

Kheledula HPP project, Georgia

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River Kheledula and 24 hour watch point organised by locals

The European Bank for Reconstruction and Development (EBRD) is assessing a EUR 30 million loan for the 51 MW run-of-river hydropower plant (HPP) Kheledula 3 on the Kheledula and Devashi rivers in the Kvemo Svaneti region of Georgia. The total project cost is EUR 87 million, and the Borrower is Kheledula LLC, a special purpose vehicle owned and controlled by Turkish AG Anadolu Grubu Holding A.S. that constructed the Paravani HPP project in Georgia.

Overview

The project includes the construction of a derivation type, run-of-river hydropower scheme operating on the natural runoff of the Kheledula and Devashi rivers. A weir will be built on the Kheledula river, close to the village of Kheledi, six kilometres upstream of the confluence with the Tskhenistskali river. Water will be diverted into the neighboring Devashi river valley through a free-flow tunnel leaving 10 per cent of the average annual flow (AAF) downstream. Water from the Devashi river will also collect in the powerhouse on the right bank of the Tskhenistskali river.

A positive ecological conclusion for the project was been granted by the Ministry of Environmental Protection and Agriculture on 25 May 2017, but due to technical changes in the project design (changing the pressure tunnel with underground penstock with two sections through tunnels), the project was subjected to new permitting procedures under Georgia's ESIA legislation¹. Instead of preparing a new comprehensive ESIA report based on the findings and conditions defined in the scoping report, the company prepared a new ESIA report only related to the design changes, in violation of the scoping requirements².

The EBRD also requested that the company prepare supplementary studies to the 2017 version of the ESIA rather than to the 2018 version, as the bank claimed that the permitting authority in 2018 "concluded that a complementary ESIA procedure was requested for the design change". Such claims verify violations to

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¹New ESIA legislation entered into force from January 1st, 2018.

² <http://www.mepa.gov.ge/Ge/Files/ViewFile/1889>

Georgian legislation. As a result three different versions of the documents were prepared, making it unclear which one will be followed if construction will be launched.

Svans not assessed as indigenous people

The project area includes the villages of Tsanashi, Letsema and Kheledi in Lentekhi, the municipality of Georgia's historical Lower Svaneti region inhabited by Svans. Svans are a cultural and ethnic subgroup that has maintained their own language, laws, traditions and customary ties to the land. The project will impact directly and indirectly these communities' land, natural resources and livelihoods; it will restrict local economic activities, in particular animal grazing, tourism development opportunities (ecotourism and rafting) and subsistence agriculture. Unfortunately the project fails to present a profile of the local communities, not even assessing against the Indigenous People's (PR7) criteria of the bank. It does not explain how the company will tackle the loss of customary lands and economic livelihoods. We believe that the indigenous people's policy should apply in this particular case.

Public protest and court appeal

In protest of the project, local communities followed the example of Upper Svaneti and created a Lower Svaneti *Lalkhor* in line with their customary rules. The Lower Svaneti *Lalkhor* took the decision to forbid construction of any hydropower project on their territories and curse in front of the icon any Svan who will say or act against protesters to such projects in the Lower Svaneti region, including Kheledula 3 HPP³.

Since then the Svans from Lentekhi have stopped⁴ a number of times both government-organised meetings planned to discuss the project's EIA, as well as meetings organised by the company and the EBRD in Tbilisi and Lentekhi. Locals have established a 24 hour-watch in the villages in order to prevent the entrance of the company and its machinery, any state officials and other project promoters to the gorge.

In August 2018, the Georgian Young Lawyers Association (GYLA) submitted an appeal to the Tbilisi City Court on behalf of the locals, challenging the Ministry of Environmental Protection and Agriculture for not ensuring public review before proceeding with the next step, the EIA. The case has been accepted by the court and currently the process is ongoing.

Economic justification

The economic justification for the project is also concerning. Georgia's new Environmental Assessment code directly requires promoters to provide "*g) the assessment of irreversible effects on the environment and justification for causing such effects, which implies a comparison of the loss resulting from the irreversible effects on the environment and the profit gained in environmental, cultural, economic and social terms*" (Article 10 of the EA code).

Neither ESIA (2017 and 2018 versions) nor the supplementary studies provides a societal cost-benefit analysis (CBA) for the project that asks: 1) Is the project beneficial to the country as a whole? By how much? 2) Who benefits and who loses? By how much? 3) How will those who lose (land, property, livelihood, cultural heritage) be compensated? By how much? 4) How will the benefits be shared? 5) Is this the most inexpensive way to generate additional energy capacity in Georgia? Therefore, without such a CBA study the justification of the need of the project cannot be verified, explicitly violating requirements of Georgia's new legislation.

The only information provided in these documents is a memorandum signed between Kheledula Energy LLC (KE), and the government, obliging the company to supply a minimum amount of energy (20 per cent of the actual annual power generation) to the national grid during the energy deficit period (winter months) and guaranteed power purchase agreement given to the company to buy electricity for USD 5.9 cents during the first 20 years of operation⁵. According to the Energy Community's in-house assessment

³ <https://bit.ly/2Vno9lw>

⁴ <https://www.facebook.com/mtisambebi/videos/254506608659689/>

⁵ <http://www.energy.gov.ge/projects/pdf/pages/Kheledula3%20Hidroelektrosadguri%201196%20geo.pdf>

of Georgia's progress "The basis of such support schemes are guaranteed power purchase agreements, which distort the market and are not in line with the State aid rules"⁶.

Lack of environmental flow methodology

The company also has failed to provide environmental flow methodology as required by the scoping conclusion of the Ministry. All project related documentation claims that ten per cent AAF will be enough for maintaining the ecological integrity of the river ecosystem without justification and scientific assessment, in contradiction of the conditions of the scoping report conclusion. In addition the data on fish species in these rivers differs from ESIA's and supplementary studies. For example, according to the ESIA in these rivers only red listed trout exists (*Salmo trutta morfa fario* Linnaes, 1758) while the supplementary study claims that apart from the trout, an additional three fish species were found. Therefore it is clear that the quality of the assessments is questionable, resulting in unmitigated impacts on the river ecosystem.

Impacts on microclimate and potable water supply

A change in the region's microclimate as a result of the reduced ecological flow and the project's impacts on water supply are other important concerns for the villagers. Project documents failed to assess the role of these rivers in forming a microclimate in the villages, but the Kheledula River plays a significant role in the temperature of the valley throughout the year. In case the river flow decreases on the level proposed by the project, locals fear that living conditions in these communities will significantly deteriorate, especially during the summer when the temperature will soar.

The project's possible impacts on the potable water supply of the villages has been revealed by the ministry and underlined in the scoping report conclusion. According to the report, ministry experts detected a number of origins of the spring waters on the right bank of the Kheledula where drilling works are planned. The ministry required the company to conduct a special assessment for this, either to avoid the impacts or to arrange an alternative water supply system for these villages. These assessments and detail geological studies addressing the problem are missing, in violation of Georgian legislation and the EBRD's Environmental and Social Policy.

Social impacts in the ESIA are covered in just three pages and miss the most important issues to be assessed. Apart from the above, it lacks impacts on livelihoods of the villages downstream; access to community lands; impacts on tourism development in the area (ecotourism, rafting etc.); impacts on hydrological regimes of underground waters; baseline data of the existing infrastructure and conditions of houses in the villages.

Conclusions

For these reasons the EBRD should acknowledge the Lower Svaneti Lalkhor, the violations to Georgian legislation and the bank's own policies and thus suspend consideration of Kheledula 3. Failing to do so will deteriorate the livelihoods of the indigenous Svans and the potential for alternative development and tourism in the villages.

⁶ <https://www.energy-community.org/implementation/Georgia/RE.html>