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Estonia:
Estonian Green Movement-FoE

Georgia:
Green Alternative

Hungary:
National Society of Conservationists - Friends of the Earth Hungary (MTVSZ)

Latvia
Latvian Green Movement

Lithuania:
Atgaja

Macedonia:
Eko-svest

Poland:
Polish Green Network (PGN)
Institute of Environmental Economics (IEE)

Serbia:
Center for Ecology and Sustainable Development (CEKOR)

Slovakia:
Friends of the Earth - Center for Environmental Public Advocacy (FoE-CEPA)

Ukraine:
National Ecological Centre of Ukraine (NECU)

To: The Board of Executive Directors of the European Bank for Reconstruction and Development

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CC: Mr. Alistair Clark, Corporate Director,
Environment and Sustainability, EBRD;

Mr. Dariusz Prasek, Director, Project Appraisal,
Environment and Sustainability, EBRD;

Mr. Riccardo Puliti, Managing Director,
Head of Energy and Natural Resources, EBRD

14 June 2011

Dear Directors,

We would like to thank you for finding the time to meet and discuss our concerns (during general and individual meetings) over the Paravani HPP project during the Annual General Meeting of EBRD in Astana.

After the AGM we discussed project problems with the management team of the EBRD and received a written response to the problems raised in Astana. Despite the response of the Management team we continue to have serious concerns about this project. As the board date for the project is getting closer we decided to approach you once more to express our concerns over the project and ask you not to finance project as it is presented (June 14 is the board date according to the Project Summary Document). Below are listed our major concerns' regarding the Paravani HPP project.

Who benefits from this project?

Our major concern over the project is the fact that we do not see any significant benefit from the implementation of the 160 million USD project (up to 44 million USD from EBRD) for Georgia. The Paravani HPP is proposed for exporting electricity to Turkey and, as the owner, it is the Turkish company that will receive the income from selling electricity. The Georgian state will receive income only in the form of state taxes representing at maximum 2.5-3 million USD (if the overall income will be an optimistic 36.6 million USD as it is stated in the ESIA of the project) and will improve payment balance in figures without real benefits for locals.

During the EBRD AGM in Astana it turned out that the project should be evaluated in the broader regional context and development and *"it's a problem with the country strategy when a country tries to be self-sufficient only in the energy sector, it's a step backwards"*[1]. According to the EBRD management the project promotes the regional development (without any real and significant benefits for Georgia) , therefore it should be linked with wider regional development assessment and analysis, as well as get funding from regional funds, rather be claimed to be EBRD's investment for Georgia's economy. Improvement of Georgia's Export /Import Balance on paper sheet without any input in real economy should not require costs 40 million Euro for EBRD.

It is also noteworthy that European Parliament has been very sharp criticizing the World Bank New Energy Strategy - " [parliament] Regrets that the World Bank mainly promotes a large-scale and export-oriented energy model rather than supporting small-scale decentralised energy projects that are often more appropriate and effective in meeting basic needs in rural areas; urges the World 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."[2] Therefore it looks very strange that part of the European aid granted to Georgia via the EBRD would be delivered directly for an action highly criticized by the European Parliament.

Project related concerns

Alternative renewable sources

One of the major concerns about the project is the lack of proper analysis of solar, wind, hydrothermal and bio energy alternatives to the central option. These are described as background information regarding existing renewable sources not including either financial calculations -- namely how much will be needed for implementing such projects -- nor detailed comparative analyses between using such alternatives and the central option (including costs of these projects).

According to the response of the EBRD, "A project-specific ESIA is not considered the appropriate forum to evaluate the national policy-level question of whether Georgia should develop medium-large hydropower projects versus other forms of renewable energy (for example, mini-hydro, wind, biomass)". This response not only contradicts the Environmental and Social Policy of the EBRD[3] but it also begs the question: if

[1] Kurt Bayer, Austrian Ex. Director of EBRD;

[2] http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2011-0067&language=EN&ring=B7-2011-0128

[3] Environmental and Social Policy: 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*"

development of other renewable sources as an alternatives to the central option is not subject of the ESIA, then why are they described in the ESIA.

In addition, the EBRD responded that the *"Ministry of Energy, with input from the World Bank Group and other agencies, has prioritized the development of hydropower resources in general. The Strategic Environmental Assessment commissioned by the IBRD for Georgia's power sector (Dec 2007, commented on by Green Alternative[4]) included a least-cost analysis of various power sector scenarios in Georgia and concluded that the Paravani Project would be the most cost effective of the hydropower projects and should be developed first."* Firstly, the data in the Strategic Environmental Assessment is outdated and needs to be updated thus making decision based only on this study a completely wrong approach. Secondly following this logic *an examination of technically and financially feasible alternatives* and generally making the Environmental and Social Impact Assessment of the project is not needed either and the preparation of the ESIA is just a formality for the EBRD.

Cumulative impact analysis of all planned or ongoing HPPs

According to the Paravani ESIA it is impossible to address the issue of cumulative impact of planned HPPs. On this issue the EBRD's responded that "Our policies trigger cumulative assessment for other developments realistically defined at the time of assessment. No such developments were identified".
However, for number of the HPPs, e.g. Upper Mtkvari HPP Cascade major parameters, as well as impacted areas are well known and easily available on the web site of Ministry of Energy. Taking into account the fact that the voltage of the proposed transmission line of the Paravani HPP will be 220kV, which would allow for the dispatch of 250 to 280 MW (85 MW will be used by the project itself 165-195MW will possible to be used) further development of the Upper Mtkvari HPP cascade is becoming quite realistic (Memorandum of Understanding is signed and Prefeasibility study of Upper Mtkvari HPP cascade is already done) Therefore, it is surprising that project team has not identified these developments and even has not tried to come with scenarios of cumulative impact assessment in the region.

Environmental Impacts

Impacts on ecosystem of the river

According to the EBRD's response "the method used to calculate minimum flows for the Paravani HPP is the one currently being applied by Government of Georgia for hydro projects. The flow method actually applied (Tennant Method) is one of the most widely

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accepted globally, having been adopted by 25+ countries including the USA (in 16 States), Canada, Australia, Italy, and Turkey[5]". Using this method "the guaranteed release will be 1.65 m^3/sec[6] at all times in the river Paravani" even less than it was proposed in the ESIA (1.74 m^3/sec). According to the ESIA impact on biodiversity of the river is minimal as they are leaving sanitary water flow.

One of the deficiencies of the Tennant Method (Montana method) is that *"Technique is best used when prior ecological data exist. As a simplistic approach, there is the potential for its misuse, so the methodology should be supported by a sound knowledge of the hydrology and ecology of the river in question; The method does not explicitly consider flows for specific requirements or activities of species, such as fish passage and spawning, or for ecosystem components."*[7]

Taking into consideration current situation when sound knowledge of the hydrology and ecology of the river does not exist (Hydrology data used in ESIA is dated by 1937-1986) it is clear that method used in Paravani case can not be considered as the best practice guideline as *"it is highly likely that the basis of the Tennant Method will continue to be used commonly in future, with increasing efforts to develop it for application in specific situations worldwide. To this end, the method could be improved by establishing guidelines for its application for rivers of different ecotypes"*[8].

While the tenant method itself is outdated, according to it average water flows in rivers "*Above 10%, habitat and recreational quality increases in a range from fair conditions (10% in winter and 30% in summer) to outstanding (40% in winter and 60% in summer)"*[9] thus assurance of the consultants that leaving 10% of sanitary water flow will have only minimal impacts on river ecosystem is not truth as habitat and recreational quality in the river will be fair according to tenant method.

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[5] As a comparator, the volume calculated using this method is higher than that determined by the Soviet-era flow method formerly applied in Georgia (Санитарные правила проектирования, строительства и эксплуатации водоеов,1985).

[6] The NTS figure is marginally lower than the 1.74 m^3 stated in the ESIA; additional hydrological review completed in late 2010 identified a small inconsistency in overall catchment size versus that used in the 2009 ESIA calculations.

[7] http://dw.iwmi.org/ehdb/efm/visitors/DisplayMethodologyApplication.asp?mid=2 International Water Management Institute

[8] http://dw.iwmi.org/ehdb/efm/visitors/DisplayMethodologyApplication.asp?mid=2 International Water Management Institute

[9] http://www.ilmb.gov.bc.ca/risc/o_docs/aquatic/027/final-17.htm#topofpage A Guide for Selection of Standard Methods for Quantifying Sportfish Habitat Capability and Suitability in Streams and Lakes of B.C.

Thus using the "Tennant Method" for the calculation of the minimum water flow in the river cannot be considered as a way of complying with the PR6 (Para 6) stating that "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[10]".

Impacts on Birds

One of the components of the project is 220KV transmission lines. We are concerned about the major risks of bird mortality before the birds get used to the transmission lines in their surroundings. According to the EBRD management team "based on the concern raised, IFC and EBRD will request "Georgian Urban Energy" to re-evaluate transmission tower design, conductor separation and possible use of bird diverters in order to minimize the risk of bird mortality". We hope that the evaluation will be disclosed for the public and that proper mitigation measures will be implemented.

Social Impacts

Flooding risk for Khertvisi village

One of the major social impacts of the project is the possibility of floods affecting the village Khertvisi located downstream of the powerhouse of the project. According to the project description, 90% of the average river flow in Paravani will be diverted to river Mtkvari, which will increase water flow in Mtkvari significantly (Increasing the flow by 17 cubic meters/second on average, in Spring by 35 cubic meters/second).

Despite the assurance of the project sponsors that "the maximum volume of water diverted from the Paravani River into the Mtkvari River would raise the high water level around 10 cm in an average year, which should not result in flooding"[11], this cannot be considered as a reliable argument because increasing river level on average by 10cm per year does not exclude the possibility of flooding during spring months when the river reaches its maximum level.

In addition, according to locals, almost every spring, the river Mtkvari is already flooding the village, especially those houses located along the river because of the lack of bank protection on the river. People fear that if bank protecting measures are not implemented it will be impossible to live in the village after the project implementation.

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[10] Best practice guidelines on integrating biodiversity into impact assessment include:
' —*Voluntary Guidelines on Biodiversity-inclusive Environmental Impact Assessment* (Contained in the CBD Decision VIII/28 from COP8 in 2006).
Biodiversity in Impact Assessment— (IAIA Special Publication Series No. 3).
Various products of –*The Energy and Biodiversity Initiative.*

[11] EBRD's response, Dr. Dariusz Prasek, Director of project appraisal;

Based on the EBRD's response, "given the level of community concern, Georgian Urban Energy has agreed to commission an additional evaluation of flooding risks and this evaluation is currently underway. The outcome of this study – including the technical details of any mitigation requirement(s) - will be discussed with the potentially affected community as soon as it becomes available". So we hope that this assessment will also be available for civil society groups and that it will be discussed jointly with local population.

Lost access to pastures

Apart from the flooding, the ESIA fails to describe also problems regarding the access to pastures and subsequent mitigation measures. According to the local population, after construction works started, they have not been allowed to breed their cattle in their pastures ("Kvarsa") as the path to the pastures had been closed by the project sponsor.

Lack of adequate Emergency Response plan

Chapter 16 of the ESIA is dedicated to accident scenarios during the construction works and exploitation of the HPP. One of the possible scenarios in the paragraph is failure of Hydro technical facilities that may cause flooding the territory. Mitigation measures for preventing this accident are systematic monitoring and implementation of the proper measures. Preventing flooding with only systematic monitoring and implementing proper measures (Not specified what measures are assumed) cannot be charged as an adequate mitigation measures that can prevent failure.
In addition according to the ESIA (7.1.4) the project area is located in high seismological area with intensity of 9m. Unfortunately ESIA does not mention anything about reliability and steadiness of the HPP and its components towards the earthquake of such scale.

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 made quality assessment of the Georgian ESIA of the project and 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.

According to the EBRD "There was no quality review of Sponsor documentation other than to ensure that the final Action Plan will satisfy any outstanding Lender requirements. Scientific Research Firm Gamma, a reputable and independent Georgian consultancy with whom the Lenders have worked previously, prepared the ESIAs and other materials according to Terms of Reference provided by the Lenders. The scientific

credentials of Gamma's experts are among the best in Georgia"[12] showing that preparation of ESIA for management team of EBRD is just formality and purely depends on hired consultants what will be written in the ESIA.

Recommendations

Based on the above-mentioned problems we recommend stopping the project as currently proposed and if the EBRD looks at this project from regional context proper changes should be conducted.

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);
- A cumulative impact analysis needs to be done including the Upper Mtkvari HPP cascade;
- The project consultants need to use a different method than the Tennant method in order to calculate minimum flow of the river (sanitary flow);
- It is necessary to implement appropriate measures immediately after the construction in order to avoid bird mortality;
- The possible flooding of Khertvisi needs to be additionally examined and flood protection
  measures ensured on the Mtkvari river;
- An English version of the ESIA must be prepared and disclosed and the EBRD must conduct a full assessment of the document.

Thank you very much in advance.

Sincerely yours,

David Chipashvili
National Coordinator for Georgia
CEE Bankwatch Network/Green Alternative

[12] EBRD's response, Dr. Dariusz Prasek, Director of project appraisal;