Statkraft wreaks havoc on communities in Laos

The contradictions between Norway's image as a defender of international human rights and the reality in distant lands receiving Norwegian "aid" were brought home during a recent trip to Oslo, writes British fisheries expert David Blake.

I was there to present the social and environmental impacts resulting from one such part-Norwegian supported and owned hydropower project in Laos met with staff of the state power utility **Statkraft**, the **Ministry of Trade and Industry** and the **Norwegian Agency for Development Cooperation (Norad)** which have both been intimately connected with the project for many years.

A glance Statkraft's glossy inhouse magazine, *Fossekallen,* shows that the company wishes to purvey an image as a producer of clean, green electricity, or as the company calls it, "pure energy". I personally found it hard to reconcile this carefully groomed domestic image with the one now being played out in Laos, where the ecology of two large river systems has been severely damaged and local people impoverished by Statkraft's local operations. Estimates of uncompensated losses to local livelihood are USD 11-13 million and about 30,000 have been impacted.

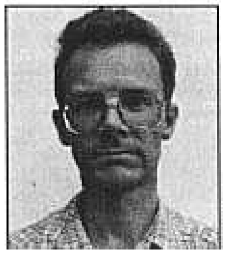
There has been strong Norwegian state backing for the trans-basin diversion **Theun Hinboun Hydropower Project** since its inception through aid and other public subsidies. Statkraft owns 20 per cent of the Laos-registered company established to build, own and operate Theun Hinboun over a 30-year concession period. The project was completed in 1998, following rushed and faulty environmental impact assessments by consultancy firms **Norconsult** and **Norplan**. These failed to provide adequate socio-economic or environmental baseline data, identify the extent of the impact area or even to consult local communities about potential impacts. The project's feasibility study, design and EIA were financed by Norad with about USD 8 million. Statkraft's equity share was underwritten by USD 70 million in Norwegian and Swedish government guarantee loans.

While there is no doubt that Theun Hinboun has performed well for its owners and been relatively efficient as Southeast Asian hydropower projects go, part of this "success" can be attributed to windfall earnings created by the delays in building the much larger **Nam Theun 2** project, currently under construction upstream. It is reported that Theun Hinboun has earned its investors over USD 239 million in dividends between 1998 and 2005, a healthy proportion of which will have been repatriated to Norwegian state coffers. The project has long been touted as a "prototype for public-private partnerships" and "a winner" by ADB and others.

This financial success comes with "hidden" social and environmental costs, which up to now the dam's owners have managed to brush under the carpet. These are outlined in a new report by **FIVAS**, *Ruined Rivers, Damaged Lives*, which details both downstream impacts and the owners' failed programme to mitigate impacts and compensate communities. .

Rather than take responsibility for damages already caused, the owners are instead pushing ahead with plans to expand the project by adding 280 megawatts of generating capacity and a new dam with extensive reservoir. This expansion calls for a doubling of discharges downstream into the **Nam Hai** and **Nam Hinboun** rivers compounding current impacts and affecting even more communities. It would also require the resettlement of thousands of people in downstream areas due to worsening floods and inability to practice traditional livelihoods.

Statkraft argues that they will only solve the numerous existing problems and address the new ones *if* they can proceed with the expansion. This position belies the fact that Statkraft and the other owners have been reluctant to spend money on project mitigation costs, even when they have been recommended by Norwegian consultants hired by the company. As for Norad's questionable involvement, officials I met in Oslo seemed keen to distance themselves from the project and denied responsibility for past mistakes.



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Interestingly, a dispute has arisen about the accuracy and trustworthiness of an environment impact assessment and resettlement plan penned by Norplan and released last month. Norplan was brought in to replace the British-based consultancy **Resource Management and Research** (RMR), dropped by Theun Hinboun's owners in late 2006, apparently because of its critical findings. Norplan has done no original research. Rather, the Norwegian firm has selectively used RMR's data gathered over two years of detailed field research, but arrives at quite different conclusions about the scale, nature and extent of impacts expected and mitigation measures required to solve them. Now RMR has dissociated itself entirely from the Norplan report, citing is as a "discreditable and dangerous document" and have issued a number of demands to Norplan.

Whatever the outcome of this conflict between developers and consultants, there is no doubt that the risk exposure of Statkraft has increased considerably in its continued involvement in this project. If Statkraft is to maintain its domestic image as a company serious about maintaining high standards of environmental accountability, then surely these goals should stretch further than Norway's borders? As it is, Statkraft has demonstrated a clear failure of corporate social and environmental responsibility, by making handsome profits at the expense of Lao ecosystems, biodiversity and some of the poorest people in Southeast Asia.