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ECA Environmental Practitioners
c/o Janet West
OECD Export Credit Secretariat
2, rue André Pascal
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Paris, 27 May 2005

Dear Madams/Sirs,

We understand that you have been mandated to prepare environmental guidelines for dams as part of the Common Approaches on Environment and Officially Supported Export Credits. On behalf of the 29 NGOs from 19 countries listed below, we would like to offer comments and recommendations on this subject from a civil society perspective.

Large hydropower is not a source of renewable power

We were very disturbed to learn that the Participants to the Arrangement on Guidelines for Officially Supported Export Credits decided to include large hydropower among the technologies that should benefit from preferential treatment under the Arrangement. Unless strict conditions are applied, preferential terms for large hydropower will amount to subsidizing environmental destruction.

Most large hydropower projects have negative and often irreversible impacts on the environment, and can therefore not be considered a source of renewable energy. We would like to point out the following irreversible impacts of large dams:

- Dams have fragmented 60 percent of the length of the world's large river systems. This massive alteration of the world's riverine, riparian and freshwater habitats is a major reason for the rapid loss of freshwater biodiversity. Up to 35% of freshwater fish species are estimated to be extinct, endangered or vulnerable. A significant share of shellfish, amphibians, plants and birds that depend on freshwater habitats are also at risk.
- Reservoirs flood forests and other terrestrial and riverine ecosystems including irreplaceable habitats for endangered species. Dams alter the natural distribution and timing of streamflow, thus compromising the dynamic aspects of rivers that are fundamental to maintaining the character of aquatic ecosystems. Dams also block sediment flows, leading to the erosion of downstream river channels and coastlines; block species' migrations; and reduce the productivity of downstream riparian areas, floodplains and deltas.

- The great majority of reservoirs will eventually lose their ability to function due to sedimentation. According to World Bank estimates, 300-600 new large dams must be built every year simply to offset the loss of storage capacity due to sedimentation of existing dams. The huge, ECA-financed Tarbela hydropower project in Pakistan has for example lost one quarter of its storage space to sedimentation.
- Large hydropower reservoirs in the tropics emit large amounts of greenhouse gases. Emissions from the ECA-financed Balbina hydropower project in Brazil are estimated to be some 25-28 times higher per kilowatt hour than emissions from modern coal-fired power plants.
- Many impacts of large dams go unacknowledged or underestimated by project developers. Even where the impacts of dams are acknowledged and mitigation plans put in place, these plans typically fail to address adequately the problems caused by the dam.

Recommendations

The Common Approaches do not contain any dam-specific provisions, and the World Bank Safeguard Policies only include a very brief dam-specific Annex (see BP 4.01, Annex B). The Safeguard Policies have not stopped the World Bank from approving hydropower projects that were highly destructive (such as Pak Mun in Thailand) and economically unsound (such as Pak Mun, and Bujagali in Uganda). They have not helped developers and financiers avoid controversy, legal problems, time overruns, and reputational costs.

The World Commission on Dams (WCD) however prepared the first independent assessment of the development impacts of large dams, and has published the most thorough and comprehensive set of guidelines for the development of energy and water sector projects. The Core Values and Strategic Priorities of the WCD have been officially endorsed by the World Bank, other international organizations, governments, the main association of the hydropower industry, and civil society. While some interest groups are trying to undermine the legitimacy of the WCD's recommendations, the international public clearly expects any new dam projects to comply with these recommendations. Any failure to do so will create reputational risks for developers and financiers, including export credit agencies.

The recommendations of the WCD can be implemented. The WCD's Strategic Priorities have been specified in the so-called Policy Principles. Not all Policy Principles are equally relevant for export credit agencies, and NGOs would be happy to advise the Export Credit Group, and individual export credit agencies, on which Policy Principles require particular attention.

The European Union has decided that Clean Development Mechanism carbon credits from hydropower projects over 20 megawatts can only enter the European Trading System (ETS) if the projects respect the principles and guidelines of the WCD. We understand independent experts are currently considering preparing practical guidance on how the WCD Policy Principles can be implemented in this context. The export credit agencies will be able to benefit from this guidance as they seek to implement the WCD recommendations.

In conclusion, we encourage you to insert the following language under Paragraph 12 of the Common Approaches:

Hydropower projects should, in all cases, comply with the Policy Principles of the World Commission on Dams report.

Thank you for your attention to these concerns. We would be happy to discuss them in a meeting with you. We look forward to your reply.

Sincerely,

Bob Thomson

Facilitator
International NGO Campaign on Export Credit Agencies

On behalf of the following 29 organizations from 19 countries:

- Environmental Defense, U.S.A.
- Proyecto Gato, Belgium
- International Rivers Network, U.S.A.
- Sungi Development Foundation, Pakistan
- Swiss Coalition of Development Organizations, Switzerland
- Centre pour l'Environnement et le Développement, Cameroon
- Bubinga, Cameroon
- Association des juristes de l'environnement, Cameroon
- Society of Water & Public Health Protection (SWAPHEP), Nigeria
- Cordillera Peoples Alliance, Philippines
- Beati i costruttori di pace, Italy
- Finnish ECA Reform Campaign, Finland
- JA! Justica Ambiental, Mozambique
- Coordinamento Lombardo nord sud del mondo, Italy
- South Asia Network on Dams, Rivers & People (SANDRP), India
- Association for International Water Studies, Norway
- Amis de la Terre, France
- Pacific Environment, U.S.A.
- World Economy, Ecology and Development, Germany
- urgewald, Germany
- ECA Iberia Campaign/ Euronatura, Portugal
- Friends of the Earth Japan, Japan
- The Cornerhouse, UK
- Institute for Policy Studies/SEEN, U.S.A.
- FERN, Belgium
- Friends of the Earth - US, U.S.A.
- Halifax Initiative Coalition, Canada
- Berne Declaration, Switzerland
- Campagna per la Riforma della Banca Mondiale, Italy
- Both Ends, Netherlands