works would be completed by end of August 2014. They have not followed up on the status of the works since then.

Furthermore, as explained in the project’s environmental impact assessment (EIA), the dam is “high risk” in several categories. In particular, a cascading failure of the Murum and Bakun Dams would have “a devastating impact on downstream communities and riverine environments”. Over half a million people live downstream of the Bakun reservoir, and major towns such as Sibu and Kapit would be affected by a dam failure. The Bakun Dam was not designed to hold back a failure of the Murum Dam. Consequently, it is highly concerning that there is no evidence of an emergency action plan in place.

The example of the Bakun Dam has shown that improper biomass removal in the reservoir area can lead to very poor water quality. The acid gases from the rotting biomass affect electronic components of the dam. This corrosion has caused failure of electronic equipment, resulting in several power outages. Similarly, the lack of proper biomass removal at the Murum Dam site may result in comparable problems, and should be investigated.

The resettled Penan and Kenyah in the Metalun as well as the Tegulang Areas are raising various concerns: they have not been allotted land titles for their new homes and basic infrastructure remains inadequate. The monthly food provisions are only provided on an irregular basis.

Request for an audit of the Murum Dam

It is in the light of these serious issues, that we are requesting an audit of the Murum Dam Project. An investigation by your office could look into several matters of due diligence, including, but not limited to:

- Quality control of project design specifications and construction work
- Quality of monitoring and supervision of contractors during the construction phase
- Communication of emergency procedures to all workers and affected populations
- Capacity of the project to deliver the stipulated electricity
- Projected budget and cost overruns
- Practices of good corporate citizenship
- Concerns of affected populations that compensatory measures, have not been fulfilled and do not comply with the rights to life and property as outlined in the Malaysian Constitution

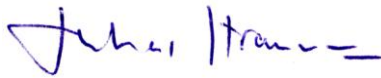
Given the urgency of the matters at hand, we would appreciate it if you could give these issues your full attention and are looking forward to your response.

Thank you for your consideration.

Yours sincerely,



Peter Kallang
Chairman
SAVE Rivers



Dr Lukas Straumann
Executive Director
Bruno Manser Fund



Tanya Lee
Program Coordinator
International Rivers

Copies to:

- Deputy Auditor General, Federal Government Audit Sector
- Deputy Auditor General, State Government Audit Sector
- Sarawak State Audit Director
- Director, Water Management Audit Division
- Deputy Audit Director, Environmental Audit Division
- Sarawak State Planning Unit
- District Officer, Belaga, Sarawak
- Performance Management and Delivery Unit (PEMANDU)
- MACC
- Sarawak Energy
- Norconsult
- Alstom
- Asian Development Bank
- OECD National Contact Point Norway