International Rivers Network
Linking Human Rights and Environmental Protection

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CDMWatch

Safeguarding EU emissions trading - Setting Rules for Hydroelectric Projects

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Introduction

The proposed directive[1] linking the EU emissions trading scheme with the flexible mechanisms of the Kyoto Protocol is contrary to the fundamental principle that climate change mitigation policy must be founded on domestic action.

The details of the directive create many additional risks. In particular, the following problems are created by the absence of any restrictions for hydroelectric projects developed under the Clean Development Mechanism (CDM) and Joint Implementation (JI):

- Investment in potentially destructive hydroelectric projects is encouraged.
- The risk of large volumes of 'fake' carbon credits flooding the European trading system is increased.
- Previous EU positions on the issue of large hydroelectric projects in the CDM are contradicted.
- Investment in real solutions, such as new renewable energy sources and energy efficiency measures, are discouraged.

Earlier drafts of the Directive excluded hydroelectric projects that were "*incompatible with the criteria and recommendations laid down by the World Commission on Dams in its year 2000 Final Report*". In the final version this exclusion was deleted and the current explanatory text, which accompanies the directive, includes an ineffective, non-legally binding, call for member states to consider:

"*the impact of project mechanisms on host countries, particularly on their development objectives, including whether JI and CDM large hydro-electric power production projects have been established which have negative environmental and social impacts*"[2].

The decision by the Commission not to use the recommendations developed by the World Commission on Dams (WCD) will only benefit the big dam industry, at the expense of the climate and rivers, as well as the people who live along them.

[1] COM(2003) 403: Proposal for a Directive of the European Parliament and of the Council amending the Directive establishing a scheme for greenhouse gas emission allowance trading within the Community, in respect of the Kyoto Protocol's project mechanisms, Brussels, 23.7.2003.
[2] Paragraph 4(c).

Hydroelectric projects and the Kyoto Protocol mechanisms

As the World Bank/IUCN-sponsored WCD report has shown, large hydroelectric projects have severe negative social, environmental and economic impacts, and have regularly failed to meet their generation targets[3].

Some of the concerns associated with large hydroelectric projects are:

1. They do not contribute to sustainable development, which is what the CDM is supposed to promote.
2. They have enormous social costs, especially on indigenous and peasant communities.
3. They are prone to being non-additional – that is, business as usual projects that will happen without the CDM/JI and do not represent real reductions in greenhouse gas emissions.
4. They are not climate-friendly, since they are emitters of greenhouse gases (such as methane, which is a potent greenhouse gas).

Given their scale, large hydro projects can generate massive amounts of carbon credits. Roughly 30% of the credits that are being claimed by projects in the Dutch Cerupt portfolio come from non-additional large hydro projects –about 5 million credits. Overall, seven large hydro CDM projects are claiming just over 12 million credits, compared to only 17 million currently being claimed by all 24 renewable projects applying for CDM validation combined. Massive hydroelectric CDM projects are currently being proposed that dwarf even these amounts: a single project in Mozambique, the 1,300MW Mphanda Nkuwa dam, is proposing to sell 7 million carbon credits per year.

Opening the EU Emissions Trading System to such volumes of credits would pose a serious threat to the effectiveness and credibility of the scheme, while diverting investment from the new renewable technologies which will truly contribute to sustainable development and greenhouse gas emission reductions.

The EU position on hydroelectric projects in the CDM

At the 6th Conference of Parties to the Climate Change Convention at The Hague in November 2000 (COP 6), Europe promoted a "positive list" of eligible technologies for the CDM. This list excluded hydroelectric projects over 10MW. While the "positive list" was unsuccessful because of other countries, there is no reason why a similar restriction on large hydro projects cannot be now adopted for the domestic EU trading scheme. Indeed, early experience with the CDM has borne out the fears about large hydroelectric projects that drove the EU to attempt to exclude them at COP6.

By excluding large hydroelectric projects, the EU will be sending an important and consistent signal that the CDM should be used to promote projects which actually reduce carbon emissions and have additional environmental and social benefits.

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[3] For more information see the IRN/CDM Watch report "Damming the CDM: why big hydro is ruining the CDM" http://www.irn.org/programs/greenhouse/index.asp?id=021025.dammingthecdmpr.html. Also see the WCD Report, available at www.dams.org.

To ensure sustainability, however, the EU should adopt the recommendations set out in the WCD for hydroelectric projects.

Germany and the Netherlands have already adopted the WCD recommendations as a condition for their CDM hydroelectric projects.

Policy Summary

If the linkage between the Kyoto mechanisms and emissions trading is going to occur, the European Parliament and the Environment Council must act to prevent the promotion of unsustainable hydroelectric projects by adopting:

1. **a 10MW cap on hydroelectric projects ;**
2. **WCD recommendations for all hydroelectric projects.**

For more information:

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