July 4, 2009

Comments about the proposed CDM credits for
The Myntdu Leshka Hydroelectric project in Meghalaya India

Based on reading of the Project Design Document dated Aug 22 2008 (version 1 as available on the UNFCCC website) for the above project and having monitored India's power sector and this project over the last few years we reach the conclusion that it will not be appropriate to accept the project for CDM credits. Some of the main reasons for this conclusion are listed below.

1. The project is clearly not additional: In section B.5 for proving additionality, the PDD says, "However the implementation of project activity is not feasible without CDM benefits as the additional funds for the project has been mobilized by the project participant only based on serious consideration of CDM revenues." This is a wrong contention.

The website of the Government of Meghalaya, related to this project, at http://www.meseb.gov.in/leshka.htm says the following about this project:

"The investigation work of the Myntdu Leshka Stage I Hydro Electric Project (2 x 42) MW was taken up by the Board during 1975-76 and the final Revised Detailed Project report (DPR) was submitted to the Central Electricity Authority (CEA) for clearance, in October 1998. The public hearing for Environmental Clearance conducted by the Meghalaya Pollution Control Board (MPCB) was held in March 1999, of which public has welcomed the Project. Necessary site clearance from the Ministry of Environmental and Forests (MOEF) to take up the pre construction works of the Project was given in August 1999. The Techno Economic Clearance (TEC) was issued by the CEA vide letter No.2/Meg/2/99-PAC/9499-9522/702 Dt. 20th September 1999 . The necessary Forest Clearance, subject to certain conditions, has been accorded by the MOEF vide their letter No.8-33/2000-FC dated 19.6.2001. The MOEF accorded Environmental Clearance vide Notification Ref.No.J-12011/4/99-IA- Dt.20/9/2001. The Meghalaya State Electricity Board accorded Administrative Approval for the construction of the 2 x 42 MW Project vide Board's Letter No.U/o No.GAP/258/97/vol.I/152 Dt.12/6/02 with a total project cost of Rs 363.08 Crores, including the Interest During Construction (IDC). While the provisional clearance was received in June 2002, the final clearance was accorded in May 2004."

It is clear that all these reports and clearances were accomplished way before Feb 2005 when the UNFCCC got legal status and CDM came into existence. The project thus was taken up without the consideration or need for CDM credits.

2. In India most power purchase agreements for large hydro projects determine the tariff on a cost plus basis. Per kWh tariffs are periodically calculated such that the developer will receive a return of 14% on their equity contributions. This costing places the risk of cost overruns and low hydrological flows on the electricity purchaser rather than on the developer. The power purchase cost for the project would be on a cost plus basis and thus the project should be considered non-additional, since the returns of the project are all but guaranteed at 14%. This is well above the stated benchmark. In India, hydropower projects rarely have difficulty finding a developer.

3. The cost escalations over the estimated costs, due to the inadequate appraisal, typical for such projects, cannot be considered a reason for justifying CDM project when the project was initiated much earlier. No project in India has been stopped due to additional funds required after the project work has stopped, additional funds are required in every project, and project authorities manage them without any recourse to CDM requirements.

4. A project of such magnitude should have shown that it has followed the recommendations of the World Commission on Dams, but neither the project has shown it, nor has it followed the WCD recommendations. This disqualifies the project also under the European Union's Norms.

5. The Project cannot be defined as sustainable development, since it will adversely affect the local environment and the communities. The management plan put in place have not been formulated or decided with free, prior and informed consent of the local communities and the adverse impacts will remain unmitigated. Thus the local people will suffer the adverse impacts, but will get no benefits from the CDM.

Under the circumstances, validation of the project in current form for CDM credits will not be appropriate and it would be absurd if the project gets validated, registered as CDM activity or gets CERs.

Himanshu Thakkar (ht.sandrp@gmail.com)
South Asia Network on Dams, Rivers & People, Delhi, India (www.sandrp.in)

Comments to be submitted at:
http://cdm.unfccc.int/Projects/Validation/DB/7C00QQCSK7WUAQE7JQ2CLASTKGL5UA/view.html