

June 23, 2010

Ms. Kathy Sierra
Vice President, Sustainable Development Network
The World Bank
1818 H Street NW
Washington, DC 20433

Dear Ms. Sierra,

As the World Bank Group develops its Energy Strategy, we are concerned that the Bank's pledge to increase support for large hydropower projects will result in increased poverty and irreversible social and environmental damages. A decade after the release of the World Bank-supported World Commission on Dams (WCD) report, the evidence continues to mount that large dams bring significant and unmitigated costs to society and to riverine ecosystems:

- The UN's *Third Global Biodiversity Outlook* (May 2010) asserts that freshwater species are being lost at an alarming rate and that freshwater ecosystems are even more threatened than other ecosystems.
- A recent paper by Richter, Postel, Scudder et al. in the journal *Water Alternatives* (www.water-alternatives.org) reveals that 472 million river-dependent people have been negatively affected downstream of large dams. This situation, the authors state, "lends urgency to the need for more comprehensive assessments of dam costs and benefits."
- The Interamerican Association for Environmental Defense (AIDA) in a recent study, *Large Dams in the Americas, Is the Cure Worse than the Disease?* (<http://www.aida-americas.org/es/node/1537>), found that project promoters frequently do not comply with applicable international laws and standards, resulting in "severe impacts to the environment and also to the human rights of affected persons and communities."

Climate change will also exacerbate the problems caused by large dams. Changing precipitation patterns and increased flooding and droughts will threaten dam safety, cause greater social and environmental damages, and challenge the viability of large-dam hydropower generation. Furthermore, the emission of greenhouse gases (GHG) from hydro reservoirs is emerging as a potentially significant issue in some regions.

Big hydropower projects in Africa, for example, will only leave hydro-dependent countries more vulnerable to power outages and economic disruptions due to extreme weather, thereby harming efforts to help riverine communities adapt. Additionally, dam projects can exacerbate conflict over water resources, as is happening with the Gibe 3 Dam in Ethiopia, which is now under consideration by the Bank.

While the World Bank formally endorsed the strategic priorities of the WCD report, it has done little to implement the WCD's recommendations with specific policy changes. We urge you to address this failure and help craft an Energy Strategy that lives up to the Bank's best intentions to help protect the human rights and environment of affected peoples.

Therefore, in its forthcoming Energy Strategy, we urge the World Bank Group to:

- **Prioritize investments that directly increase energy access for the poor.**

Large, centralized, grid-based hydropower projects do not provide the direct poverty reduction, energy access and environmental and social benefits of new renewables, such as solar, wind and geothermal. The Bank should prioritize support for these technologies and finance the development costs of new renewables as needed to address affordability issues for the poor. The use of local materials, labor and community management associated with decentralized systems can provide additional development benefits. The Bank should demonstrate how each energy sector intervention it supports is promoting equitable access, reducing poverty and supporting sustainable, climate-friendly development paths.

- **Focus on the cutting-edge technologies that reduce social and environmental costs.**

Large dams are part of a costly energy system based on an engineering vision of the early 20th century. The Bank should work with countries to leapfrog these outdated technologies and build up new renewables capacity and expertise. If governments and project promoters incorporated the environmental and social costs (including GHG emissions) of large dams into appraisals, they would rarely consider these projects "least-cost" in economic terms. As the Bank prioritizes delivering electricity access to the rural poor, it should increase its investment in decentralized mini-, micro- and pico-hydro projects. These projects can be grid-connected or off-grid options. Non-dam hydro technologies should also be explored, including wave power and "hydrokinetic" turbines that capture energy from the flow of water in rivers, estuaries and ocean currents.

- **Work with countries to choose the best energy options through a comprehensive and participatory needs and options assessment that also considers efficiency measures.**

Often governments and promoters will present a large, capital-intensive power project as the only option a country has to avoid an imminent energy crisis. That assertion, however, is rarely based on careful technical and economic considerations. Unfortunately, after ignoring alternatives for many years and sinking political and financial capital into a big project, it may indeed seem to be the only option.

But we should never get to that point. At the root of sound energy development are transparent, participatory and accountable energy planning practices. The Bank should work with countries to conduct Integrated Resources Planning (comprehensive options assessments) that consider the full range of feasible supply-side and demand-side options. These assessments must be transparent, participatory and truly reflect the most accurate analysis of costs and benefits, including social and environmental costs, climate risks and GHG emissions. Assessments must rank options on their ability to provide reliable energy services at lowest overall economic cost

to society, not just the lowest commercial cost to investors. The outcome of these processes should form the basis of the Bank's support to the energy sector and the Bank should only finance new generation projects that emerge from these processes.

The Bank should work with countries to maximize their existing generation potential and support the rehabilitation of hydropower plants before moving forward with any new dam projects. The Bank should also ensure that countries address the social and environmental legacy of existing dam projects, by working with the government and project sponsors to address compensation shortfalls, resettlement and livelihood restoration failures, and environmental compliance violations.

Finally, the Bank should dramatically increase its support of energy efficiency efforts, which have the potential to be brought online more quickly and cheaply than conventional power plants. (For example, South Africa is now analyzing demand-side techniques that will save as much power as will be produced by the 4,800-MW Medupi power station for considerably less than the coal-fired project's R125-billion price tag, according to *Engineering News Record*.)

- **Only support large hydropower projects if they have been selected through a comprehensive options assessment process and comply with the recommendations of the World Commission on Dams.**

Given the extraordinary risks of big dams, the World Bank should only support large hydropower projects that are demonstrated to comply with the WCD recommendations -- still the most legitimate global benchmark for dam building. These recommendations emerged from a groundbreaking, multi-stakeholder process that evaluated the development effectiveness of large dams and issued standards for new water and energy projects.

In the decade since the WCD report was published, a number of its most important principles have been endorsed and codified in various policies and legal instruments. These principles include: conducting comprehensive options assessments; respecting the rights of affected communities by negotiating legally binding agreements and ensuring the free, prior and informed consent of indigenous peoples; guaranteeing that affected communities are the first to benefit; fixing problems with existing projects before building new ones; providing for environmental flows to maintain downstream ecosystems and livelihoods; and requiring funded, enforceable compliance plans from developers.

As a development institution with a poverty-reduction mandate, the World Bank Group must only support large dams after first adopting the highest standards to guarantee the rights of affected communities and protect the environment.

We have appreciated your accessibility and openness over the years. As your retirement approaches, we encourage you to make the Bank's new Energy Strategy part of your bold personal legacy. Thank you for your consideration of these critical issues.

Sincerely,



Shannon Lawrence
International Rivers

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