

Green Alternative's position on the construction of Khudoni HPP in Mestia Municipality, Zemo Svaneti

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The position paper starts with reviewing social, economic and environmental concerns related to the planned Khudoni hydro power plant (hereinafter – Khudoni HPP) project, which prompt Green Alternative to oppose the project implementation in its proposed form. The paper continues with procedural violations detected during public consultation meetings organized by Trans Electrica company in Khaishi village and Tbilisi in September 2013. Finally, a short description of the issues related to pressure exerted on project affected communities, civil society organizations and competent authorities is provided.

➤ Social issues

The project impact on local communities is the most important and painful issue and keeps environmental and economic risks in the background. If the project is implemented as proposed, the villages of Khaishi and Chuberi communities, agricultural plots, pastures, forests, two churches, graves, significant historical monuments, including a medieval castle of Khaishi, yet to be studied archaeological monument discovered in Khaishi dated back to the 1st century, as well as Jvari–Mestia road will directly (flooding area) or indirectly be affected by the project; Over two thousand people will face resettlement that will create increased political risks for the country in a long-term perspective. Moreover, even excluding the difficulties related to involuntary resettlement, such fragmentation (which the Svan people have already suffered in the recent past because of natural disasters) will have a devastating impact on a small ethnographic group of Svan people. In addition, Trans Electrica company still tries to conceal real magnitude of impacts on the local communities and neglect the interests of those affected villages, which are left beyond the flooding area.

No resettlement plan has been released along with the Environmental Impact Assessment (EIA) Report that makes reviewing of the EIA documents absolutely senseless. The project developers speak about the use of the World Bank policies and its standards; however, the methods used by them are very far from both the World Bank policies and international human rights law, according to which detailed, targeted consultations should be held with the population likely to be resettled due to the project and the latter should have an opportunity to participate in planning and implementation of the resettlement programme. It should also be emphasized that 1500 hectares of land and real estate located on it, including the property of the local population, as well as the works estimated at USD 178 million carried out during the Soviet period in Khudoni HPP project area, were transferred to Trans Electrica company at a symbolic price of USD 1 without any consultations with general public and/or project-affected communities.

The absolute majority of the population likely to be resettled due to the project is against resettlement. It should also be noted that a part of the population had already been relocated during the Soviet period, but their significant part was unable to adapt to new location and returned to original housing. Repeated resettlement of these families is even more difficult and unacceptable. Furthermore, it should be emphasized that Georgia has no national policy and legal procedures for development induced involuntary resettlement that would have ensured appropriate standard of living for the relocated population as required under international law.

➤ **Economic Issues**

It is unclear how Georgia will benefit from the project implementation. Obviously, the project is profitable for the investor, but it does not automatically mean that it will be profitable for the country too. The assertions made by project proponents about annual 10% growth of electricity demand are extremely questionable. Moreover, the statements about high significance of Khudoni HPP for the country's energy independence is also very doubtful and tendentious: the state will annually receive from Khudoni HPP only 133m kWh of electricity at US 5.84 cents (that is about 7% of entire electricity generated by Khudoni HPP), while in case of additional need, the state will have to purchase electricity at an international price. Hence, it is obvious that the mentioned project has export purposes. The project does not discuss any alternatives to fill power shortage, such as energy efficiency and complete rehabilitation of existing hydro power plants. Moreover, it provides insufficient discussion of economic, social and environmental consequences of alternative design solutions. It is absurd to claim the special role of Khudoni HPP for Georgia's energy sector since the country still has no national development strategy and plan, while the Ministry of Energy has not yet developed the strategic energy development plan; moreover, no energy balance has been drawn since 2001.

Judging from the information provided in the project documents, from economic point of view, Khudoni HPP project will bring insignificant benefits to the country that will be reflected in mobilizing property and income taxes to the central and local budgets of the country. Furthermore, the project will generate insignificant macro-economic benefits in terms of GDP growth (not in the amounts mentioned in the EIA report); however, all the project benefits are miserable against the background of the damage incurred to the region and the country, as a whole.

Unfortunately, the Ministry of Economy and Sustainable Development of Georgia has not carried out cost-benefit analysis; neither did it request the investor to carry out such analysis. Generally, when foreign investments are made only in exploitation of natural resources, it does not mean healthy and sustainable economic development; especially when China, India, Turkey and other giant countries express their willingness to exploit natural resources of a small country, like Georgia.

➤ **Environmental Issues**

The environmental studies are incomprehensive and do not provide a real picture to assess environmental damage caused by the project. According to the EIA report, the project implementation will lead to the destruction of a number of rare, endemic and endangered plant species. It will also cause destruction of habitats of endangered animal species. Tens of years will be needed to establish new faunistic complexes; however, their complete restoration will still be impossible. The EIA report notes that further research should be carried out in the future to determine real environmental impacts. Such practice is not in line with the current legislation, as EIA report must provide comprehensive research findings. The EIA document lists a number of mitigation and compensations measures, which are usually provided and simply copy-pasted in almost all the EIA reports prepared by various Georgian EIA consultants (plant transplantation in relevant conservation centers; plant reproduction from seeds collected in nature; creation of live plant collections in conservation centers) but never implemented in practice. The Ministry of Environment and Natural Resources Protection has never reacted on non-fulfillment of these obligations by the project developers.

It is unclear what amount of forest ecosystems will be destroyed/inundated as a result of the project. According to the project documents, the area of Khudoni HPP reservoir will be 528 ha. The Enguri River flows in the gorge with upward slopes; accordingly, it is impossible to flood exactly 528 ha. Because of such method of assessment of flooding areas, the issues of climate change impacts and biodiversity reduction are not assessed properly.

The damage caused to ecosystem services, as well as costs, are not assessed. It should be noted that approximately the same amount of forest ecosystems were destroyed in the Borjomi district as a result of Russian military intervention in August 2008. By then, the Georgian authorities described the damage as ecocide, while the special governmental commission assessed the damage at USD 1 billion. The cost of various deposits of minerals existing in the region (and flooded as a result of the project) should also be added to it. Thus, when speaking about the amount of property handed over to the company at a symbolic price of USD 1, we should suppose not only project amount, the implementation of which started far back during the Soviet period, but also the value of ecosystem services and natural resources subject to destruction in case of project implementation.

The EIA report actually neglects the cumulative impacts caused to biodiversity as a result of logging under long-term timber processing licenses. As known, the Georgian-Chinese company owns a 20-year logging/timber processing license (38 000 ha, including Khudoni and Jvari forest farms); moreover, 25 five-year and ten-year logging/timber processing licenses have been issued covering over 18 000 ha of the territories adjacent to the villages of Khaishi and Chuberi. The EIA report reviews only the cumulative impact of Nenskra HPP; however, according to the available information (order #125 of the Minister of Energy dated August 22, 2013), the Ministry of Energy plans to build nine HPPs on the River Enguri, including three HPPs – Khaishi HPP (670 MW), Pari HPP (230 MW) and Tobarı HPP (250 MW), with large reservoirs. Moreover, a couple of days ago the Ministry of Energy signed a memorandum, on behalf of the government, on construction of HPPs on Nenskra tributaries. Construction of hydro power plants is also planned on the River Mestiachala.

It is quite clear from the Energy Ministry's plans and EIA report that neither the investor, nor the state plan to implement compensation, offset measures that, first and foremost, should envisage the establishment of a protected area with high conservation status (nature reserve, national park) on the territory of Zemo Svaneti as well as protection of watersheds. Unfortunately, there is not a single square meter of protected area in Svaneti region. This recommendation was also given by the Netherlands Commission for Environmental Assessment (NCEA). Moreover, Anzor Chitanava, author of Khudoni HPP project, notes that during the Soviet period Khudoni HPP was planned so that in case of its construction, no other hydro power plant should have been built in the upstream of Enguri (including its tributaries). However, the authorities, including the Ministry of Energy act in an opposite manner and this will lead to an irreversible damage to the unique natural environment of Svaneti.

➤ **Public consultations of EIA report**

Public consultation meeting in Khaishi village, September 17, 2013: a day before the discussion, on September 16, Paata Tsereteli, the director of Trans Electrica Georgia company, visited Khaishi village together with the deputy chief of Samegrelo-Zemo Svaneti's regional police department; they met with about ten local residents. The deputy police chief demanded the locals not to express their opposition to the project during the public discussion and not to display protest posters.

Public discussion was scheduled for 2pm at the Khaishi municipality building, though the notification posted on the door of the building indicated a wrong venue.

A couple of hours before the discussion, about at 10am, non-local police officers started to gather in the Khaishi police building. About 20 police officers were mobilized with some of them equipped with firearms. Later, 20 more police officers came to the venue, along with the deputy chief of Samegrelo-Zemo Svaneti's

regional police department and Mestia police chief. When asked why so many police officers were mobilized on the ground, one police officer (with the “Police Press” indicated on his back) responded that police regularly gather in Khaishi on a monthly basis. A local standing nearby said that he had never seen so many police officers in the village before. Shortly before the launch of the public consultation meeting several police officers entered the meeting room. Such behavior by police officers is unacceptable and can be evaluated as an attempt to silence people opposing the project.

Half an hour before the public discussion started, Deputy Energy Minister Ilia Eloshvili came to the local administration building and told the locals gathered outside the building that Khudoni HPP would be built in any case. He repeated the same words during the meeting that fueled up tensions.

The meeting room was extremely small and not all interested persons managed to attend the discussion. There were not enough seats in the room (that is unacceptable in similar situations, because a lot of old people and citizens with children arrived from Khaishi and other project-affected villages to attend the meeting). Therefore, the meeting started with a 40-minute delay, outside a school building, in the sun, without any voice amplifiers.

By unknown reasons, instead of the company representatives, the keynote speaker was Deputy Energy Minister Ilia Eloshvili. Instead of listening to the remarks and opinions of the project-affected communities, he spoke about the irreversibility of the project implementation arguing with anyone, who dared to express concerns over the project.

After the three-hour meeting in the open air, people moved to the building. 10 minutes later, locals demanded to suspend the meeting, because they found out that mostly the company’s representatives, consultants, public officials and police officers were present in the room. Local population considered it unacceptable, because they supposed that such discussion would be used to the detriment of their interests.

Videos of Khaishi public consultation meeting are available at the following links:

<http://www.youtube.com/watch?v=rRv23UQdkBo>

<https://www.youtube.com/watch?v=bOcgNs6sLWY>

<https://www.youtube.com/watch?v=TrU1zbOVkoA>

<http://www.youtube.com/watch?v=yIsBdn6YNf4>

<http://www.youtube.com/watch?v=zC5jo8Mlh8U&feature=youtu.be>

https://www.youtube.com/watch?feature=player_embedded&v=BTu1mFH3Lwk

<http://www.youtube.com/watch?v=3HGCKhqa9NA>

<http://www.youtube.com/watch?v=rRv23UQdkBo>

<http://www.youtube.com/watch?v=j1BswlBk0To>

<http://www.youtube.com/watch?v=HF7QdfiRzks>

Public consultation meeting in Tbilisi, September 19, 2013: The meeting was held at Courtyard Marriott in Tbilisi. Before letting in the hall, the company carried out registration of participants – a representative of the company was writing down the name, workplace and telephone of a participant and the latter was endorsing it by signature. Such practice is not in line with the principles of public consultations in the EIA process, as it restricts to a certain degree free expression of an opinion by a participant. The entrance of the hall was guarded by the representative of the Trans Electrica company, not allowing those persons, who temporarily left the hall or were late, to enter again (it was especially obvious with respect to the representatives of non-governmental organizations and media). The company representative was behaving roughly and imprudently.

The company’s three-page flyer (in Georgian and English languages) about the advantages of Khudoni HPP project was disseminated from the registration table. The flyer did not contain the issues covered by the EIA report, including project description, alternatives, types of impacts, scopes, etc. Thus, it had nothing to do with the public consultations of EIA report.

According to the agenda, duration of the meeting was only two hours. 10 minutes were dedicated to receiving the guests; 20 minutes – greetings; 1 hour – presentations; 20 minutes – questions and answers and 5 minutes – final remarks. Proceeding from the number of participants and great public interest towards the project, it was obvious from the very beginning that it would be impossible to ask questions and receive answers during 20 minutes. It should also be noted that there were not enough chairs in the hall.

The meeting was opened by First Deputy Energy Minister Ilia Eloshvili. It triggered protests from the participants, as they claimed that the Deputy Minister had no right to present and defend EIA report instead of the investor company – it was violation of law. In response, the Deputy Minister explained that the agreement concluded between the company and the Ministry of Energy authorized him to act so, adding that it was both his right and his obligation.

After the first presentation (EIA report was presented by CENN, a contractor organization of Trans Electrica) was over, the participants asked to allow clarifying questions, but the host of the meeting, Director of Trans Electrica company Paata Tsereteli refused the request. He responded that the participants would be able to ask questions after the second presentation, as planned by the agenda; despite his promise, the participants were not given an opportunity to ask questions. The second presentation was dedicated to presenting the principles of involuntary resettlement, though initially it was portrayed as a presentation of resettlement plan. The presentations were followed by a discussion. The discussion was dedicated to general issues, particularly to the construction of hydro power plans rather than a particular EIA report. A great part of participants were not given an opportunity to ask for clarifications, questions or express opinions.

When the time allocated for the meeting was expiring, the host of the meeting, the director of Trans Electrica company groundlessly accused one of the representatives of Green Alternative (who was recording a video) of verbally insulting another participant of the meeting; an unspecified person, also present in the hall (the company representatives refused having any links with this person; the latter himself told reporters that he was a representative of Green Alternative) tried to force Green Alternative's representative out of the hall. This triggered a noise and mess in the hall. As soon as the clock struck 1pm, Paata Tsereteli announced about the closure of the meeting (he said the company hired the hall only for two hours). The participants expressed discontent over such completion of the meeting, because actually only few of them had an opportunity to express their opinions.

Video of Tbilisi public consultation meeting is available at the following link:

<http://www.youtube.com/watch?v=cAAjzdcDDq0>

➤ **Pressure exerted on affected communities and competent authorities**

According to Georgian legislation, a decision on construction and operation of the hydro power plant is made on the basis of Environmental Impact Assessment (EIA). EIA is carried out by the project initiator/developer (in this case, Trans Electrica company); its quality and compliance with the requirements of the Georgian environmental legislation is examined by the Ministry of Environment and Natural Resources Protection, in the process of ecological expertise. Based on the results of ecological expertise the Ministry issues a positive or negative conclusion. The Ministry of Economy and Sustainable Development, adopts a decision on granting a construction permit or refusing to grant such permit, taking into consideration the conclusion of ecological expertise. According to the legislation, neither the Prime Minister, nor the Ministry of Energy is entitled to interfere and influence the decision-making process by the above mentioned competent authorities.

Unfortunately, everything happens differently in practice. Khudoni HPP EIA process is passing with serious violations; top officials are exceeding their powers by pressing on the project-affected communities and decision-makers.

According to legislation, the Ministry of Energy has no right to lead the EIA process, to answer the questions of various interested parties instead of the project developer during public consultations or through media outlets, or to make promises on behalf of the company (it should be noted that during scoping consultation meetings last year, Deputy Energy Minister Mariam Valishvili also behaved just this way). First Deputy Energy Minister Iliia Eloshvili justifies such “interference” through inappropriate interpretation of one of the provisions (paragraph 4.12 (a)) of the agreement concluded between the Georgian Government and Trans Electrica company in 2011. According to the mentioned provision, the Government of Georgia shall assist the company with the implementation of the project within its authority as contemplated by this agreement, and GoG shall assist the project company in acquiring the relevant licenses and permits, provided that the company meets the relevant requirements under the Georgian legislation. This clause provides the ground for conflict of interests for the Georgian Government as well as those agencies, which are directly charged with issuing licenses and permits; but even this provision does not enable officials of Ministry of Energy “to assist” the company through violating legal requirements, and put the interests of one private company or agency above the law.

The statement made by the Georgian Prime Minister at the groundbreaking ceremony for the construction of another hydro power plant in the Adjara Autonomous Republic on September 16, a day before the planned public consultation meeting in Khaishi village, discredits the EIA and entire decision-making process by competent authorities. In particular, he said:

“Strategically, we need to construct hydro power plants very much and we should realize it... We should manage and build as many hydro power plants as possible... The issue of Khudoni HPP construction will be discussed tomorrow and I want to ask my beloved Svan people to address this issue with understanding. It will definitely revive the Svaneti Region. It is urgent to leave developed Georgia to our children. Keep in mind that Khudoni HPP needs to be constructed like many other hydro power plans... it is impossible to hamper the implementation of the country's development strategy; do not believe the opponents, who only make a noise and cannot do anything more”.

Besides the above mentioned, during public consultation meetings, as well as through media outlets, top officials have made many statements using the language of hatred which aimed at discrediting environmental non-organizations and those critical of Khudoni HPP project.

The above mentioned undermines the entire EIA process and prevents the Ministry of Environment and Natural Resources Protection and the Ministry of Economy and Sustainable Development from making unbiased and informed decisions about the planned project.