

Objection to Chel II 6 MW HEP in Gorubathan Village of Darjeeling District in West Bengal, India

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Upon a thorough reading of the PDD dated 20/06/2012 for the 6 MW Chel-II Hydro Electric Project, in the Darjeeling District of West Bengal, it is clear the project does not meet standards of environmental and social responsibility, sustainable development or additionality which are crucial to the CDM process. Aside from the fact that the PDD is exceedingly vague, ignoring important social, environmental and technical aspects of the project, the Chel-II HEP is a business as usual, non-additional endeavor and is unworthy of validation by the UNFCCC. The following is the extended basis of our claim:

1. The place is located about 5 kms away from Garubathan near Ambiok Tea Garden. The project started in 2006 but now the work is completely stopped since 4-5 years. Project is applying for CDM credits six years after it started work. This shows that the project is clearly non-additional. In the timeline listed on p.19 of the PDD "Demonstration of Prior consideration of the clean development mechanism" the PP



says, "PP has intimated UNFCCC and NCDMA on 27/06/2012" and the PDD claims this was within 180 days of project start up, which is completely wrong (see the photo of the intake point on the left).

2. The developers constructed half foundation on the river Chel at the intake point. Water will be diverted through a 3.5 km long pipeline. Water will be taken via the pipeline to the power house. The site of power house has been selected but no construction work has started so far. They have an office near the power house which is not in good condition. 3-4 houses are there on the route of the pipeline that have lost land. Just one person got a job against his land at Rs. 2000/month but he lost the job (the project work stopped) and he has not been not compensated. Some amount of farming land which will be affected by the pipeline.

3. More importantly, the 4 kms stretch of the largely rain-fed Chel river will entirely dry up, and water level going down would affect agriculture tea garden as well as the source of drinking water all along the stretch.

4. Though the PDD talks about a stakeholder consultation, it was revealed when visited the place in early Sept 2012 that no meeting so far had been organized with local villagers, and nobody in the project area including the large Ambiok Tea Garden was remotely aware of the CDM aspect of the project. The construction work is supervised by outsiders, and only 1-2 persons have been taken from the

neighborhood. Therefore the project is clearly non-participatory and lacks in transparency. It clearly violates the sustainability criteria.

5. The PP, Shyam Energy, is a member of the Shyam Group of Industries is a major player in the Iron &



Steel sector in the Eastern Region and is “amongst the largest manufacturers of Ferro Alloys in the country”. It comprises various infrastructural projects in fields such as power (biomass, waste heat, thermal and hydel), cement, logistics and industrial parks, and Special Economic Zones. With a turnover of more than Rs.3,500 crores, it is clear that the Shyam Group is a mega corporation involved in business as usual, profit-oriented business, and certainly does not require CDM funding for the construction of 6 MW Chel-II (see above the photo of the river that will get destroyed for at least about 3.5-4 km, but there is no mention of this in the PDD).

6. In March 2008 it was reported, “The company [Shyam Energy] has already signed a power purchase agreement with West Bengal State Electricity Board... full completion of the project is expected by 2009.”¹ This shows that the project was conceived and had planned to be constructed long before CDM consideration, and is thereby non-additional. Yet, in the timeline listed on p.19 of the PDD “Demonstration of Prior consideration of the clean development mechanism” the PPA that took place over four years prior to CDM consideration was not mentioned. Its claim that informing NCDMA and

¹ <http://www.projectsmonitor.com/detailnews.asp?newsid=15710>

UNFCCC on June 27, 2012 about its intention to apply for CDM credits is within 180 days of commencement of work is also thus patently wrong.

7. It is unclear as to how the project proponent calculated the IRR benchmark to be 13.88% and the IRR



without CDM credits to be 9.27%. In fact this is a factual impossibility, as for the years 2009-2014 the Central Electrical Regulatory Commission of India has promised at least 15.5% returns on equity and 16% for power projects completed on schedule. In 2009, the Gol unveiled this policy in an attempt to attract investment in all energy sectors including hydro power. Since the returns of the project are all but guaranteed at 15%, not

counting additional subsidies granted by the state and central government which will be explained below, the project should not be considered “additional” (see above the location of the power house and thick forest around that location).

8. The calculations provided in the PDD fail to include various government subsidies which are available for the purpose of constructing small hydro power projects. As displayed on the Ministry of New and Renewable Energy (MNRE)’s website,² the government has provided a formula to calculate Central Financial Assistance for the construction of small hydro power projects, which is available to all projects:

$$1.50 \text{ crore} \times (C)^{0.646}$$

*C being the capacity of the project in MW

Using this formula, one finds that the total amount of subsidy available to Shyam Energy Ltd. comes out to be Rs. 4.77 Crore (approximately 861,324 USD) for the construction of the Chel II HEP. This is a significant amount of public funding and seems to have been neglected in the PP’s investment analysis in order to overstate the additionality of the project.

9. In addition to the Rs. 4.77 Crore available under the aforementioned Grid-Interactive Power Programme the central government has recently established a department under the MNRE specifically to deal with small hydro power projects (the Small Hydro Power Division of the MNRE). In 2009 the Ministry revealed a Small Hydro Power Programme to promote SHP projects of 25 MW capacity or less.

² <http://www.mnre.gov.in/cfa-schemes-programmes.htm>

In this, the government offers resources to identify SHP project sites, help in upgrading existing SHP stations, financial aid for setting up ventures in the private/cooperative/joint sectors, and support for training, business meets, and further development of SHP. In addition to the benefits offered in the SHP Programme, Small Hydro Power (SHP) projects in both the public and private sectors enjoy complete exemption from: public hearings (the main vehicle for citizens to know about the project and express their views about development works in India), Environmental Impact Assessment (EIA), and other standard regulations such as environmental clearance, Environmental Management Programme, environment monitoring and compliance. Thus, contrary to what the PP has stated in the PDD, there are no existing barriers to the execution of the Chel-II HEP project. Keeping all of the above considerations in mind, CDM credits are clearly superfluous to the economic viability of the project.

10. In the state of West Bengal, the West Bengal Renewable Energy Development Agency alone, has taken up implementation of survey & investigation and execution of about 12 small hydro power projects in the state with a composite capacity of 40 MW. Out of which, about 6 MW power plants have been commissioned in the beginning of 2006. The Sidrapong Power Plant, also in the same Darjeeling District where Chel II HEP is proposed, of capacity 600 kW is oldest hydro power plant in the country. Renovation and Modernisation of three more power plants have also been completed. It is clear that the state has a long tradition of small hydel power without any consideration of CDM credits—it follows that CDM is superfluous to the functioning of the 6 MW Chel-II, and the project should not be considered for CDM.

11. As far back as 2006 there has been controversy over land acquisition for the construction of Chel-II and nearby dams Chel-I and Chel-III on the Chel River.³ Yet in the PDD there is no mention of this history, nor as to how much land must be acquired due to the project activity, how much compensation was paid for that land, what is the nature of that land, and how surrounding forests will be impacted. Seeing as how the site of the Chel-II is surrounded by thick reserved forests, nature preserves, and fertile tea gardens, this omission is of grave concern and should be a sign that the project is unworthy of validation by the UNFCCC.

12. The information provided in the PDD about the “local stakeholder meeting” (see p. 27) is vague and lacks credibility—not only are no specifics of local stakeholders’ names, places, or comments given as proof that this meeting actually happened, but also the acceptable procedure for consulting the Gram Panchayat, the traditional governance structure in villages, has not been followed. Till date the PP has not sought informed consent from elders from the affected villages (including downstream villages).

13. Likewise, the seven days advanced newspaper notification (which they also have not shown any proof of) is insufficient. Rather, a full DPR translated in a local language should have been distributed to the affected people, providing due time for consultation of at least a month to understand the impact the project will have on the local livelihood. The process the PP has engaged in shows a great disregard for the local livelihood and the social component of sustainable development, which is supposed to be integral to the CDM process.

³ http://www.telegraphindia.com/1060619/asp/siliguri/story_6368772.asp

14. On p.2 the PP justifies the social implications of the Chel-II HEP by stating the project will lead to "Direct and indirect employment opportunities for local population" and "development of road network, transportation facilities and other amenities." Yet, in their PDD the PP has not mentioned any specifics about long term job creation for the local community, such as the number and type of jobs that will be created, and proportion that will go to local community. Nor have they listed what "other amenities" will be availed by local population. Since the Gram Panchayat (village council) has not been consulted, or asked for consent in this matter, the PP could not know what infrastructure or jobs are required by locals. As mentioned above, only one affected person got a job, which too he has lost.

15. By admission of the company, electricity to locals "cannot be promised since once the electricity is supplied to the grid then the state decides according to the amount of power at its disposal and the amount of power required" (p.27 of PDD). Because the Chel-II will destroy local water access for irrigation, bathing, drinking, and fishing for the generation urban electricity, the PP should be required to provide some tangible benefits to the local population, that go beyond some temporary daily wage employment during construction phase of the project. Given the socially detrimental impact the project would have on locals of Darjeeling, the PP should be disqualified from CDM consideration.

16. Such projects, when they operate as peaking stations in non-monsoon months, tend to suddenly release huge quantities of water when the project generates power, and almost none during the rest of the hours when it does not generate power. This creates a lot of problems for the people using the river downstream from the tail race channel. There have been several incidents of death of people, cattle and other damages due to such sudden release of water. The project has neither done the assessment of the peaking power generation, nor given a list of measures that it will take to ensure that those who suffer these impacts will be compensated, nor to ensure that there are no accidental deaths and damages. This is a serious infirmity of the project.

17. PP has failed to mention in its PDD any methodology used by the company to adhere to the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act (2006), which recognizes the "right to hold and live in the forest land...for habitation or for self-cultivation for livelihood by a member or members of a forest dwelling Scheduled Tribe or other traditional forest dwellers". Additionally, indigenous peoples are conferred the right to "own, access to collect, use, and dispose of minor forest produce...which has been traditionally collected within or outside village boundaries". Yet the fact that the PP may need to acquire forest land for the Chel-II project but has failed to specify in its PDD how much forest land will be acquired, for what use it will be taken, and whether and how they have followed the rules and regulations of the aforementioned Forest Rights Act (2006) and PESA (1996) is of grave concern. Nor does the PDD specify what will be the loss of rich and diverse flora and fauna of the region.

Thus, with all the above considerations in mind, we call on UNFCCC to disqualify the PP, Shyam Energy, subsidiary of the Shyam Group, from obtaining CDM for this project.

Sept 6th, 2012