

12.5 MW Nekkiladi MHS project, affecting a UNESCO World Heritage region is undeserving of Carbon Credits
South Asia Network on Dams, Rivers and People



Above: Construction of 12.5 MW Nekkiladi MHS amidst dense forests and plantations in Western Ghats
Photo: SANDRP, 05 May 2012

We are writing to record our concerns about the upcoming 12.5 MW small hydro project Nekkiladi MHS on Kumaradhara River in Dakshin Kannada district of the Western Ghats in Karnataka. Western Ghats Complex has been recently inscribed as a World Heritage region by the UNESCO. After visiting the site, talking with the local communities, studying news reports and the PDD of the project in detail, we think that the project does not qualify to receive CDM credits. Doing so will not contribute to clean energy, but will only hasten ecosystemic destruction in one of the most threatened biodiversity hotspots of the world. Looking at the consistent local protests against the project in the region, it looks as if the severely non democratic and non transparent nature of the project will lead to further local protests, agitations and discontent.

Key concerns:

- **Non democratic, non participatory project facing huge local opposition**
- **A clearly non additional project**
- **Huge ecological impacts, entirely unaddressed**
- **Absence of statutory permissions**

1. Non Democratic, non participatory Project:



Section E: Local Stakeholder Consultation of the PDD mentions of only one meeting that the project proponent organised on 8th May 2012 in Puttur block. The section also claims that “No negative comments were received”

This is untrue. (Left: Farmers picketing against the project in Puttur town)

1.1 Local opposition: The project has been facing huge and sustained local opposition from the local farmers, villagers and farmers organisations like the *Raita Sangha*. The farmers have demanded a closure of the project multiple times because of the exceedingly non transparent behaviour of the project proponent. The proponent has, till date provided NO information about the

area of land that will be submerged by the project. The land behind the dam wall consists of valuable areca nut plantations and Western Ghat forests.

Land acquisition itself has not been done in Nekkilady Grampanchyat on the left bank of the river to build the dam wall. It is shocking to see the proponent approaching the UNFCCC for Carbon credits to a project which has not even succeeded in acquiring requisite land for completing the dam wall. The villagers of Nekkilady have asserted that they will not hand over the land to the proponent.

In February 2012, in a meeting between the Assistant Commissioner of Puttur, farmers organisations and Company representatives, the company was directed by the Assistant Commissioner to furnish detailed survey report of the extent of submergence due to project and had actually suspended the work on the project till those details were furnished (<http://thecanaratimes.com/epaper/index.php/archives/14770>).

However, the proponent has not done so till date and directly started actual construction works at the site, which again led to huge local protests¹ (<http://thecanaratimes.com/epaper/index.php/archives/14979>).

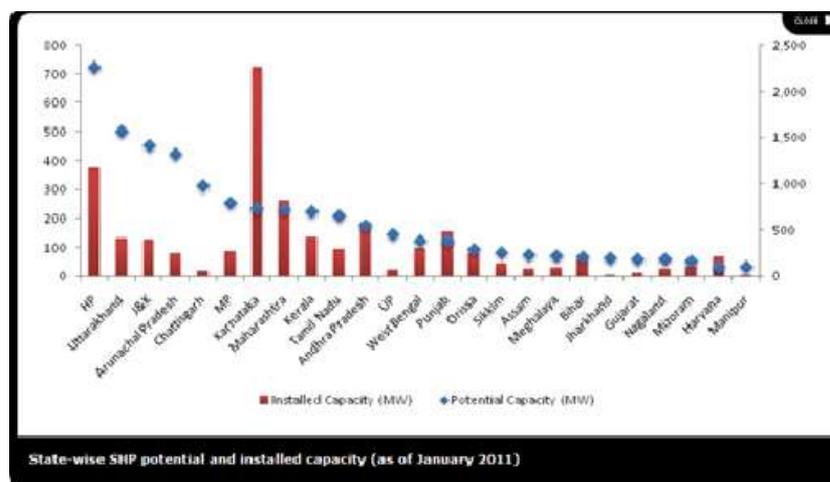
1.2 No Objection Certificate from affected villages not obtained: The proponent has actually started construction of the dam without any statutory permission in place, not even the 'No Objection Certificates' from local gram panchayats (Hirebandady and Nekkilady Grampanchyats). The villagers have opposed giving No Objection Certificate to the project. Gram Panchayats are village bodies, the first tier of Indian democracy and their permissions for any developmental projects are statutory and in line with democratic governance. No Objection Certificate issued by the Block Panchayat (which consists of many villages in a particular block or taluk) has **actually been revoked following local protests:** (<http://thecanaratimes.com/epaper/index.php/archives/15729>)

Considering all these factors, the UNFCCC should not issue carbon credits to a project which has blatantly flouted democratic, statutory norms.

2. Non Additional Project:

2.1 Huge push for small hydro in state of Karnataka:

The Karnataka Renewable Energy Development Limited has sanctioned more than are 108 mini hydel projects in Dakshin Kannada District alone, most of which fall in Netravathi-Kumaradhara basins with a projected total capacity of 636 MW. (For information about small hydro schemes in Dakshin Kannada District, see: <http://www.kredltest.in/Hydroreportall.aspx>).



Source: <http://www.infraline.com/Reenergy/SHPHome.aspx>

There are already more than 8 commissioned/ under construction and planned small hydel projects, upstream of Nekkiladi MHS while more than 3 commissioned small hydel projects in the downstream of

¹ <http://www.thehindu.com/news/cities/Mangalore/article3024247.ece>

<http://thecanaratimes.com/epaper/index.php/archives/15985>

Kumardhara/ Netravathi. All of these have been sanctioned a detailed Environmental Impact Assessment Study and are having deleterious impacts on these biodiversity rich rivers.

12.5 MW Nekkiladi MHS is not an innovative or different project, but a business as usual small hydro project which has been pushed by the proponent and the state. The project fails in the Common Practise Analysis because of the above mentioned reasons.

Even though such a huge number of projects are coming up on a small river in ecologically rich area, no cumulative impact assessment or even an environment impact assessment is being done for these projects. 12.5 MW Nekkiladi MHS small hydro scheme is legally exempt from Environment Impact Assessment, Environmental Clearance, public hearing and implementing an Environment Management Plan and Environmental monitoring, these themselves constitute huge benefit for the projects.

2.2 Incentives from the State and the Central government

Apart from procedural incentives including Single Window Clearance (Karnataka Renewable Energy Policy 2009-14) Small Hydro Projects in India receive a number of incentives from the Centre as well as various states which include:

- Financial support given by Ministry of New and Renewable Energy at 1.2 crores of first MW and 20 lakhs for each additional MW ²
- The Small Hydro Schemes in Karnataka receive a preferential tariff at Rs. 3.40 per unit without any escalation for the first 10-year period from the date of signing of PPA (KERC Tariff Order 2009). Karnataka especially enjoys high tariff as compared to Himachal Pradesh at rates of 2.50 to 2.95 per unit).
- In addition, according to the Karnataka Renewable Energy Policy 2009-14³, the state accepts a Renewable Energy Obligation and “is committed to procure & utilize the Renewable Energy power as required and determined by Government of Karnataka. Due grid strengthening will be undertaken to meet this commitment.”
- Small hydro projects in Karnataka also enjoy tax rebates and revisions like with the Value Added Tax (VAT)
- According to ICRA Report on Small Hydro in India, published May 2012 (www.icra.in/Files/ticker/SHP%20note-.pdf) favourable fiscal policies that have helped in accelerating Small Hydro development in India include:
 - accelerated depreciation benefit,
 - tax holiday under section 80 IA
 - Soft loans by Indian Renewable Energy Development Authority,
 - IREDA and nil/concessional customs/excise duty benefits),
 - state level incentives and
 - financial support from MNRE

CDM credits have been listed not as a first benefit, but the last. This clearly implies that CDM credits are not the limiting factor in the growth of SHPs, but just an added bonus. The report states: “Under the Central Financial Assistance (CFA) Scheme of the Ministry of New and Renewable Energy, Govt of India (MNRE), capital subsidy is now provided to both private and State projects and for renovation & modernisation of SHP plants. Besides, technical support is being provided to SHP units through Alternate Hydro Energy Center (AHEC), IIT, Roorkee. MNRE is also organizing technical support towards survey and investigation, preparation of DPRs, project monitoring and training through Alternate Hydro Energy Center (AHEC), IIT, Roorkee.

Since January 2011, SHP projects totalling over 131 MW have been set up in the state of Karnataka. A supportive policy framework has been one of the key factors for achieving this rapid pace of project development. The Karnataka Renewable Energy Policy 2009-14 envisages 600 MW of SHP capacity additions by 2013-14, requiring 100-150 MW of addition every year.

² Small Hydro Program, Government of India, 2009, Ministry of New and Renewable Energy, Small and Small hydro Projects, Sixteenth Report to the Standing Committee on Energy)

³http://www.google.co.in/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0CFQQFjAC&url=http%3A%2F%2Fkredl.kar.nic.in%2FRenewable%2520Energy%2520Policy%2520Karnataka%2520Draft.doc&ei=IfS5T6SsLIXRrQe03oThBw&usg=AFQjCNEekkiZ-YZ_6ZQY4HOvjAQ1nubEbQ

- All the above points make it amply clear that small hydro projects are being pushed hard at the centre as well as the state and receive many financial and procedural benefits. In a latest case, States have actually been selling power generated from small hydro projects by Independent power producers to other states at a very high tariff of 4.14 per unit. (<http://www.tribuneindia.com/2012/20120515/himachal.htm#2>) This has become possible because of the scheme of trading Renewable Energy Certificates, introduced in India by the Central Electricity Regulatory Commission. This underlines the fact that small hydel projects in India enjoy a lot of incentives, which should be included in the cost benefit calculations, not doing that, as is the case with Nekkiladi PDD, means the project proponent is misleading everyone and should be disqualified.
- This goes on to prove that in India small hydel projects are a much supported, profit making business which is currently running without any sort of environmental checks and balances in place. Projects like this do not need external support in terms of CDM on the other hand, governance mechanism around small hydro in India need to be strengthened.
- **IRR majorly downplayed**
Keeping all the above mentioned points in mind, the IRR claimed by the project in its PDD of **9.33%** looks extremely underestimated.
The proponent has not mentioned any of the benefits that it enjoys from the above mentioned policies. If these benefits are included in the calculations, the IRR will significantly improve, making CDM credits additional for the project.
By way of comparison, IRR of the 15 MW Sagar Neerukatte project mentioned in its PDD to the UNFCCC, which is barely 5 kilometres downstream of this project on the Netravathi River is **13.38%**. Sagar Neerukatte project has received CDM credits.

3. Severe Environmental Impacts downplayed

Section D 'Analysis of environmental impacts' does not mention a single environmental impact of the project.

- **This is a serious omission. In July 2012, Western Ghats region has been inscribed as a UNESCO World Heritage Site for its outstanding biodiversity values. Nekkiladi MHS will dam a biodiversity rich river Kumaradhara which is home to highest number of endemic fish species.** Many studies have proved that Kumaradhara has one of the highest endangered fish populations. A study identified 56 different fish species from Kumaradhara River out of which 23 are endemics, 11 are Vulnerable and 8 are endangered by IUCN and feature in Red List of threatened species (http://wgbis.ces.iisc.ernet.in/biodiversity/pubs/ces_tr/TR122/section2.htm).
- Fish like *Harobagrus brachysoma* and *Etroplus Canadensis* found in Kumaradhara are endemic and also critically endangered.
- Looking at the extremely valuable fish biodiversity in the region scientists have been recommending that the river should be **declared as a sanctuary and protected area.** (<http://www.iucnredlist.org/apps/redlist/details/169618/0/print>).
- The project makes no mention of mitigative measures like installing fish ladders or passes to ameliorate the impact of the dam in fish migration and spawning.
- The islands on the river at the dam site are a habitat to birds of numerous species. The adjoining river banks are densely forested. However the project proponent has not shared any details of the submergence area, or the area of forest to be submerged.
UNFCCC should not issue carbon credits to a project that will affect biodiversity that is of high conservation significance.
- The PDD states that the project will lead to **33,212 Tonnes CO2 Equivalent Emission Reductions. However, the dense forests and full grown plantations in the area are already sequestering carbon on a large scale. There is no mention of this in the PDD. Flowing rivers are also important in mitigating impacts of Climate change because of the services they provide. The impact of loss of this carbon sequestering and mitigative measures will in effect reduce the Emission Reductions by the project. We urge the UNFCCC to include this in the calculations as well as externalising a carbon benefits (in addition to a range of other socio ecological benefits) of standing forests is extremely unsustainable and inequitable.**
- The project proponent has not even submitted a copy of a Rapid Environmental Impact Assessment as is required by Karnataka Pollution Control Board for perusal of the DOE or stakeholders. many other such projects which have applied for CDM (Example: 15 MW

Neerukatte MHP on Netravathi River, 24 MW Shamburi MHP on Netravathi River, 24 MW Perla MHP on Netravathi river, etc., have furnished a REIA report to UNFCCC)

- The Karnataka State Renewable Energy Policy 2009-2014 states that “Keeping in view the environmental issues, the Mini Hydro projects in the Western Ghats” Districts/Forest areas will be restricted to maximum 5.00 MW” (13 ii, Strategy for Small Hydro).
- No mention has been made of releasing any environmental flows downstream the river when the project is not producing power.

4. Impact on Water Supply of Puttur Town

As mentioned in Section A 3 of the PDD, the proposed dams site is barely 500 mts upstream of a weir and pumphouse supplying water to the Puttur town (Population 5200, Census of India 2011). When the MHS holds back water for generating peaking power, the water supply to the town maybe affected

This is a serious issue which has not been resolved by the Project Proponent. As per the National Water Policy 2002, Drinking water has the first priority in water allocation decisions. Hence, the proponent should study and openly share the probable impact of the project on water supply weir which is 500 mts downstream the site and water supply schedules of the Puttur Town.

5. Impact of the project on sustainable development

- In section A, Description of Project Activity, the PDD states: “Social well being: The project would generate employment during construction and operation phase, resulting in social well being of the local people.”

It does not clarify how many jobs will be created or the nature of these jobs. Neither is there any commitment to providing jobs.

As against this, the project will affect existing farming and plantation based income of the communities in the area. The net result on social well being may be negative.

- In the section on Economic Well being, the PDD states: “**The project activity would bring foreign revenues to Indian Company (project proponent), as sale proceeds of CERs.**”

This is a highly erroneous and objectionable statement. The project proponent is an economically powerful company, the additional CERs received by the company will only add to its private profit and not to sustainable development. Increasing the private profits of a corporate entity is not the objective of CDM process.

We take strong objection to this statement and request the UNFCCC to reject such shoddy PDDs

The project has makes no mention of keeping aside any portion of the CERs received in form of Sustainability Fund for community development.

6. Section E Local Stakeholder Consultation

There are many serious issues with this section. We has written to the company on the email address provided in the PDD on the 26th June 2012 for clarifications, but have not received any response till today, 10th July 2012 which is the last date for submitting stakeholder comments. (Email in Annex 1)

All the comments received by the stakeholders have been dealt with a non serious way. For example, when the stakeholders have asked:

- Question: What is the flooding area when the weir is in place and what will be the land required?

The answer given by the proponent is : “*The flooding of water will be in the range of 250 m upstream of the weir location. The land required for flooding has been purchased on the Right bank and the acquisition of the land on the left bank is in process.*”

Firstly, “250 m upstream of the weir location” does not signify anything. It does not say anything about the **area** of land that will be submerged and the proportion of forest, farmland or plantations. This is a very misleading statement and misrepresentation of facts.

Incidentally, the proponent has not even required an NOC from the farmers and villagers on the left bank.

- Question: Do we have all the project licenses for the project activity?

To this the proponent has answered: “*Presently, the required statutory clearances have been got. The rest are in process.*”

This is again a highly misleading statement, it does not clarify which clearances have been obtained and which have not been obtained. The project does not have the most basic

clearances from the villages in terms of No Objection Certificates, so the claim that required statutory clearances are in place is a lie.

- The project faces a very serious local opposition and yet the PDD states that “no negative comments were received” The section does not mention how many people attended this meeting, nor are the minutes of meeting annexed with the PDD. We wrote to the proponent about providing us with these documents on June 26 2012, but the proponent has not gotten back.

The project also does not have a Host Country Approval as yet and thus should not receive Carbon Credits.

Conclusion:

The 12.5 MW Nekkiladi MHS which is currently under construction is a clearly non additional, unsustainable project with serious ecological and social impacts. It is coming up in a most undemocratic, non participatory way in face of huge local protests. The company has till date not shared any details of the area of forest land, farmland and plantations which will be submerged, nor has it conducted a Rapid EIA, nor does it intend to share any of the CERs received for social activities. It will be affecting biodiversity in a region which has been designated as a World Heritage Site by the UNESCO.

Considering all these serious issues, the UNFCCC should not issue Carbon credits to the upcoming 12.5 MW Nekkiladi MHS.

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10 July 2012

Annex 1

Email sent to Chairman, Soham Energy, Proponent of the 12.5 MW Nekkiladi MHS on the 26 th June 2012, requesting information about stakeholders meeting and various statutory permissions.

This email is unanswered till 10 July 2012, last date for submitting Stakeholder Comments.

(MIME-Version: 1.0

Mon, 25 Jun 2012 17:26:36 -0700 (PDT)

Date: Tue, 26 Jun 2012 05:56:36 +0530

Delivered-To: parineeta.dandekar@gmail.com

>Subject: About 12.5 MW Nekkiladi MHS

From: Parineeta Dandekar <parineeta.dandekar@gmail.com>

To: suchindra@sohamenergy.in

Cc: chairmansoffice@sohamenergy.in

Dear Mr. Shetty,

Im Ms. Parineeta Dandekar, writing to your from South Asia Network on Dams, Rivers and People. Our organisation works on issues related to water and environment in India, with a specific emphasis on community participation in decision making.

I have visited the upcoming Nekkiladi MHS at Uppinangady and have some specific questions about the PDD that you have out up for comments on UNFCCC website.

Please consider these questions:

In section E, the PDD claims that a stakeholders meeting was conducted in Puttur on 8th May 2012

1. Can you please let me know:

- Number of people who attended the meeting
- A list of their names with affiliations
- Minutes of the Meeting

2. Has the Nekkiladi MHS obtained NOC from Nekkiladi and Hirebandady Gram Panchayats and Uppinangady Taluk Panchayat?

3. Has the company submitted a detailed survey report of the exact extent of submergence by the project, as was directed by the AC in April 2012? Has this copy being shared with the villagers and land owners? If yes, please provide us with a soft copy of the report.

We are in process of submitting comments on the PDD and your inputs on the above mentioned points will help us do that.

Looking forward to hearing from you,

Yours Sincerely,

Parineeta Dandekar

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