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Nenskra hydropower project, Georgia

The European Bank for Reconstruction and Development together with European Investment Bank plans to approve a loan for the 280 megawatt Nenskra hydropower plant in Georgia. In March 2017, supplementary environmental and social impact assessments (ESIA) were released in order to bring the project in line with the standards of both banks. The fully-updated ESIA in English was made available only on 22 November, and the third version of the EIA released at this time misses a number of strategic assessments and inadequately evaluates social and environmental consequences.

Transparency of the project contract

The new ESIA summary still does not contain a proper cost-benefit analysis, and the project contract is still confidential. The public is uninformed about the government's guaranteed power purchase agreement, tariffs, taxes, land ownership and other terms that have significant consequences for the individual consumer. This is even more alarming given that the project is developed under a public-private partnership scheme.

The "Economic Cost-Benefit Analysis of the Nenskra Hydropower Project: Summary" recently published by the Georgian government is superficial and does not answer any of the questions raised by Georgians during consultations. While claiming "the Project will likely be one of the cheaper power sources in Georgia", the summary is vague about how it arrived at these exact calculations, as it does not assess any costs related to the project, while the quantifiable net benefits do not exceed USD 136 million in present value terms for the 36 years of the project's operation.

An assessment as to whether future energy demands could be met by other sources at lower costs than the dam is also missing. The 'without project' scenario assumes that the project is not built and the status quo remains. It does not assess the possibility of solar power, energy savings and other alternatives being developed. Such a 'without project' scenario should include an assessment of alternatives.

The summary ESIA obliges Georgia to buy almost 2 GWH annually at USD 85.32 per MW/h for the next 36 years. That might become a long-term burden for the state, especially in a situation where there are no visible guarantees of an affordable electricity price. Moreover, this deal might become an obstacle for exporting locally-produced electricity to neighbouring countries, where energy prices are already lower.

In addition, the key facilities associated with the project, including transmission lines and access roads are notably absent from this cost estimation, which could mean that the already high cost of the construction would increase further. It should be noted, that the EBRD plans to fund the Georgian State Electrosystem to construct the related infrastructure, including high voltage transmission lines, from the Khudoni sub-station.

Indigenous peoples

The Nenskra dam area is inhabited by Svans, an ethnic group that leads a unique, self-sufficient lifestyle. The ESIA does not recognise Svans as indigenous peoples, on the grounds that they do not meet all five criteria of indigenous peoples as set by the banks.

This arbitrary judgement is contrary to the United Nation's definition of indigenous peoples. Svans have kept traditional ways of life based on subsistence farming and livestock. Svans have a strong cultural attachment to their region. According to the ESIA, "although Svans do show to a certain degree some of the characteristics of 'Indigenous Peoples,' mainly because of their geographic isolation in Upper Svaneti, the affected Svan communities are not considered 'Indigenous Peoples,' and therefore the potential lenders Indigenous Peoples policies are not triggered".

The ESIA underlines that "The Svans are integrated into modern Georgian society. They are subject to and adhere to Georgian laws, have no specific governance systems and live a lifestyle that is similar to others who live in similar remote mountainous regions of Georgia".

In order to convince the readers that Svaneti has the same traditions as rest of Georgia, the ESIA falsely claims, "The local communities reported one crime in the past five years in the Nenskra valley. They usually prefer to settle disputes internally using the traditional dispute resolutions – which is a Georgian practice and not specific to Svaneti - by referring the matter to the elders or to religious leaders. If internal resolution is not successful, the dispute is then brought to the local authorities".

Social impacts assessment, land acquisition and livelihood restoration

The ESIA concludes that only 80 families in both gorges would be impacted directly by the project, therefore the social impacts are not that significant. However the broader impacts on vulnerable segments of the population – such as women, the elderly and internally-displaced people – have not been assessed. In the

updated ESIA, while the project company at the end recognises those groups as vulnerable, the action plan does not go beyond proposing 15 per cent of workplaces for woman as an equal opportunity.

A field investigation by Bankwatch in July 2017 found evidence that the Land Acquisition and Livelihood Restoration Plan (LALRP) developed by JSC Nenkra Hydro is inaccurate and fails to properly map, assess and provide adequate compensation for the project affected persons (PAPs), especially for those that are significantly and severely affected by the project.

In its response JSN Nenskra (<https://goo.gl/Nsesav>) admits that mistakes could have been made in mapping and informing about compensations. Given the scale of the project and the impacts it will have on local communities, it is difficult to imagine how people were left out of the consultation process, especially people that own land and assets in the project area, of which the entire community is aware, be it in the Nenskra or Nakra valleys. The company claims that door to door socio-economic surveys were conducted in 2015 and 2016 and included all residents from the two valleys including the power-house site.

The company also explains that the compensation process is not yet finished and this might be a reason for people not being aware of the entire compensation scheme. In this regard, this is proof of the company's failure to respect the timeline approved by its supplementary ESIA.

Only in November did the updated ESIA present the compensation scheme and its operational guidelines for traditionally-owned but not recognisable lands under Georgian legislation, like forests.

Public participation

Public participation has been flawed since before March 2017 and during the disclosure period. The numerous direct actions, strikes, protests and letters clearly shows that project does not enjoy wide public support..

The project developers have consistently ignored questions and concerns raised by communities. In August 2017 during two consecutive days of meetings in Chuberi, community representatives voiced their concerns about their safety and future well-being. As the

area is prone to landslides, mudflows and minor earthquakes that could potentially be triggered by the excavation work and vibration from the building site, these obvious safety issues were a prime area of concern for the local people at the meeting. Nevertheless, the developers were resolute in their stance that safety is guaranteed and that there will be no need for alarm and warning systems

Berne convention

The project site was originally proposed to be included within the European system of protected areas as the 'Svaneti 1' Emerald site. In January 2016 the Georgian government attempted to exclude all territories to form part of the planned Nenskra project, without providing any evidence that the Nenskra and Nakra valleys are less important in terms of biodiversity than the rest of the Svaneti region. This resulted in a complaint to the Berne Convention on the Conservation of European Wildlife and Natural Habitats for a violation of a number of articles of the convention.

The project company has said "JSCNH conducted an Appropriate Assessment screening for investigating any impacts upon the conservation status of the qualifying features of the candidate Emerald Site, and the assessment concluded that there will be no significant impacts of the Nenskra HPP Project and in-combination projects on the conservation status of the receptors brought forward for the Appropriate Assessment screening". It also claims that "no critical habitats were assessed to be present in the project affected area, as habitats were considered to be modified by grazing and logging".

However, in November 2017 a seminar organised by the Berne secretariat concluded that the site of the proposed project comprises some of the most pristine nature areas in Georgia and expressed again its concern over the fact that the area of the Svaneti 1 Candidate Emerald site has been drastically reduced.

While "the final conclusions on the Georgian Emerald Network sufficiency to protect the Habitats and species listed in Resolutions No. 4 (1996) and No. 6 (1998)," will be ready by end of 2017, it is clear from the draft conclusions that the reduction of the two sites in the West Caucasus (Ratcha and Svaneti) has led to insufficient protection of 7 species and 15 habitats, even with the newly proposed smaller sites.

It is especially worrying that assessments from 2015 for

brown bear, lynx and other species and habitats were changed to 'insufficient', which means that new sites or the extension of existing ones should be proposed by the country. Moreover, the Bern Convention will review the complaint on the reduction of the Svaneti 1 Candidate site from March 2018, meaning that no development should occur pending its publication.

Environmental flow

The new, updated ESIA claims that "the ecological flow is not the critical factor with regard to maintaining ecological continuity and no net loss of biodiversity", based on the assumption that "at the confluence with the Okrili River located 4 km downstream from the dam, the Nenskra flow will represent 15% of the existing situation" and "Upstream from the powerhouse, the Nenskra flow will represent 40% of the existing situation without the dam".

These conclusions are not substantiated in the studies, as it does not provide long-term flow data for tributaries. The ESIA not specify its methodology for calculating the environmental flow. In Volume 4 of the supplementary studies (7.3.1.4 Ecological flow: change in river flow and water quality) it is stressed that hydraulic studies were conducted by Stucky and SLR in order to assess flow and changes in water depth focusing on river velocities.

It is unclear how consultants draw this conclusion that either 15 and/or 40 per cent or "ecological flow of 0.9 m³/s will be sufficient to support aquatic faunal populations downstream of Nenskra Dam" without even using any environmental flow determination methodology (Neither holistic or hydrological) or having up-to-date data on river flow rates of the Nenskra and Nakra rivers and their tributaries.

The ESIA claims that, "Average monthly increases range from 5% in June - which is the month with the highest flow rate - to 300% in winter, when there is naturally a low flow rate. The downstream flow will be also significantly influenced by the hourly variations in the discharge of the powerhouse turbines causing instantaneous Nenskra flows that are higher than those of the natural conditions. In February - when the river flow is at its lowest - the peak energy turbinning would cause the river flow downstream of the powerhouse to vary from 3 to 50 m³/s". The proposed project would completely change seasonal flow regimes of the Nenskra and Nakra rivers. However, the ESIA tries to ensure the reader that "the change in river levels and flow velocity

which will occur as a result of the dam could be of benefit to fish populations in some sections of the river.”

Conclusions

We believe that the project still needs to undergo proper due diligence, particularly in light of Georgia’s poor track record in constructing hydropower projects like the Dariali and Shuakhevi projects which the EBRD is a part of. The first one was seriously damaged by landslides and mudflows. In the case of Shuakevi, just two months after the official opening, the company announced blockages in tunnels, and in November 2017 it was forced to undertake an entire tunnel system inspection. The local communities already raised concerns about increased ground water in their communities.

Based on our preliminary review of the updated ESIA, we ask that the IFIs postpone a decision on funding for the Nenskra project until:

- 120 days of proper public consultation on the updated ESIA begin, once the project promoter JSC Nenskra publishes the full document in Georgian;
- The full contract between K-Water and Georgian government is released, together with other related documents that would allow a robust cost-benefit assessment;
- Independent experts, like the Dutch Commission on EIA, conduct societal cost-benefit analyses for the project, together with wide public consultations;
- Requirements of the Berne Convention are fully respected;
- The indigenous peoples' status of svans is recognized and the appropriate indigenous peoples' policies are applied.