

## Namakhvani hydropower project



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**B**ankwatch/Green Alternative found out that EBRD is considering a loan for construction for the Namakhvani HPP on Rioni river in Racha -Lechkhumi region. The 433 MW hydro power plant will be constructed by Clean Energy (Norway) and ENKA (Turkey)<sup>1</sup>. Since 2010 as the continuous effort of the Government of Georgia, there were numerous project versions and tenders that has been awarded to different hydro power companies, that later has been refused by the companies.

In March 2018 the government of Georgia, Clean Energy and ENKA announced that they have finalised negotiations on the contract and the construction will start soon.

Presently the project includes construction of two reservoirs (100 and 59 meter height dams), connected by 4.4 km length power tunnel to the powerhouse and flooding more than 600 ha of the arable land and forests.

### National Environmental Consent

In January 2018, the project promoter submitted the screening report to Georgia's Ministry of Environment Protection and Agriculture. Currently it is preparing the new ESIA for the Namakhvani HPP.

It should be mentioned, that the project design proposed to the government was fully changed from the design that received environmental permit in 2015. However, company in the screening report claims that *"the environmental impact risks related to the changes made to the project are insignificant and these risks are fully covered by the EIA report of the original project"*.

According to the ministry decision, the Namakhvani LLC is required to prepare a new ESIA to receive the new environmental consent based on Georgia's Environmental Assessment Code.

### Transparency and project viability

The negotiations with the government regarding the Namakhvani project have ended and in worst tradition of EBRD sponsored Nenskra and Shuakhevi HPPs in Georgia, neither the old nor the new contracts have been disclosed to the public.

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.

Learn more: [bankwatch.org](http://bankwatch.org)



<sup>1</sup> <http://www.namakhvani.com/partners/>

The project documentation does not give any idea on the need of the project, as well as its economic cost benefit analysis. The screening document also does not address that issue.

Meanwhile, according to the independent assessments of the World Bank<sup>2</sup> and the IMF<sup>3</sup>, the impact of the project on the country's fiscal costs and electricity tariffs was assessed negatively. According to the WB study, *"If only Namakhvani cascade and Koromkheti HPP are built, the fiscal cost would be GEL 219 million (US\$89 million) in present value terms. The fiscal cost may be reduced to GEL 91 million (US\$37 million) through electricity exports. This fiscal cost would be comprised of US\$26.3 million for Namakhvani cascade and US\$10.3 million for Koromkheti HPP."*

### The project Impacts on biodiversity

Namakhvani HPP is planned to be constructed in the Rioni River Basin. Within its lower pool there are the Emerald Network sites, Ajameti Managed Reserve and Kolkheti National Park. The Rioni River is the only habitat of European sea sturgeon protected by the Bern Convention and to protect this species, it is necessary to establish a new Emerald Site. Given the above, a so-called Appropriate Assessment (AA) needs to be prepared at the earliest stage of the project preparation.

The EU Association Agreement imposes an obligation on Georgia to implement Appropriate Assessment for all projects which could potentially have a significant impact on the territories included into the Emerald Network. According to the Directive 92/43/EEC on preservation of natural habitats and wild flora and fauna, an AA needs to be implemented for any plan or project which could potentially have a significant impact on the Natura 2000 territory (in Georgia's case – Emerald Sites), separately or in combination with other plans or projects. This implies not only for the facilities that are placed immediately on the Emerald Site territory, but also for the projects that are outside of Emerald Site boundaries yet could potentially affect the Emerald Site. Merely because a project is not located on an Emerald Site territory, the decision that the so-called AA implementation is not required cannot be made. Placing a hydroelectric power station upstream could have a substantial impact on Emerald Sites located downstream due to the changes to the streamflow and sediment transportation, pollution or disturbing the migration routes of fish species<sup>4</sup>.

### The project impact on local communities

The project screening document claims that the project would not have drastic impact on the local communities, on the contrary, that project would be rather beneficial for locals in terms of employment opportunities, while changes into the project will *"not be linked to the changes in the risks concerning the impact on the social environment as the territory of the project impact area remains virtually unchanged and the volume of construction works decreases, albeit to a small extent."*

However, according to a section in the same chapter, in the event of relocating the powerhouse, both physical and economic displacement is likely, which requires detailed examination, preparation of the resettlement action plan etc.

The local communities have organised several protests during 2018. The people have problem with the hydro's negative impacts and losses of local agricultural (mainly wine) production and tourism development potential that represents the major income for local people. There is also problem regarding dam safety due to high seismicity of the area that concerns not only locals but the residents of the Kutaisi, Georgia's second largest city. In order to address the issue, the movement "For saving Rioni valley" was created with the goal to stop further development of the Namakhvani HPP cascade.

### Clean Energy Group legacy in Georgia

The Clean Energy Group Georgia is the company that led the construction of Shuakhevi HPP project in Adjara, funded by EBRD, ADB and IFC. However, after two months of testing stage due to the incorrect

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<sup>2</sup> Assessment of Fiscal Costs and Tariff Impacts of Power Purchase agreements, March 2018, World Bank

<sup>3</sup> Georgia Fiscal Transparency Evaluation, 2017, IMF

<sup>4</sup> see the European Commission's guideline document – European Commission, 2018. Guidance on the requirements for hydropower in relation to Natura 2000).

environmental impact assessment (low-quality geological study), the project's derivative tunnels collapsed that cause stopping of the HPP operation. According to experts' evaluation, the company sustained hundreds of millions of dollars in losses, the local population incurred losses and has requested resettlement due to safety risks, and biodiversity is degrading steadily<sup>5</sup>. It should be stressed that the EIA report for the Shuakhevi project was prepared by environmental consultancy Gamma Consulting, the major environmental advisor for Namakvani LLC.

### Conclusions

EBRD Board of Directors should ensure the close examination of the project and its documents, before the project officially enters into EBRD's pipeline. EBRD funded hydro projects in Georgia have controversial history from compliance with EBRD safeguard policies (see Dariali and Paravani PCM reports), as well as ongoing problems with the Shuakhevi and the Nenskra HPP projects.

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<sup>5</sup> [http://greenalt.org/wp-content/uploads/2016/10/Report\\_Shuakhevi\\_HPP\\_environmental\\_problems.pdf](http://greenalt.org/wp-content/uploads/2016/10/Report_Shuakhevi_HPP_environmental_problems.pdf)