



Bulgaria:

Centre for Environmental
Information and Education
(CEIE)
For the Earth!

Czech Republic:

Centrum pro dopravu a
energetiku
Hnuti Duha

Estonia:

Estonian Green Movement-FoE

Georgia:

Green Alternative

Hungary:

Nature Protection Club of
Eotvos Lorand University (ETK)
National Society of
Conservationists-FoE (NSC)

Lithuania:

Atgaja

Macedonia:

Eko-vest

Poland:

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

Romania:

TERRA Milleniul III

Russia:

Sakhalin Environment Watch

Slovakia:

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

Ukraine:

National Ecological Centre of
Ukraine (NECU)

To: Mr. Lars Thunell, IFC Vice -President
Cc: Mr. Philippe Maystadt, EIB President
Cc: Mr. Thomas Mirow, EBRD President
Cc: Mr. Rudolf Jan Treffers, Executive Director for Georgia, World
Bank
CC: Mr. Shigeo Katsu, Vice- President for ECA region, World Bank

23 July, 2009
Via Fax

Dear Vice President Thunell

We would like to share with you our concerns regarding recent developments in the energy sector in Georgia and the related development aid associated with the international financial institutions.

We believe that the energy policy of the Georgian government supported by the IFIs, aimed at utilising the hydroenergy potential in the country in order to overcome the existing energy crisis that, all the same, does not take into account the clear evidence of the devastating global experiences attached to such development, could very well result in grave social and environmental impacts.

While the decision-making process as well as the planning of the different large HPPs is not consistent and participatory, the IFIs are supporting the following priorities in the Georgian government's programme to construct large greenfield HPPs¹:

- 1) The Khudoni Power Cascade (700 MW; USD 800 million);
- 2) The Namakhvani Hydropower Cascade (450 MW; USD540 million)
- 3) The Oni Cascade (282 MW; USD525 million).

In general, the government and the IFIs would be happy to see all of these major projects proceeding simultaneously in order to ensure the export of electricity to Turkey, without clearly addressing the existing problematic issues that dog Georgia's energy system.

¹ Georgia, Joint Needs Assessment, page 35, October 9, 2008, the United Nations – the World Bank, with the participation of the EBRD, the ADB, the EC, the EIB and the IFC

While the export of electricity to Turkey could bring some additional benefits for Georgia's further development, it should not be the dominant factor during the planning of the future generation capacities. If Georgia becomes an energy-exporting country this does not entail automatic energy security.

Unfortunately, all the processes carried out to date confirm that the Georgian government and the IFIs supporting the government often completely overlook the recommendations of the World Commission on Dams (WCD) report on how to plan the construction of new hydro generation facilities. The WCD recommendations stress the importance of finding constructive and innovative ways forward for decision-making, that first of all includes the gaining of public acceptance as well as comprehensive and participatory assessments of the various options to satisfy people's water and energy demands, address the issue of existing dams and emphasises that social and environmental concerns should be given the same weight as technical, financial and economic concerns during the options assessment process.

We would argue that the main focus for the further development of the Georgian energy sector should be primarily to provide and satisfy the demands of local populations as a way to ensure poverty eradication and economic development in Georgia.

In line with the above-mentioned, the IFIs should seek to ensure the sustainability of the power sector's development path through the provision of much-needed investments in the rehabilitation of existing generating capacities, energy efficiency and the development of small local renewable (hydro, wind, solar) resources. Such efforts would clearly support the development of the Georgian economy.

As things stand currently, however, the EBRD and the World Bank are lining up behind the most economically and environmentally destructive hydrocascades that have the potential to cause significant negative impacts on the environment, drastically change the social and demographic situation in the mountainous areas of Georgia and devastate the existing cultural heritage.

In order to ensure that the mistakes of the energy sector planning are taken into account and that the process of Georgia's power sector development is sustainable, it is essential that the international financial institutions:

1. Enforce a moratorium on the funding of any large dam construction in Georgia while the strategic development plans of Georgia's power sector are not developed in a participatory manner.
2. Carry out a Strategic Environmental Impact Assessment that would address the ways how to satisfy existing electricity demand in Georgia with existing potentials and alternatives,

address the existing dams issues², as well as develop the most sustainable solutions for the development of the sector, present a cost-benefit analysis of these alternatives, along with a cumulative impact assessment of the planned projects on local populations and Georgian society as a whole. The SEA should present the best scenarios not only for the development of new generation capacities or the rehabilitation of infrastructure, but include also the development of new renewable technologies, as well as energy efficiency.

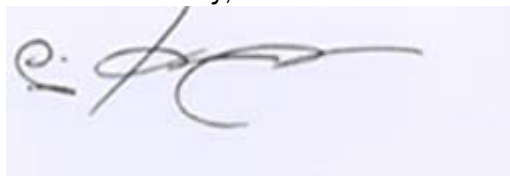
3. Ensure wide and fair public participation for the revision of the findings of the SEA and the follow up decision-making process.
4. Assist in the developing of a strategic development plan for Georgia's power sector based on participative processes.

We propose that the IFIs involved in the provision of international aid to Georgia's power sector arrange a meeting with the representatives of Georgia's civil society groups in order to explore common ways for avoiding damaging solutions for Georgia, and to define the process of the SEA elaboration and public participation processes.

Failure to move forward on the above-mentioned points may potentially lead to the IFIs' legacy in Georgia being associated with the environmental and social destruction resulting from the pursuit of power project profits without proper consideration for the social and environmental implications of these policies and projects.

We urge you to take all appropriate measures that can help prevent your institution from being associated with such a potentially unfortunate legacy.

Yours sincerely,



Dato Chipashvili
CEE Bankwatch Network National Coordinator

² While Georgia has approximately 1600 MW of hydropower capacity that actually generates electricity at the moment, the installed capacity is around 2700 MW. The rehabilitation of these sites could bring around 2.2-2.5 TWh of additional hydro electricity. According to expert estimates, energy efficiency measures would decrease Georgia's dependence on gas by 10-20%.