

Sustainability criteria for small and large hydropower plants under the EBRD Environmental and Social Policy

For more information

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CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

In recent years the EBRD has increased its funding for hydropower plants (HPPs) of all sizes. Currently three large EBRD HPPs – Ombla in Croatia, Boskov Most in Macedonia and Paravani in Georgia – have attracted heavy criticism and are subject to investigation by the bank's Project Complaint Mechanism. Small HPPs are seen by many as a far safer technology and are increasingly being financed by the EBRD through direct project financing and other intermediaries and facilities like the Sustainable Energy Initiative, particularly in countries outside the EU. The EBRD also contributes to the development of small HPPs through technical assistance and other feasibility studies.

Interest in renewable sources of energy and small HPP projects is increasing in Eastern Europe. The introduction of the feed-in tariffs has made the construction of new small HPPs more attractive. At the same time, state officials have turned small-scale electricity production originally planned for meeting local demand into massive plans to address national demand or even export electricity. Yet no strategic environmental impact assessments have been done. While EBRD-financed projects include individual impact assessments, no holistic strategic assessments are done for these programmes as a whole. For example in Ukraine, the anticipated assessment of the impacts of small HPPs conducted within the framework of the Ukraine Sustainable Energy Lending Facility¹ ended narrow in scope, failing to assess the cumulative impacts of the programme.

Small HPPs in several EBRD countries of operation including Armenia, Georgia, Ukraine, and the Western Balkans are being planned and implemented in a way that causes serious environmental harm. Poorly designed small HPPs set a negative precedent about the perception of small HPPs among civil society and the general population. As in the case of large HPPs, poorly planned small HPPs can cause interruptions in river flows, loss of biodiversity and the degradation of habitats, disruptions for migrating fish and a lack of water for irrigation and drinking in communities downstream from the projects. The EBRD's Environmental and Social Policy addresses some of these risks by including small HPPs in its financial intermediaries referral list of environmentally or socially-sensitive business activities.

¹ Ukraine Sustainable Energy Lending Facility of the EBRD

It is worth mentioning that the EU Water Framework Directive requires all HPPs, to ensure the 'good ecological status' or the 'good ecological potential', of the body of water². Therefore no matter how small the hydropower project, adequate due diligence, including environmental impact assessments, must be carried out to prevent environmental harm. Small HPPs should usually be regarded as Category A projects as per criteria 26 and 27 on Category A projects in the EBRD's Environmental and Social Policy.

Assessing small HPPs should account for the positive and negative impacts on local communities. The EBRD projects mentioned above that Bankwatch is monitoring do not consider the interests of local populations. Local communities neither benefit from project revenues nor from decentralised energy sources and jobs. Instead communities lose tourism potential and even access to water.

Bankwatch believes that the updated EBRD Environmental and Social Policy should include safeguards to ensure that small HPPs are truly sustainable. Incorporating the following list of sustainability criteria into the new policy is a first step.

Sustainability criteria for renewable energy

Criteria relevant for all renewables:

- Must be part of a renewable energy development plan or national or regional energy strategy that is subject to a Strategic Environmental Assessment Procedure;
- Must be in line with River Basin Plans and protected area management plans;

² The Water Framework Directive requires Member States to achieve at least Good Ecological Status in all water bodies by 2015 and also to prevent the deterioration in the status of any water body, with High Ecological Status as a target for pristine sites. Exceptions are permitted only for water bodies designated as Heavily Modified, where the target is Good Ecological Potential.

- Must not be in planned or existing Natura 2000 sites or other planned or existing protected areas included in IUCN category IV, without a compatibility assessment and a cumulative impact assessment;
- Must be integrated into the existing landscape in a way that does not cause significant alterations;
- Must be subject to rigorous public participation procedures in which local communities are proactively consulted and their views accounted for.

Specific hydropower criteria

Small HPPs should meet relevant international standards including the recommendations of the World Commission on Dams, the EU-Water Framework Directive and adhere to the following criteria:

- The project is under 10 MW;
- The project does not involve the construction of dams and reservoirs or involve resettlement;
- The project does not affect the water flow regime and wildlife circulation;
- The project does not affect biodiversity, nor people's water needs;
- The project does not affect possible investments to rehabilitate and increase efficiency of existing units in the project area;
- Where water intake is relatively low, small HPPs with derivation channels should not negatively affect biodiversity and livelihoods downstream;
- In case of derivative HPP projects countries should develop holistic methodologies to determine the environmental flow for each river to ensure adequate aquatic life and the existence of sufficient residual water downstream;³

³ Advanced holistic methodologies: Holistic Approach (Arthington et al. 1992a); Building Block Methodology (King and Tharme 1994, King and Louw 1998); the Expert Panel Assessment Method (Swales and Harris 1995); Scientific Panel Assessment Method (Thoms et al. 1996); Habitat Analysis Method (Walter et al. 1994,

- The project has comprehensive monitoring and management plans with the EIA, aimed at reducing the impact on ecosystems and communities. These plans should be available to public.

No-go zones

The projects should not be implemented at sites or in zones with high ecological and landscape value, including:

- national parks, water-related Nature 2000 or Emerald Network sites⁴;
- water-related landscapes or natural monuments of national or regional importance;
- river stretches and biotopes of national or regional importance, for instance according to the uniqueness of the river system;
- floodplains like wetlands, marshlands, riparian zones, dynamic and braided river stretches;
- important spawning areas;
- residual flow stretches;
- river stretches with fish and crayfish populations of national importance;
- water resources for drinking water supplies and drinking water protection zones.

Burgess and Vanderbyl 1996); and Flow Restoration Methodology (Arthington and Zalucki 1998);

4 Both officially adopted sites of Emerald Network, as well as officially nominated sites of Emerald Network
http://www.coe.int/t/dg4/cultureheritage/nature/econetworks/Presentation_en.asp