



February 24, 2012

Ruedi Luthi
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Dear Mr. Luthi,

As you are aware, International Rivers visited the Nam Theun 2 project area in September 2011 to investigate how people on the Nakai Plateau and Xe Bang Fai have been faring since the project commenced operation. We visited 14 households from five villages on the Nakai Plateau (Ban Nong Bua Kham, Ban Sop Hia, Ban Nam Nian, Ban Nakai Neua, and Ban Nong Bua) and 23 households from five villages along the Xe Bang Fai (Mahaxai, Ban Kaensavanh, Ban Ba Lay, Ban Gangsavanh, and Ban Don Suaong). In February 2012 we received some updates on the current situation from Ban Kaensavanh and Ban Ba Lay and have incorporated the information into this letter. We understand that this is not a representative sample of villages or affected people in the Nam Theun 2 area, but our interviews did reveal some common issues that we wanted to share with you.

Throughout the letter, we have highlighted in bold the questions and concerns that we would appreciate a response to.

1. Affected Villages on the Xe Bang Fai

During our visit the main issue facing villagers along the Xe Bang Fai was the impacts of the serious floods that had taken place in August 2011. Other issues that arose included the water quality on the Xe Bang Fai and associated skin rashes, problems with NTPC-supplied wells, reduction in fish catch, and concerns about compensation for riverbank gardens and riverbank erosion. We will address each of these issues separately below.

(a) Flooding

As you are well aware, the floods last year were some of the greatest ever experienced in the Xe Bang Fai basin. Most people lost their rice crops in the floods, were concerned about food security and were visibly distressed by the experience. People reported losing animals, pots and pans and other property in the floods, and reported flood duration of up to a month. It was quite apparent that the response from the government and NTPC had been inadequate and that people were upset about how little assistance they had gotten. In Mahaxai, various interviewees reported receiving 2-3 kg of rice, a few bottles of drinking water and a few packets of dried noodles during the floods. Some people also reported receiving a few cans of fish. In Ban Kaensavanh, people reported receiving up to 24 bottles of water and 8 packets of dried noodles, depending on the family size. One interviewee in Ban Kaensavanh reported receiving 3 kg of rice per person during the floods. In Ban Ba Lay, one woman reported receiving 26 packets of noodles, 1 bottle

of water, 3000 kip from the village and 3 kg of rice. In Ban Don Suaong, a group of three families reported they received several packets of instant noodles, water and cans of fish on at least four occasions from the district and from the temple.

We understand that NTPC stopped power production during the month of August and that therefore it is unlikely that the floods can be attributable to Nam Theun 2 releases. Nevertheless, we are concerned about the little assistance given to villagers during the floods and also about the potential for the floods to setback development efforts in the area.

Question 1: We would be interested in learning more about the types of assistance NTPC has given Xe Bang Fai villagers since September to deal with the flood impacts and how NTPC is ensuring that food security does not become a major issue in the area.

(b) Water quality and skin rashes

In September, many people told us that they had experienced skin rashes since the dam had been completed, primarily in the dry season. In February 2012 it was reported that the water quality in the Xe Bang Fai has somewhat improved, with less people getting skin rashes. In September, you informed us that NTPC had contracted two different studies to investigate the problem and that the studies were inconclusive as to the cause. You also informed us that the two most probable causes are cecaria and/or cyanobacteria (blue-green algae), and that if it is cecaria it is unlikely to be a result of the dam. However, experts have informed us that it is quite possible that the project may have greatly expanded and optimized the habitat for the snails that release the cecaria, or may have changed the water quality post-impoundment so as to favor cyanobacteria.

Question 2: Could you update us on what further investigations have been done since September and what those results are? If it does turn out to be cyanobacteria, this also has the potential to cause other health problems and we would appreciate hearing what measures NTPC is taking to ensure that this does not occur.

(c) Fluctuations in water levels and riverbank erosion

In September, many people stated that water levels in the river fluctuate every two to three days during the dry season, and this makes it harder for them to fish and travel on the river. A family in Ban Don Suaong reported losing three boats during the last dry season due to fluctuating water levels. We have since heard in Ban Kaensavanh and Ban Ba Lay that the water level is now fluctuating once a week by around one meter, which we presume to be on Sundays when power production has stopped. Furthermore, the villagers reported that in January 2012, NTPC notified villagers that they were stopping dam operations for about ten days, which subsequently caused a drop in the river's water level by several meters.

Question 3: Could you let us know what the explanation is for these fluctuations in water levels and whether there are any efforts being made to mitigate them?

In addition, we are concerned about the potential for fluctuating water levels to lead to riverbank erosion. In Ban Kaensavanh, some families were told that their houses were in a high-risk

erosion area, and signs were posted warning of the possibility of rapid erosion. However, despite the risks, NTPC apparently “only looked and they didn’t offer any advice or help.” In Ban Gangsavanh, villagers reported that there had been erosion on the riverbank in September, and that mango and coconut trees had fallen into the river for the first time. While this may have been related to the floods more than to NT2 operations, it should be investigated. In Don Suaong, villagers also reported trees falling into the river and needing to move the rice mill due to erosion.

Question 4: How is NTPC monitoring erosion and ensuring that villagers are adequately compensated for their losses?

(d) Problems with wells

As discussed with you in September, villagers reported in some of the villages we visited that there were wells that were either not operational or provided water of poor quality. The poor quality water seemed unrelated to the floods in many instances. We understand that NTPC has committed to maintain the quality of the wells, and we hope that your team will conduct a thorough investigation of all the wells dug along the Xe Bang Fai to determine which require repair. The following are the villages that reported problems with the wells:

- Ban Ba Lay – Four wells were apparently dug in this village, but only three are functioning. We heard in February 2012 that NTPC had come to the village after the floods, provided tools for one villager to maintain the wells. However, apparently there are still only three functioning wells in the village and people have stated that they have stopped drinking water from the wells provided by NTPC due to their poor quality.
- Ban Gangsavanh – We were told by one family that there were six wells dug by NTPC in the village but only two of them work and the water quality is bad. Another group of villagers told us that there were eight wells provided by NTPC, four in the north village and four in the south village, but only one provides good quality water. They told us; *“The water is oily and red in color. We have to go elsewhere to get water.”*
- Ban Don Suaong – *“We have three wells in the village but only one is good for drinking, the others are salty.”* And another family told us *“We have three wells in our village but the water is not good water as it is full of sediment. After I wash my hair I have to shake my head and sand comes out. When I wash my clothes I have to shake the sand out of them when they are dry. All our wells are the same. We need to walk to another village to get drinking water as the well is no good.”*
- Ban Boun Xe – We were told by a colleague who recently visited Ban Boun Xe that there were six wells in the village, but the water in three of these were of poor quality.
- Ban Kaensavanh - In February 2012, we were told that all three wells in the village worked, however, as water quality was poor in two of the wells, villagers were only drinking from one of the wells. While NTPC has assigned a villager to be responsible for the well and has given him tools to fix the well, this has not solved the problem of sediment in the water. Some villagers have begun to purchase drinking water from Mahaxai.

Question 5: We would like to hear what steps NTPC is taking to ensure that wells are functioning and providing sufficient clean water to villagers.

(e) Fishing

As you are aware, villagers have been reporting decreased dry season fish catch since the dam became operational. It appears that the wet season catch has not yet been as affected. Several families stated that as the water flows fast in the dry season and the water level is higher, it's more difficult to catch fish. They can't put nets across the river like they used to in the dry season. People stated that they hadn't noticed a change in fish species, but just in the volume of fish being caught. While people still seem to be able to catch sufficient fish to eat, several families reported that they can no longer sell fish in the dry season, impacting their family income. In Ban Don Suaong, several people also mentioned that they used to catch snails and molluscs during the dry season, but that they cannot any more because the water is so deep.

In Ban Kaensavanh, one family stated that the village got a fish pond as compensation, but that it is far from the river and they would need to pump water to fill it, making it very expensive to maintain. Some people reported constructing fish ponds using funds from the village savings and credit funds. The village headman at Ban Ba Lay stated that he borrowed 1.6 million kip to construct a fish pond, but didn't get many fish this year. Last year he got ten bags of fish, but this year only five bags, which was just enough to eat but not to sell.

Question 6: You informed us that NTPC fish monitoring data suggests a 10-15% decrease in fish catch during the dry season as a result of the dam. We would once again like to request access to this data so that we can make our own assessments.

(f) Compensation for riverbank gardens

Many people expressed grievances with the amount of compensation they received for riverbank gardens and with the process that was undertaken to determine compensation amounts. Some of the examples relayed to us are as follows:

- In Mahaxai, a group of women reported that generally they were happy with the compensation for their gardens, except for one woman who said she had two gardens and got compensation for one and not the other.
- In Ban Kaensavanh, one woman said *“our family had a riverbank garden for many years, but my husband didn't fill out the form correctly, so we didn't get any compensation.”*
- In Ban Kaensavanh, another man reported that people got 500,000 to 1 million kip (US\$62 to \$124) in compensation for riverbank gardens but that it wasn't sufficient.
- In Ban Ba Lay a family reported that they got 2.8 million kip for their vegetable gardens (US\$350) but that it wasn't sufficient and they used the funds to buy rice.
- In Ban Gangsavanh, a large group of villagers reported discontent with the riverbank garden compensation. They said some got 500,000 or 600,000 kip (US\$62 to US\$75), whereas others didn't get any compensation. One woman didn't get any compensation because her son-in-law told NTPC that they didn't cultivate vegetable gardens when they came and surveyed. Even though a grievance was filed, NTPC said that she didn't deserve compensation.

- In Ban Don Suaong a villager reported *“I’m not happy with my compensation of 3 million kip (US\$375). Before I made more than 10 million kip a year selling my vegetables.”*

Question 7: We are aware that this is anecdotal evidence, but the number of complaints suggests that a more thorough investigation deserves to be made into compensation for riverbank gardens. In addition, we would like to know whether any studies have been conducted to determine the impacts that loss of riverbank gardens and fisheries have had on nutrition and food security in the area.

(g) Grievance mechanism

While NTPC has a grievance mechanism, some people we interviewed either didn’t know it existed, didn’t know how to use it, or have had little or no feedback when complaints were made. Some people felt disempowered or afraid to make a complaint. In Ban Gangsavanh, villagers told us that the village headman had filed a complaint for a woman in his village who didn’t get any compensation for her riverbank gardens, but an NTPC staff member came and told him that she didn’t deserve compensation. The villagers told us *“people don’t want to complain again, they’ve given up.”* The village headman from Ban Ba Lay said he had heard that there was a grievance mechanism but didn’t know how to prepare the documents for it.

Again, while this is anecdotal evidence, it points to the fact that more education needs to be done to ensure that all villagers are aware of the grievance mechanism and how to file complaints, and that NTPC needs to do more to ensure that the mechanism is working efficiently and fairly.

(h) NTPC withdrawal from Xe Bang Fai

We are very concerned about the proposed NTPC withdrawal from the Downstream Program by the end of 2012. This violates a commitment in the Concession Agreement to maintain the Downstream Program until at least five years after COD. We are concerned about whether the government will allocate sufficient resources to ensure that the ongoing impacts are adequately compensated, and also believe that in line with good corporate responsibility practices, it remains NTPC’s responsibility to ensure that all project-related impacts are mitigated and/or compensated.

Question 8: Could you inform us whether there is a commitment from the GOL to use Nam Theun 2 revenues for Nam Theun 2-affected communities and also whether NTPC will continue to allocate any resources to the Downstream Program after its proposed withdrawal?

2. Nakai Plateau – Resettlement Villages

“In my old village I had a good life but in a different way. Now in the new village we have transport, roads, a new house, electricity, and a school – an easier life style, but less food. In my old village I could get food from the forest easily like mushrooms and bamboo shoots.”

- Woman from Nong Boua Kham

On the Nakai Plateau, it is apparent that the material wealth of the villagers has improved since before the dam was built. We heard many people express appreciation for the roads, health center, school, new houses, water, electricity and other amenities provided in the new villages. However, villagers continue to remain concerned about their longer-term food security, and as has been noted in other reports, the shift from a subsistence economy to a largely cash economy has not been an easy one for many people. Many people reported that it was easier to get food in their old villages than it is in the new villages. It is clear that the two main sources of income for villagers now are reservoir fisheries and illegal logging from the community forest area and the watershed area. Many people reported that reservoir fisheries are declining and that intruders from Lak Sao continue to find their way into the reservoir to fish. The reliance on illegal logging is obviously unsustainable and raises serious questions about the future viability and protection of the watershed area, which was one of the justifications for building Nam Theun 2 in the first place.

The following are the major issues reported to us during our field visit:

- Cultivation of 0.66 ha: virtually every family we talked to mentioned that the quality of land on their 0.66 ha was so poor that they were unable to produce sufficient rice or sufficient income to buy rice. Those who were growing rice on the land noted the ever-declining yields from their upland rice and the unsustainability of the enterprise. In Nakai Neua, we were informed that out of 94 families in the village, only 22 now grow rice, leading to rice shortages in the village for most of the year. We were told that before they were moved there was always enough rice in the village. Some more enterprising villagers we interviewed reported planting incense wood, fruit trees and other cash crops on their 0.66 ha that will take years to mature and provide income. Many people reported that they simply weren't cultivating their plots as their efforts were unlikely to yield results. This stands in stark contrast to the empty promises in the Social Development Plan of organic fertilizer production and irrigation schemes that would help villagers cultivate vegetables and other cash crops to sell to some unidentified market.

Question 9: What is NTPC's plan for helping villagers to make use of their 0.66 ha of land?

- Fisheries – many people reported fisheries as their main source of income, but almost every fisherperson reported that fish catch was steadily declining. It seems that some villagers have an easier time fishing than others, depending on their location on the reservoir. Interviewees from Nong Boua Kham particularly expressed difficulties with catching sufficient fish. In addition, villagers reported that outsiders are still coming from Lak Sao to fish, and some of them use explosives. Apparently the government is trying to prevent them from coming, but people are still managing to get in.

Question 10: What is NTPC's plan for ensuring that as fisheries continue to decline and competition increases, there are alternative sources of income and food for Nakai Plateau resettlers?

- Drawdown zone – Many villagers reported that they had already gotten an allocation of 3 ha in the drawdown zone or would be getting an allocation this year, but they were concerned that the three-month timeframe for cultivation of the land would not be sufficient to yield results.

Question 11: What sort of crops does NTPC envisage villagers being able to cultivate during this three-month timeframe?

- **Buffalo compensation** – Villagers continue to complain about compensation for buffalo lost as a result of the move from their old village to the relocation sites. We heard on several occasions that compensation wasn't paid for buffalo losses. For example, one Vietic man from Ban Nam Nian stated that he used to have 35 buffalo in his old village. Six of them drowned in the reservoir and two others died of starvation, but he hasn't received compensation. He said he requested compensation from a Forestry Official in July 2011 but hadn't heard back. The village headman from Nakai Neua said that he had 40-50 buffalo in the old village but was able to sell only 17, the rest died when the reservoir flooded and he's still waiting for compensation. A man from Nong Boua said that he used to have 50 buffalo, and of these 38 died from starvation but he only received compensation for two buffalo.

Question 12: We are concerned that there continues to be unresolved issues concerning buffalo compensation after all this time, and would like to know what NTPC has done to try to resolve the situation?

- **Broken promises** – Some people reported promises from NTPC that have not yet materialized. For example, in Nong Boua people reported being promised a fishing boat for every house, one tractor per every 15 households, a rice mill for every 25 households, and a rice bank. The village headman from Sop Hia also said that they had been promised a tractor and help with livestock such as cows but have never received this support.

Question 13: What is NTPC doing to ensure that promises to affected communities are honored?

We thank you for your time in reviewing this letter and would appreciate responses to the questions highlighted in bold throughout this letter.

We look forward to hearing from you.

Sincerely,



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