

# Issue paper

## For more information

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## Paravani Hydro Power Plant, Georgia

### Background

The Turkish company Georgian Urban Energy (GUE) has requested a USD 44 million EBRD loan for the Paravani HPP, an 87 MW plant using a 14 km derivation tunnel in order to divert water from the Paravani river to the Mtkvari river. Green Alternative has deep concerns regarding the possible negative impacts of the project as well as the overall justification for it.

### Is there a real need for the project?

The ESIA states that in addition to generating 36.6 million USD per year for Georgia<sup>1</sup>, the project will decrease electricity imports in winter and will help to improve the country's payment balance.

Taking into account that the project will use a BOO (Build – Operate - Own) scheme it is not clear how the income will end up in the state budget rather than benefiting the private Turkish Company. The state budget will receive only money from state taxes<sup>2</sup> on the project. Moreover in the winter the Paravani river is often freezing so it may turn out that the winter exports will not be diminished<sup>3</sup>. Thus these arguments are unconvincing.

It is also noteworthy that the European Parliament has criticized the World Bank's promotion of large-scale and export-oriented energy models and has urged the bank to support alternative, small-scale decentralized energy projects which take account of the needs of local communities and the economic realities of different countries, and to set specific targets and monitoring guidelines to ensure that energy lending will benefit the poor<sup>4</sup>. It is therefore inappropriate that European public money - via the EBRD - will be used for the type of project highly criticized by the parliament.

Despite the fact that according to the Environmental and Social Policy of the EBRD ESIA of the project should include "an examination of technically and financially feasible alternatives to the source of such impacts, and documentation of the rationale for selecting the particular course of action proposed" the ESIA does not analyze solar energy, wind, hydrothermal or biomass alternatives. They are just mentioned as background information, not including financial calculations - namely how much such projects would cost - or a detailed comparative analysis of these alternatives with the central option. Small hydro is not mentioned at all.

### Environmental impacts

In order to produce electricity it is planned to divert 90 percent of the water from the Paravani to the Mtkvari river. According to the ESIA only 10 percent<sup>5</sup> of water will be left to preserve the ecosystem of the river Paravani based on "western standards", although it is not clear which guidelines are referred to, thus violating PR6 (Para 6) of the EBRD's Environmental and Social Policy<sup>6</sup>.

In addition newly constructed transmission lines - before birds are used to them - represent one of the major risks for bird mortality. Therefore appropriate measures

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should be taken right after construction, not waiting two –three years as is stated in the ESIA<sup>7</sup>.

## Social Impacts

The possibility of flooding the village of Khertvisi and associated mitigation measures are not even mentioned in the project. After the project implementation 90% of average river flow in Paravani will be diverted to the river Mtkvari, increasing the water flow significantly<sup>8</sup>. As there is no flood protection on the river the locals of Khertvisi fear that living conditions will deteriorate after the project.

The construction works on the derivation have already begun. In the process locals have lost access to their pastures as the paths to the pastures were closed by the project sponsor.

In addition the list of properties impacted by the transmission line as part of the resettlement action plan<sup>9</sup> will be available just 60 days before the actual construction of the transmission line after the final technical project is prepared. This approach is totally wrong: it will create pressure on the property owners to agree any price proposed, rather than holding fair and free negotiations around the proposed involuntary economic resettlement<sup>10</sup>.

In addition according to the ESIA the client will employ locals (at least 60%) during the construction works, but on key positions such as engineers and technicians the company will employ Turkish people, thus violating EBRD's Environmental and Social Policy: "The client will not make employment decision on the basis of personal characteristics, such as gender, race, nationality, ethnic origin, religion or belief, disability, age or sexual orientation, unrelated to inherent job requirements"<sup>11</sup>. Appropriately qualified people exist in Georgia, and in any case transition is supposed to address issues such as skills transfer.

## Project related documentation

No English version of the ESIA of the project is available. This is worrying for two reasons: First it is unclear how the EBRD and IFC will review the ESIA of the project and monitor the project throughout construction and operation if it is available only in Georgian. Second, a basic principle of the Public Information Policy of the EBRD is willingness to listen to third parties (including international NGOs) so as to benefit from their contributions to its work. The EBRD's PR 10 directly commits "to identify people or communities that are or could be affected by the project, as well as other interested parties". It is unclear how international experts can give their input if the ESIA is only in Georgian.

The EBRD has responded that: "While some ESIA are available in English, not all of them are; however each will have a non-technical summary in English which is posted on the EBRD website"<sup>12</sup>. This raises

serious questions about the project appraisal for A category projects – are decisions made based on non-technical summaries?

## What needs to be done now

Based on the above-mentioned problems we recommend stopping the project as currently proposed in order to avoid drastic negative environmental and social impacts.

If any hydroelectric development is to take place at this site the following steps are needed:

- A study of the alternatives to the central option including financial calculations and a detailed comparative analysis (incl. costs of these projects).
- An additional analysis needs to be done on the economic aspects of the project and the economic claims made in the ESIA
- An English version of the ESIA must be prepared and disclosed and the EBRD must conduct a full assessment of the document
- The possible flooding of Khertvisi needs to be additionally examined and flood protection measures ensured on the Mtkvari river
- A Resettlement Action Plan must be prepared prior to project approval including mitigation measures for the loss of pastures in order to ensure fair and free negotiations
- It is necessary to implement appropriate measures immediately after the construction in order to avoid bird mortality.

## Notes

1. Chapter 11 of the ESIA
2. Income tax of 12% to the state budget; Tax on property of 1% to the local budget
3. The deficit of the Georgian Energy system is around 5% which is compensated during the summer time by exporting electricity from HPPs, so decreasing the deficit in winter is not an argument
4. <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2011-0067&language=EN&ring=B7-2011-0128>
5. In figures - 1.74 cubic metres/second
6. "In planning and implementing impact assessments where biodiversity issues are a key focus, clients should refer to best practice guidelines on integrating biodiversity into impact assessments"
7. According to the ESIA of the Black Sea transmission line, funded by the EBRD, KFW and EIB, that runs almost in parallel to the Paravani transmission lines in the area, the "installation of bird-diverts and other measures to prevent clashes and electrocution of birds on the line" represents the part of the project, so the project sponsor could easily offer advice, instead of waiting until after 2-3 years of operation.
8. Increasing the flow by 17 cubic metres/second

on average, and in spring by 35 cubic metres/second

- 9. Public hearing meeting in Aspindza, January 2011
- 10. In Georgia, cases of pressure on landowners and starting project implementation without agreement is not rare. E.g. the Tbilisi Railway Project, financed by the EBRD and at the moment being appealed at the bank's PCM by affected people.
- 11. PR2 (para 10) "Non discrimination and equal opportunity"
- 12. Letter from the Senior Stakeholder Engagement Advisor of EBRD, Elizabeth Smith