

Mr. Zhao Jianguo,
Chief Executive Officer,
China Southern Power Grid Co., Ltd.
6 Huasui Rd., Guangzhou, 510623
People's Republic of China.

22 June 2009

Re: CSG Project Risks in Southeast Asia

To Director Zhao:

International Rivers is a US-based civil society organization that works globally to protect rivers and the people that depend on them, and to promote sustainable solutions for meeting water, energy, and flood management needs. In May 2008, we wrote to you regarding projects that CSG is pursuing in Burma, Laos, and Cambodia. We raised a number of outstanding concerns with these projects, which we identified as needing to be addressed before CSG proceeds with its initial public offering. We offered recommendations on how CSG can reduce the environmental and social impacts of these projects, decrease project risks, ensure compliance with relevant Chinese and international law, and advance CSG's global reputation.

We have also contacted Sinohydro expressing similar concerns with overseas dams, and have received a helpful response from Sinohydro's overseas department. We have yet to hear from you regarding our recommendations, and we remain concerned that CSG's hydropower projects are having or will have a negative impact on local communities and the environment.

According to CSRC and MEP guidelines, CSG is required to undertake a public review of the environmental impacts of its operations before listing, during which time the company's overseas investments should be analyzed. We will continue to voice our concerns about these projects in which CSG is involved overseas as part of this review process. Specific concerns are as follows:

- **Myitsone Hydropower Project, Burma.** This project is opposed by local communities because it will displace 10,000 people, mostly ethnic Kachin, and because it will drown historic and culturally important temples and other sites. In addition, earthquakes in this region throughout 2008 heightened fears that the area is unsuitable for dams. Thousands of Chinese workers arrived at the dam area in October 2008, and since then reports of possibly illegal mineral and timber extraction by Chinese companies has increased tensions with local communities. Such activities are particularly of concern in an area widely recognized for its ecological value.¹

¹ Burma Rivers Network, 2007. *Damming the Irrawaddy*, available online at www.burmariversnetwork.org

- **Nam Tha 1 Hydropower Project, Laos:** There are serious flaws with the Environmental and Social Impact Assessment for the Nam Tha Hydropower Project, published by Guanxi Electric Power Industry Investigation Design and Research Institute. The report underestimates the project's impact and overestimates its economic benefit. Nam Tha 1 requires the resettlement of almost 8,000 mostly indigenous people. In violation of Laos' law, construction of Nam Tha 1's access road has commenced before adequate reporting on the dam's environmental and social impacts is complete.²
- **Salween Dam cascade, Burma** The proposed mainstream dam cascade will threaten the livelihoods of hundreds of thousands of people, particularly ethnic minorities who have already suffered countless hardships under Burma's State Peace and Development Council. Over the past several years, surveys for the dams have already resulted in forced relocations and violence against local people, and one dam worker was killed in 2007. The first dam that is likely to go forward is Hatgyi, which is located in a contested war zone and will impact two wildlife refuges; studies for the project have been kept confidential.
- **Sambor Hydropower Project, Cambodia:** This project will block major fish migrations and threatens food security throughout the Mekong region. It also threatens a number of endangered species, including the Irrawaddy Dolphin. Since we last communicated with you, strong scientific consensus has been reached that the project will have unacceptable impacts on fisheries.³ Growing regional and international public opinion is calling for the Mekong Rivers' mainstream to remain free of dams.⁴
- **Shweli 1 Hydropower Project, Burma.** In December 2008, this project, built with investments from the Yunnan Power Grid Co., began transmitting power to China. Its construction has already impoverished 700 local ethnic Palaung farmers, many of whom were not compensated and were forced to work for the project's access roads for unfair pay or no pay at all. Villagers have had their land, livestock, and natural resources seized by Burmese soldiers to make way for the dam, access roads, and transmission lines.
- **Stung Cheay Areng Hydropower Project, Cambodia:** The proposed project is located in a densely populated area and would flood nine villages and incur impacts on downstream farmlands and fisheries. The Central Cardamom Protected Forest will also be impacted, inundating the habitat of 31 endangered fauna species, including the world's most important breeding site for the endangered Siamese Crocodile. The Initial Social and Environmental Impact Assessment for the dam was released to NGOs for comment in April, 2009; specific concerns with this document were submitted April 29, 2009 from Fauna and Flora International, Save Cambodia's Wildlife, and The NGO Forum on Cambodia.

We offer the following recommendations regarding how CSG can ensure compliance with Chinese domestic laws, strengthen its relations with project host communities abroad, and

² See case study on the Nam Tha project, in *Power Surge: the Impacts of Rapid Dam Development in Laos*, September 2008, International Rivers, p. 25.

³ See proceedings of Mekong River Commission Secretariat expert group: http://202.62.105.253/Catch-Culture/vol14_3Dec08/mainstream-dams-barriers.htm

⁴ See www.savethemekong.org and <http://tinyurl.com/Save-the-Mekong>

establish world class social and environmental standards that can safeguard against conflicts in future overseas projects.

First, we ask that **CSG reconsider its involvement in the above-mentioned projects**. Given that the impacts associated with the Sambor, Stung Cheay Areng, Myitsone, and Salween hydropower projects are severe and cannot be mitigated, CSG should not move forward with these projects. For the Nam Tha 1 project, CSG should instigate an independent study of the project's economic and technical feasibility as well as a participatory social and environmental impact study to determine whether the project should proceed. With regards to the Shweli 1 project, CSG should ensure that affected people receive fair compensation for their losses and share in the project's benefits and that participatory social and environmental impact studies are conducted for two additional dams proposed on the Shweli River.

Second, we ask that CSG **adopt and follow environmental, social, safety and health standards in all of its overseas dam development projects that meet international standards of best practice**. This will allow CSG to identify and address potential problems at an early stage, and will help avoid negative impacts, potential conflicts with affected communities, delays, and a tainted reputation during the implementation of projects. We recommend CSG develop its policies inline with the framework of the World Commission on Dams, the leading benchmark for corporate social responsibility in the hydropower sector.⁵ We provided details to you about the recommendations of the World Commission on Dams in our May 2008 letter. We would be happy to provide you with additional guidance, as well as a copy of the World Commission on Dams final report: "Dams and Development, a New Framework for Decision Making."

Third, we recommend that CSG **engage in a dialogue with host communities and civil society organizations** in overseas regions in which it is active. Harmonious relations with host communities and with civil society are an essential factor in the successful implementation of international infrastructure projects. Host communities and civil society groups are often the first to know about the social and environmental problems which may arise in complex projects. An open dialogue with host communities and civil society will support the quality of CSG's construction projects, ensure friendly relations with the host populations, and contribute towards the company's effort to become a leading international brand.

These three recommendations would help China Southern Power Grid Company ensure compliance with relevant Chinese domestic policy, including the State Council's "Nine Principles on Encouraging and Standardizing Foreign Investment", SASAC's "Guidelines on Fulfilling Social Responsibility by Central Enterprises," and the Ministry of Environmental Protection's Green Credit Policy.

I would be glad to discuss with you how CSG's environmental policy could be strengthened, how to engage with host communities and civil society organizations, and the project-specific concerns either through further correspondence or in a personal meeting. I will be in China mid-June through mid-July, 2009, should you wish to schedule an in-person meeting.

⁵ www.dams.org

We look forward to your response.

Sincerely,



Peter Bosshard,
Policy Director,
International Rivers
peter@internationalrivers.org

Attachments:

May 2008 Letter from International Rivers to CSG

Endorsed by:

Burma Rivers Network (Burma Rivers Network is comprised of representatives of different ethnic organizations from potential dam affected communities in Burma. Burma Rivers Network's mission is to protect the health of river ecosystems and sustain biodiversity, rights and livelihoods of communities)

Rivers Coalition of Cambodia (An Alliance of Civil Society Organizations Working to Protect and Restore River Ecosystems and River-based Livelihoods in Cambodia).

cc:

Mr. Yuan Maozhen, President, Board of Directors, China Southern Power Grid
Mr. Liang Zhou, Director, International Cooperation Department, China Southern Power Grid
Mr. Shang Fulin, Chairman, China Security Regulatory Commission
Mr. Tong Daochi ____, Director-General, Department of International Cooperation, China Securities Regulatory Commission
Mr. Liu Lisheng ____, Deputy Director-General, Department of International Cooperation, China Securities Regulatory Commission
Mr. Zhang Lijun, Vice Minister on Pollution Prevention and Legislation, Ministry of Environmental Protection
Mr. Zhai Qing, Division Director of Pollution Prevention, Ministry of Environmental Protection
Mr. Pan Yue, Director, Ministry of Environmental Protection
Mr. Yang Chao, General Manager, China Life Insurance Company
Mr. Liu Fucai, Director, Guangdong Province State-owned Assets Supervision Administration Commission
Mr. Zhang Yujin, General Manager, Shanghai Stock Exchange
Mr. Wu Xingyu ____, Corporate Regulatory Department, Shanghai Stock Exchange
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