

June 4, 2006

**Comments about
Kaldigad Small Hydro project in Uttarakhand, India**

[This comment was sent to the Designated Operating Agency for the CDM validation for Kaldigad SHP on June 4 2006 and the DOA acknowledged the receipt of the comment.]

While projects like the Kaldigad Small hydro project are desirable if taken up in proper manner, the project taken up as present should not be validated for the following reasons.

1. The project developer (Uttarakhand Jal Vidyut Nigam Ltd) and funding agency (Asian Development Bank) have not done any satisfactory consultation with the people in the affected villages. The local people have not been given any of the project documents like the detailed project report, have not been given the environment impact assessment or environment management plan in the language that they can understand. Nor have the people been told about any of the adverse impacts of such projects. This is clear violation of the rights of the people and also violation of the CDM norms for consultation of the stakeholders and the local people. The claim made by the proponents in the CDM PDD in this regard (section G 1) is wrong. Till this is corrected, the project should not be validated.

2. Section G.1 should have given details of the amount of total land to be taken for the project, which has not been given. The summary Environmental Impact Assessment of the project (see www.adb.org), page 63 shows that cultivated land will be taken from the farmers. This will cause impact on the livelihoods of the farmers, contrary to what is stated in section G1 that there is not be any impact on livelihood.

The project needs to take permission for diversion of 2.51 ha (as per section G.1 of PDD) to 4.2 ha (as per p 63 of summary EIA) of forest land, which has not yet been taken. The project should have been submitted for CDM validation only after all such required permissions are in place, which is not the case in this project.

3. The PDD repeatedly makes the most shockingly misleading statement (section F.1) that the project "is not likely to have any significant adverse affect on the environment during execution or after commissioning". A project of this nature always causes significant negative impacts on the environment, including due to diversion of agricultural land, due to diversion of forest land, due to diversion of the Kaldigad stream (thus drying up of the stream till the water return to the stream after tail end channel), blasting for the tunnels and diversion structure, addition of large number of outsiders to the area and the impacts thereof, the disposal of the muck created in the project activity, the laying of transmission lines & roads, noise and dust pollution during construction, increase of possibilities of soil erosion and land slides and so on. The project document should be honest on such impacts and should include management plan for such impacts.

4. The PDD contradicts itself as when on the one hand it says that the power will be connected to the grid (section A.2 (e)) and exported to the Northern region (para 1 in section A.4.3) (the PDD also justifies the need of the project in the name of power demand in the northern region), on the other hand it claims that it will lead to availability

of power to the local population. Experience from other areas where such projects have been taken up so that such claims are baseless and such claims should not be entertained in a fair project document.

5. The PDD makes wrong statement in section A.4.3 that “only fossil fuel fired power stations would contribute to major part of the future capacity additions” in the Northern region in future, when in reality, a very large number of big hydro projects are planned and under construction in the Northern Indian region. Moreover, the figure of energy shortage of 10.06% in 2004-5 is wrong, as per the report of the Northern Region Load Dispatch Centre (www.nrlcdc.org), the shortage was 9.01%. The figure of growth rate in peak power of 11.39% given is also wrong. The correct way would be to look at the compound annual growth rate over the last decade, which figure is 4.7%.

6. The claim made in section A.4.3 that National Electricity Policy of 2005 “favoured establishment of large thermal based power plants and large hydro power plants” is also very misleading. A number of sections (e.g. section 5.2.20, 5.12.1, 5.12.2) of the National Electricity Policy (available at www.powermin.nic.in) are actually about renewable energy sources, including small hydro projects. Thus the statement in section A.4.3, page 10 that “the proposed SHP is beyond the imperatives of the National Policies” is totally wrong. The proponents are either ignorant about the policies or are making misleading claims.

Moreover, there is a separate ministry for non conventional sources of energy, at whose website (www.mnes.nic.in) one can see the slew of incentives provided for small hydro projects. By not mentioning these, the proponents are trying to mislead the CDM board.

7. The claim made on section A.4.5 that “the proposed project activity is not a debundled component of a large project activity” is not correct as the project is very much part of the larger ADB funded Uttaranchal Power Project, available on ADB website (www.adb.org).

8. It is stated in section B.3, page 16 of PDD that the Plant load factor of such projects is 20.7% generally. If that is the case how are the proponents claiming that for the proposed Kaldigad project, the PLF would be 86.76% when it claims in section A.2 that “The project will generate 63.52 GWH of net saleable power in a year”?

9. The description under title “barrier – Royalty charges” given in section B.3, page 17 is irrelevant as that description is for IPPs and the proposed Kaldigad project is not an IPP.

10. The claim under title “Regulatory Barrier” given in section B.3, page 18, that the IRR will work out to 7.79% is wrong, as it does not take into account the incentives that the central govt gives for small hydro projects. The Central govt incentives are described at <http://www.mnes.nic.in/frame.htm?majorprog.htm>. Such incentives include capital subsidy of upto Rs 150 million per project. If all such incentives are taken into account, the IRR would be much higher.

11. What is stated about “Regulatory barrier” is also not correct. The Uttaranchal Electricity Regulatory commission, in its order dated Nov 11, 2005 (see: <http://uerc.org/Order1to25.pdf>) has set up a number of important norms for tariffs of power from small hydro projects in Uttaranchal upto 25 MW.

12. The conclusion on page 18 in section B.3 that project is additional is not right. Since this is a ADB funded project, the finances for the project, including its deadlines and implementation mechanisms are fully in place, and the project would go ahead even without CDM credits.

13. In Section E.1.2.4 (page 21), the project considers generation mix of the northern region for the baseline emission calculations. However, the project is in the Uttaranchal state and such a small project should consider the state level emission calculations. Moreover the estimation of emission factor of 839.87 tCO₂/ GWh seems on higher side.

14. The statement in section F.1 that “The construction of this project neither alters nor contributes to raising of water level in the stream nearby” is Totally false. The project indeed diverts the whole of the Kaldigad stream, completely drying up the stream downstream from the diversion point, till the water returns to the stream after tail end channel. A number of such totally false statements (e.g. there is insignificant aquatic life, there will be no impact on the same, there is no risk to health of the people, there is no risk of soil erosion, the power channel will improve the soil erosion at a later stage, air and water environment are not affected, etc) are made in this section. Such falsehoods cannot be accepted for any project.

Under the circumstances, the project in current form should not be validated.

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