

# The Shuakhevi hydropower plant project, Georgia

For more information

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## Background

Adjaristsqali Georgia LLC (AGL), a subsidiary of the Norwegian Clean Energy Invest, has requested up to USD 86.5 million from the EBRD for the construction of the 185 MW Shuakhevi hydropower plant (HPP). The project involves the construction of the 22-metre Skhalta dam (with a 19.4 hectare reservoir) and the 39-metre Didachara dam (with a 16.9 hectare reservoir) on the rivers Skhalta and Adjaristskali, as well as the construction of three diversion tunnels (at lengths of 5.8, 9.1 and 17.8 kilometres) to divert water flows from the upper parts of the Adjaristskali, Skhalta and Chirukhistkali rivers towards the reservoirs and then the powerhouse.

The Shuakhevi HPP in the Adjara Autonomous Republic is part of a three-step cascade on the River Adjaristskali, which consists also of the 150 MW Koromkheti and 65 MW Khertvisi HPPs.

Green Alternative has concerns about the possible negative impacts of the Shuakhevi HPP and the overall justification for the project.

## Project justification

In order to justify the project, the Environmental and Social Impact Assessment provides several subchapters<sup>1</sup> that conclude that “the project will bring significant benefits to the Adjara region and electricity consumers in Georgia” and that failing to realize the project will be “a lost opportunity”.

The contract for the Shuakhevi HPP project is the only contract for a hydropower project in Georgia where the most important articles e.g. related to obligations of the state and the company on electricity tariffs, economic profitability and so on, are kept confidential. The project uses a Build – Operate – Own scheme, so it is not clear how the income will end up in the state budget instead of benefiting the Norwegian company.

In addition information provided in the ESIA is contradictory. For example, it states “the long-term aim of reaching a full reliance on hydro schemes for the country’s electricity generation seems only possible if reservoir capacity is extended.” But this project does not envisage the arrangement of large reservoirs, so are we to suppose that the project is not the best solution for Georgia’s energy sector? The best alternative in this particular case would be to clean reservoirs of sediments and increase power generation on existing HPPs, rather than construct new one.

## Environmental impacts

In order to produce electricity, the project will divert water flows from the upper parts of the Adjaristskali, Skhalta and Chirukhistkali rivers towards the reservoirs and then the powerhouse and leave only 10 percent of the average annual flow of the rivers.<sup>2</sup> This will have drastic impacts on the river ecosystem, including red-listed species like trout, and is in violation of Georgian legislation and Performance Requirement 6 of the EBRD Environmental and Social Policy.<sup>3</sup> It should be also noted that investor already has a construction permit where environmental flow levels are fixed at an average annual flow of 10 percent. The ESIA also states that in order to determine the exact environmental flow downstream, the project will employ a two-phase approach. The first phase has already been determined to use the 10 percent approach, and in the

second phase, the investor plans to prepare an adaptive management plan to determine the exact environmental flow rate downstream through additional studies and the “Mezo habitat method”. The contract states that all technical parameters of the project are based on the 10 percent environmental flow level, so any major changes to project design would require more than just additional surveys ie it would necessitate an entirely different project altogether. Therefore, using the “two phase approach” is simply another way of confirming the predetermined 10 percent environmental flow rate, rather than some additional measures to mitigate against negative environmental impacts.

## Social impacts

While the project does not envisage the physical resettlement of local people, as villages are not located within the project site, there is a high probability that the project will impact these villages in ways not accounted for by the project promoter. The project site is characterised by landslides, and the construction of derivation tunnels and reservoirs below the village of Ghurta or in the vicinity of the villages Didachara or Tsalblana may activate slides.

The ESIA report does not include a detailed geological survey required for project implementation. People still remember the worst landslides in 1971 that killed 22 people. Despite the fact that no geological surveys have been conducted sufficiently, the project company denies risks of landslides and at the same time refuses to sign warranty contracts with the villagers to offer compensation in cases where construction causes damage.

In March 8, 2014, about 500 villagers blocked a road in the Adjara region protesting against construction of the project and demanding guaranteed compensation from the investor but were violently dispersed by policemen and special forces led by the Deputy Minister of Energy. The company later agreed to sign contracts with the villagers on the condition that in cases where resettlement is needed, the local municipality should foot the bill, which the company claims (erroneously) is in accordance with Georgian legislation. The company also refuses to implement compensation measures based on the World Bank’s policy OP 4.12 “Involuntary resettlement.” As a result, locals refused to sign the contracts offered by the company and continue their protests against the project.

## What needs to be done

We recommend that EBRD does not consider the project in its current form until:

- all confidential paragraphs of the contract signed with the government are disclosed;
- detailed studies are performed using a holistic approach (BBM) to determine proper environmental flow rates downstream and on which the technical parameters of the project are established, before starting construction;
- detailed geological studies of the project site are performed in order to avoid negative impacts on villages; and
- the contracts on compensation in cases of landslides suggested by locals during negotiations with the company are agreed.

## Notes

1. Subchapters in the ESIA: 4.1.2. Economic Aspects; 4.1.3. Hydropower in Georgia; 4.1.4. Social Economic/Environmental Aspects and 4.1.5. Market Aspects
2. ESIA of the project, Subchapter 6.7.1.1
3. <http://www.ebrd.com/downloads/research/policies/2008policy.pdf>