

For more information

Dato Chipashvili

Georgian campaigner
dchipashvili@greenalt.org

Hydropower in Georgia

In June 2011 the EBRD funded the first greenfield hydropower project (HPP) in Georgia, the 87 MW Paravani HPP, followed by two other greenfield projects in 2014: the 109 MW Dariali and 185 MW Shuakhevi HPPs. In total the bank has provided USD 210.5 million¹ in loans for these projects.

According to the project summary documents, one of the main transition impacts of these projects was setting improved standards for the implementation of HPPs in Georgia through the application of international best practices, including environmental performance.

Unfortunately the EBRD's involvement has brought neither improvements on the ground nor environmental standards that could be said to be on par with best international practice. On the contrary, by funding these projects EBRD has simply justified the wrongdoings that were from the beginning apparent with these projects: the degradation of river ecosystems, corruption and threats to people.

Paravani HPP

The Paravani HPP is a derivative type of project that involves the construction of 14 kilometre derivation tunnel to divert 90 per cent of the Annual Average Flow from the Paravani to the Mtkvari River upstream of the village Khertvisi. Given that the Mtkvari River is already threatening the village because of regular flooding, diverting 90 per cent of the Paravani only increases the risks of flooding. Moreover, leaving only 10 per cent of the Annual Average Flow as a 'sanitary flow' for the preservation of the river ecosystem has already destroyed fish species in the river.

For these reasons, in December 2011 Green Alternative submitted a complaint to the Project Compliance Mechanism (PCM). Green Alternative requested that the PCM undertake a compliance review in order to verify whether the project's Environmental and Social Impact Assessment correctly identified the risks and associated mitigation measures, namely: (1) the improper selection of a river flow regime that could have drastic impacts on the river ecosystem and fish species (including red listed trout); and (2) the possible flooding of the Khertvisi village.

¹ Paravani HPP – 44 mln USD; Dariali HPP – 80 mln USD; Shuakhevi HPP – 86.5 mln USD; The total costs of these projects are 700 million USD;

The final compliance review report of the project was released in the beginning of 2014, and it confirmed that the bank failed to properly assess the environmental risks on the project, thus violating its Environmental and Social Policy with respect to the potential impacts on biodiversity. The PCM found that the percentage of the water flow was determined without validation and an appropriate baseline assessment of the river ecology, morphology and flow rates in order to ensure the avoidance of irreversible damage to the river ecosystem.²

It is notable that the report did not find the EBRD in breach of its policy in terms of the potential flooding risks to the Khertvisi village, as according to the report this issue was included in a 'side agreement' between the EBRD and project investor at a later stage and thus subject to public consultation. But as it turned out, the company still refuses to disclose the study regarding the flooding risks to Khertvisi, while assuring the public that the project will not flood the village. Despite our efforts to disclose the report by either the company or the EBRD, the report is still confidential.

Dariali HPP

Even after the PCM found in the case of Paravani noncompliance with the Environmental and Social Policy regarding the selection of the flow regime, the EBRD ignored these findings and continued the same practice in the case of the Dariali and Shuakhevi HPPs. In addition to the issues with the flow regime, the Dariali project presents a number of other problematic issues.

The construction of the Dariali project started in 2011 without the relevant clearance, a punishable offense under the Criminal Code of Georgia. In November and December 2012, Green Alternative applied to the Chief Prosecutor to investigate suspected criminal

² "1. In the case of the Paravani River, the selection of a flow regime model such as the "Tennant" methodology was not in itself flawed, but that the %AAF to be adopted should have been validated through calibration against local conditions established through an appropriate baseline assessment of the River ecology, morphology and flow rates in advance of the EBRD investment decision, at least to the point where EBRD could be confident that the plant could operate at sanitary flow rates which would not irreversibly damage the river ecosystem".
http://www.ebrd.com/downloads/integrity/Paravani_CRR.pdf

activities connected to the construction of the Dariali project, and the case is pending.

Georgian legislation also prohibits the construction of a HPP in a protected area, especially national parks. However, the project promoter JSC Dariali Energy³ requested and received a permit for the Dariali project that includes the territories of Kazbegi National Park. Green Alternative raised this issue with EBRD staff several times and provided information about the possible corruption schemes related to the project before the project approval.

The improper selection of the project site and the inadequate assessment of the risks of developing the project in a dangerous geodynamic area played a part in the deaths of at least six workers and four truck drivers at the construction site after two consecutive landslides on the Devdoraki glacier in May and August 2014. Civil society organizations and geology experts raised these risks several times with the company and EBRD staff long before the tragedies. Accordingly the bank also bears responsibility for the results of the tragedies that happened and those that may happen in future.

Shuakhevi HPP

The Shuakhevi HPP is the third project that was approved by the bank in spite of strong opposition from locals and civil society. The project involves the construction of the 22-metre Skhalta (with a 19.4 hectare reservoir) and the 39-metre Didachara dams (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 Chirukhistskali rivers towards the reservoirs and then the powerhouse.

Unlike the Paravani and Dariali cases, according to the ESIA for the Shuakhevi HPP project, a two-phase approach will be used to determine the exact environmental flow downstream. The first phase has determined to use the 10 percent approach, and in the second phase, the investor plans to prepare an

³ The main investor of the Dariali HPP project;

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 the project design would require more than just additional surveys i.e. 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 measure to mitigate the negative environmental impacts.

In addition, construction works started without the required, detailed geological survey for the project implementation in place. While the project does not envisage the physical resettlement of local people, there is a high probability that the project will impact villages outside of the predetermined project site in ways not accounted for by the project promoter. Because the project site is characterised by landslides, people still remember the worst landslides in 1971 that killed 22 people. Thus the construction of derivation tunnels using blasting methods and arranging reservoirs below the village of Ghurta or in the close vicinity of the villages Didachara, Tsablana or Chanchkhalo could activate slides that might have drastic results for these villages.

Despite the efforts of locals to protest construction works, the company still denies the risks of landslides outside the project area. At the same time, the company refuses to sign warranty contracts with villagers to offer compensation in cases where construction causes damage. The issue was several times raised with bank staff before project approval, but the EBRD did not take this concern into account and funded the project anyway.

As a result, ongoing construction works are already causing damage to the villages in the nearby vicinity of the project site (Ghurta, Chanchkhalo), as landslides lead to cracks in the walls of buildings and even land plots, making the places impossible to live. One example is the local school in Chanchkhalo, where the walls cracked and the director of the school was forced to stop classes several weeks.

Despite a number of meetings among civil society and bank staff, locals continue to protest, including by blocking the road to Ghurta and stopping school in Chanchkhalo. Neither the company nor the EBRD are planning to revise the project impact area and determine proper mitigation measures. Therefore, as in case of Dariali, the bank will bear responsibility for the damage that this project might cause.

What needs to be done

We recommend to:

- Disclose the study regarding the flooding risks of the Khertvisi village and organize public hearings on this issue;
- Terminate the loan contract with Dariali Energy Ltd; and
- Stop funding the Shuakhevi project until a detailed geological study is carried out, the project impact area revised and adequate mitigation measures are determined.

In case the EBRD decides to fund any derivative-type HPP in Georgia, it is necessary to perform:

- Detailed studies in order to determine the proper environmental flow rates downstream, using a holistic approach (BBM) on which the technical parameters of the project can be established.