Nenskra hydropower plant, Georgia

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For the last decade, the government of Georgia has promoted hydropower as a way of tackling energy security and turning the country into a regional energy player. The EBRD has been one of the key catalysts of this hydro boom. Yet the presence of the EBRD and other international financial institutions has not been enough to ensure the development of comprehensive energy strategies, robust project assessments and meaningful public consultations. The potential for social and environmental problems is therefore prevalent. The Nenskra hydropower plant is yet another project that lacks the proper assessment and has failed to gain acceptance from the local communities.

Introduction

Currently there are 114 hydropower plants (HPPs) in Georgia,[1] including 11 dams, slated for construction. Dozens of additional plants have been identified as potential investment opportunities, resulting in an unclear mix of conflicting projects that may place an excessive burden on the environment and people's livelihoods. The combination of weak environmental legislation and the lack of strategic plans has enabled the Georgian government to rush forward concessions on 64 plants since the adoption of the EU-Georgia Association Agreement in June 2014. The major impediments to thoughtful and accountable hydropower development include:

- ***Lack of state energy strategy***

The development of hydropower needs to be backed by a national energy strategy that sets the direction and targets for how hydro power fits together with all renewable energy and energy savings alternatives.[2]

- ***Absence of a Strategic Environmental Assessment for the hydropower sector***

Without a Strategic Environmental Assessment (SEA) of the hydropower sector, Georgia is unable to understand the long-term environmental, social and cumulative impacts of these developments. An SEA of such a strategy was recommended by external experts including the Netherlands Commission for Environmental Assessment.[3]

- ***Cost Benefit Analysis missing***

[1] http://www.energy.gov.ge/projects/pdf/pages/Ongoing%20Investment%20Projects%201233%20eng.pdf

[2] Such demand is in line with recommendations of the World Commission on Dams that stipulate a strategic energy development plan, which should be based on energy demand assessment process and best scenario of meeting these needs by taking into account not only technical, economic and financial but also environmental and social issues too. http://www.unep.org/dams/WCD/report/WCD_DAMS%20report.pdf

[3] When reviewing the assessment on the Khudoni dam planned downstream of the Nenskra HPP the Commssio such large Hydropower project should be based on a national energy demand and supply point of view, supporte assessment (SEA), typically providing an overview of present and expected future social and economic developn in energy demand, an inventory of power generation potential of the country, alternative options to meet the fu demand based on different sources of energy (fuel mix), the desired level of self-sufficiency etc."
Advisory Review of the Environmental and Social Impact Assessment of the Khudoni Hydropower Project. Net Environmental Assessment. 3 June 2013. http://api.commissiemer.nl/docs/mer/diversen/os24-b017ar-khudoni.p

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Multiple stakeholders have called on the Georgian government to perform a cost-benefit analysis of the hydropower sector. They have warned that freestanding economic assessments are unable to assess the broader implications such as loss of property and livelihood, resettlement, environmental degradation and the effects of a project on national energy supply and demand.[4]

- ***Inadequate river basin management plans***

As a country under an EU Association Agreement, Georgia has an obligation to conduct river basin management plans that integrate economic and ecological perspectives into river water management.[5] Such a plan should describe the available water resources, its present users and uses, the development potential based on for example an ecosystem services assessment, and the identification of sites of unique natural or cultural heritage in need of protection. Despite this obligation, EIA reports have so far ignored river basin management principles.[6]

- ***Failure to assess social impacts and ensure meaningful public consultations***

The current one-stage environmental assessment process required by Georgian legislation fails to assess the social impacts and ensure meaningful public participation in the decision-making process. While international safeguards require scoping processes, an assessment of the impacts on livehoods and resettlement and meaningful consultations with stakeholders, it has been a standard practice that preparatory and construction works on a plant has started prior to the full identification of stakeholders, the preparation of a stakeholder engagement plan and consultation meetings. This has repeatedly led to untrust of the affected populations and resulted in incorrect and late mitigation measures.

What follows is an outline of these major concerns over the flaws in the assessment of the environmental and social impacts of the Nenskra HPP.

Nenskra HPP

Background

Along with the European Investment Bank and the Asian Development Bank, the EBRD has considered a loan for the 280 MW hydropower plant project on the Nenskra and Nakra rivers in the northwest part of the country. The project is located in the high mountain valleys of the planned protected area, the Upper Svaneti National Park[7].

In October 2015, the Georgian Ministry of Environment issued a positive ruling for the poject based on an environmental and social impact assessment (ESIA) report that an external reviewer deemed „in need of substential revision".[8] The EBRD performed a gap analysis of the ESIA against its requirements and commissioned supplementary studies for spring 2016.

The project is implemented as a joint venture between the state-owned Partnersip Fund and the Korean K-Water company under the BOT scheme (Build-Operate-Transfer). As has been the practice with other hydropower projects in Georgia, the Nenskra implementation agreement signed in August 2015 is confidential, so many details about land appropriation and tariffs are unknown.

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[4] We note that an environmental and social cost benefit analysis has been carried out for the Enguri watershed area. CSOs however were not consulted on the preparation of the document and do not know at what stage of preparation it is. See: Model of watershed based hydropower development in the Enguri watershed area, including assessment of the environmental and social cost. http://www.eecgeo.org/en/projects.htm

[5] The latter are required by the EU environmental directives and the commitments undertaken by Georgia within the Association Agreement (EU Water Framework Directive);

[6] The same issue was highlighted by the external review of the Nenskra ESIA, stating that "The EU WFD is not only listed at the very end of a table with main European legal and regulatory documents but moreover is not considered from the river basin point of view. Review of Nenskra HEP ESIA Study To Ministry of Environment and Natural Resources of Georgia; Paragraph „3.4 Legislation"; May 13, 2015;

[7] Upper Svaneti Protected Areas Management Plan. World Bank's Protected Areas Development Project. 2008;

[8] Review of Nenskra HEP ESIA Study. To Ministry of Environment and Natural Resources of Georgia. 13 May 2015;

The Nenskra project includes the construction of a 135 metre rock fill dam on the Nenskra river, which would flood up to 400 ha of forests and communal lands. Additionally, a 13 metre dam and 12.4 kilometre diversion tunnel will be built to bring water from the Nakra to the Nenskra reservoir. The scheme will considerably reduce the environmental flow of the Nakra river, leaving just 10 per cent of average annual flow downstream regardless of seasonal fluctuations.

A lack of clarity about the total costs surrounds the project. The International Financial Corporation (IFC), which has provided advisory services for the project, estimates the project at about USD 650- 750 million. On the other hand, the Partnership Fund estimates the costs at USD 1 billion.

Construction without permit

As was with the case with the Dariali HPP, pre-construction works on the Nenskra HPP began before the company was awarded a construction permit. While the Partnership Fund and K-Water held a groundbreaking ceremony for the construction of the project on 16 September, the construction permit was only granted on 2 October 2015. Such an approach has discouraged local communities from engaging in any upcoming consultations; the people believe that participation after a permit has been granted is just a formality.

Geological risks and natural hazards assessment

The Nenskra HPP is located in a geologically-sensitive zone with demonstrable mudflows and landslides that could affect the future reservoir area, the village of Nakra and an access road. The project ESIA does not specify and assess the existing landslide-prone areas as within the project site, and the risks are real of new landslide-prone areas emerging as a result of dam construction and operation. A detailed risk assessment about the impacts of avalanches and rock falls on the reservoir has also not been carried out. A special assessment for the village of Naki, which is affected by two mudflows (on the Lekvederi and Leknashera rivers) is lacking. The impacts of the Leknashera mudflow on the village have been totally neglected in the EIA, as well as mudflows in the Nenskra valley[9].

The landslides triggered by the Dariali and Shuakhevi HPPs have shown the need of proper assessments in order to avoid or minimize the geodynamic risks.

Strategic Environmental Assessment and cumulative impacts

Nenskra is one of over 34 hydropower projects that are planned in the Enguri river basin in Upper Svaneti, a region half the size of Cyprus.[10] Given the scale of existing and new hydro developments and supporting infrastructure projects (bypass and access roads, additional high voltage transmission lines and substations and so on), a strategic environmental assessment of the existing and planned plants should be conducted to evaluate the impacts and avoid an excessive burden on river ecosystems. The current Nenskra ESIA fails to assess the cumulative environmental and social impacts of all projects combined.

Additionally, separate ESIA for a Nenskra transmission line will be prepared. Such a fragmented approach to project assessment contradicts the EBRD's Environmental and Social Policy.

Impacts on biodiversity

[9] Review of Nenskra HEP ESIA Study To Ministry of Environment and Natural Resources of Georgia; Paragraph „3.6.5 Impacts on Surface Geology and Morphology and Mitigation Measures"; May 13, 2015;

[10] For details see a map of planned hydropower plants in Upper Svaneti, Georgia: http://bankwatch.org/our-work/projects/hydropower-development-georgia/map-upper-svaneti

The ESIA says that the Nenskra HPP will cause irreversible damage to biodiversity. It is however unclear how the operation of the plant will affect the individual animal and plant species (spring trout, otter, brown bear, lynx) and what mitigation measures the company will take.

While the ESIA claims that the project area lies outside of the planned protected area in Upper Svaneti, this is not correct. The project should be coordinated with the Agency of Protected Areas.

The importance of nature conservation in the Nenskra and Nakra valleys was highlighted by an international expert who questioned the idea of damming the small mountain rivers and stressed the national importance of conserving the undisturbed high mountain ecosystem.[11]

Social impacts not assessed

The Nenskra HPP will impact directly or indirectly the lives of downstream communities and a number of local economic activities, in particular forestry, animal grazing and subsistence agriculture. Yet the existing assessment of the Nenskra project completely omits the baseline identification of the affected communities and neglects an evaluation of the impacts on their livehoods and physical displacement. The ESIA does not cover the loss of customary lands, impacts on vulnerable people (internally displaced people, women), health, resettlement and other issues. The absence of this during the scoping process has also led to the inadequate and untimely engagement of the affected population.

Recommendations

- The EBRD should suspend consideration of the Nenskra HPP and any other hydropower project until the Georgian government adopts comprehensive strategies for the hydropower sector, including a national energy strategy, strategic environmental assessment of the sector and a cost-benefit analysis.
- The EBRD should honor the principles of meaningful consultations and step in the assessment processes at an early stage to allow for participatory, well-informed and accountable engagement of stakeholders for a project.

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[11] Review of Nenskra HEP ESIA Study To Ministry of Environment and Natural Resources of Georgia; Paragraph „3.6.5 Impacts on Surface Geology and Morphology and Mitigation Measures"; May 13, 2015;