

Dariali hydropower plant project, Georgia

For more information

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Background

The Georgian company JSC Dariali Energy has requested a loan of up to USD 80 million from the EBRD for the 108 MW Dariali hydropower (HPP) project. The project involves the construction of a derivation-type HPP on the Tergi river in the municipality of Kazbegi. The project will divert water from the town of Stepatsminda towards the powerhouse close to the border with Russia, leaving eight kilometres of river without a sufficient amount of water.

Green Alternative has concerns about the project because it violates both Georgian legislation and international conventions and as well negatively impacts the biological diversity of the Tergi river and the cultural and touristic importance of the Dariali gorge.

Construction without permits

Dariali Energy began the construction of the project in September 2011 without the relevant clearance documents. Green Alternative reported this to the Ministry of Environment and the Ministry of Energy and Natural Resources and requested that both investigate the legality of the construction works. Initially, both agencies responded that they would investigate the case, yet just two months later and after hastily issuing permits, both ministries concluded that the company had obtained all the necessary permits for the construction. Beginning construction of HPPs without the relevant permits and neglecting such violations is punishable under the Criminal Code of Georgia. As such in November and December 2012, Green Alternative applied to the Chief Prosecutor to investigate the suspected criminal activities connected to the construction of the Dariali project. The case is pending.

Permitting without public participation

In September 2011, Green Alternative asked the Ministry of Environmental Protection to be notified about and take part in the administrative proceedings related to the issuing of a conclusion of ecological expertise for the Dariali HPP and requested access to the Environmental and Social Impact Assessment report upon its submission by the company to the Ministry. Despite these requests, in November the Ministry issued a positive conclusion of ecological expertise on the same day that Green Alternative received notification about the launch of the administrative proceedings by the Ministry. The move violated both Georgian legislation and a number of requirements of the Aarhus Convention on ensuring public participation in environmental decision-making processes.

Construction in the Kazbegi National Park

Georgian legislation explicitly prohibits the construction of a hydropower plant on the territory of a national park. Nevertheless, the Dariali project was planned in the area of the Kazbegi National Park. The EIA report submitted to the Ministry of Environment for obtaining ecological expertise clearly states that the project area included 2.6 hectares of the Kazbegi National Park, yet the Ministry still approved the project and as such violated the law.

In order to 'rectify' this obvious wrongdoing by the Minister of Environment, the Georgian government submitted a draft law to Parliament envisaging the

removal of 8.8 hectares from the Kazbegi National Park for the Dariali project. Green Alternative raised its concerns before the Parliament about these procedural violations and the illegal actions of the Ministry of Environment, and the unjustified removal of the territory from the Kazbegi National Park. However, the Parliament did accept Green Alternative's arguments and adopted the law in March 2012, thus becoming a participant in that wrongdoing. Moreover when the law was finally published, more than 20 hectares were removed from the Kazbegi National Park.

Green Alternative continues to demand that the authorities explain why its arguments were rejected and the removal permitted of the territory from Kazbegi National Park. The Parliamentary Committee for Environmental Protection and Natural Resources has yet to respond to the organisation's inquiries.

In January 2012, Green Alternative filed a lawsuit in the Tbilisi City Court and demanded the cancelation of the order by the Minister. It was later revealed that this order also envisaged using the area within the Kazbegi National Park for construction of the HPP. Thus Green Alternative filed a revised lawsuit with additional demands to scrutinize the compliance of the order with Georgia law on the System of Protected areas, Environmental Protection and on the Red List and Red Book of Georgia. Later the court of the first instance in May and the Court of Appeals in December rejected lawsuit, and the Supreme Court found it inadmissible in April 2013.

Impacts on biodiversity

The project will have irreversible impacts on the flora and fauna of the Dariali gorge, because the project would leave only 10 percent of the annual average flow downstream. This violates Performance Requirement 6, Paragraph 6 of the EBRD Environmental and Social Policy and as well as contradicts guidance on the Water Framework Directive (WFD) of The United Kingdom Technical Advisory Group (UKTAG), which recommends a 'building block' methodology for defining the natural flow regime to ensure the best possible conditions for ecosystem functioning.

Due to the dry, cold winters that characterise the geography and climate of the area, the ten percent annual average flow (2.54 m³/s) left in the river will freeze in the winter, resulting in a die off of invertebrate species, especially those living in the water, and the river becoming lifeless. The disappearance of the river will strongly impact the plant population as well as the dynamics of animal populations and migration patterns.

The importance of the Tergi river and Dariali gorge on cultural and tourism

The Tergi river was the source of inspiration for a number of famous Georgian writers and nineteenth century poets, and the adjacent landscape has attracted travelers and tourists for decades. The Dariali project will divert 90 percent of river flow first into a channel and then a tunnel, resulting in an eight-kilometre section of the Tergi river devoid of water. The landscape on this section of the gorge will also radically change, affecting the historic and cultural value of the area and its importance as a tourist destination.

Doubtful economic benefits

According to an agreement from May 2011 between the Georgian government and Dariali Energy, the company is obliged to supply electricity from the power plant to the country's grid at USD 6.5 cents per kWh during the winter months between December and February for the first ten years of its operations. The cost of electricity generated by other HPPs in Georgia is on average USD 0.5 – 1 cent per kWh. In other months of the year, the company has the right to choose which markets and at what price to sell electricity produced at Dariali.

While the project will generate some indirect benefits like job creation, additional electricity sold to the Georgian market during the winter, and the development of infrastructure, Georgia will not gain any direct economic benefits as per the agreement with Dariali Energy, or at least none are explicitly mentioned in the contract text. In addition, under the agreement the Georgian government assumes significant obligations and financial, environmental and social risks that are not secured by relevant guarantees. At the same time, in light of the damages to the landscape and biodiversity outlined above, the project will strike a serious blow to the promising tourism industry in the Kazbegi district and reduce the subsequent employment opportunities.

Recommendations

The EBRD must not issue a loan to Dariali Energy for this project. Doing so will jeopardise the landscape and biodiversity of the Tergi river and Dariali gorge, destroy the cultural heritage and tourism potential of the region and ignore violations to Georgian legislation and international conventions and as well the bank's own policies

Notes

1. UKTAG, 2013. River Flow for Good Ecological Potential. Final Recommendations