

Dodgy Deal: **Lower Sesan 2 dam project** Cambodia



update

This dodgy deal is updated regularly
last update: Apr 22, 2013

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Description

Located on the Sesan River, just below the confluence of the Srepok River in Cambodia's Stung Treng Province Province, the large 420MW, \$816 million Lower Sesan 2 hydropower dam will block two of the largest rivers in the Mekong River Basin, the Sesan and Srepok Rivers, forcing thousands of people to relocate. The Lower Sesan 2 dam will also severely diminish the fish stocks in the region, as well as others throughout the Mekong River Basin, near the Tonle Sap Lake in Central Cambodia, and the Mekong Delta in Vietnam. The proposed dam will also effect:

- Natural resources on river banks, along with natural vegetation, fish varieties, and fauna dependent on the rivers will be affected and lost;
- Social infrastructure, such as schools, roads, pagodas, health centres, etc., will be destroyed;
- Farmland will be flooded and lost;
- Water quality will be severely negatively affected;
- Water flow will forever be altered and fluctuate irregularly, interrupting people's livelihoods;
- Fish migration will be affected, and fish varieties will disappear;
- People's tradition and customs will be affected, and children's education will be interrupted;
- Communities are also concerned that insufficient compensation will be provided, and are worried sustaining their livelihoods.

brief history

Cambodia and Vietnam initially started talking about the possibility of building this dam in August 2006. In 2007, a memorandum of understanding between Cambodia's Ministry of Industry, Mines and Energy and Electricity of Vietnam was signed, including the undertaking of an environmental impact assessment and a feasibility study for the Lower Sesan 2 project. Study on this dam began in 2008 by EVN with Key Consultants Cambodia (KCC) conducting the Environmental Impact Assessment, and Power Engineering Consulting Company 1 (PECC-1) responsible for developing the resettlement and compensation policy.

what must happen

ANZ Bank must understand that the Lower Sesan 2 does not contribute to Cambodia's development. It will cause numerous negative impacts to thousands of Cambodians.

ANZ must acknowledge this contradiction between their own CSR policies and community development aims and recommend that Cambodia's (ANZ) Royal Group withdraw their investment in the Lower Sesan 2 project which will degrade the Sesan River and destroy the livelihoods of thousands of local Cambodian communities.

Furthermore:

- Respect the wishes of local communities who do not want the dam development to proceed.
- Uphold national laws of the Cambodian government and involved companies.
- Follow the procedures and recommendations as stated in the respected World Commission on Dams guidelines on dam approval processes, construction, and operation.

Social impact

There are several social concerns attached to this project:

- The dam is likely to flood seven villages in four communes. Approximately 4,574 people comprising 1,052 families will then have to be resettled into new locations.
- At least 38,675 people, including a large number of indigenous peoples, included in at least 86 villages located along the Sesan and Srepok Rivers and in the reservoir area would lose access to the vast majority of their fisheries resources due to the dam blocking fish migrations from the Mekong and Sekong Rivers up the Sesan and Srepok Rivers. In addition, at least 87 villages in Cambodia located along tributaries of these two rivers would also lose access to migratory fish. In total, at least 78,000 people living above the Sesan 2 dam site are expected to lose access to migratory fish
- 1,290 ha of agricultural land will be lost equalling approximately 25% of total agricultural land in the Sesan district.
- 3,000 workers are expected to be employed to build the dam and many of these people are likely to come from outside provinces which may lead to problems and impacts to communities and local cultures.
- If people lose their livelihood they may have to migrate outside of the community to work resulting in families and communities breaking down.
- The amount of useable or drinkable water will decline.
- Health problems may also arise. If a free flowing river suddenly becomes a stagnant reservoir this will signal a change in water quality and an increase in health problems: increase in mosquito breeding habitat, Malaria, Dengue Fever, toxic algae, skin rashes, respiratory problems, and other illnesses
- There will be a massive loss of the number and quantity of different fish species, as the dam will block fish passage to upstream Sesan and Srepok Rivers. People in Cambodia typically rely on fish as their food staple and main source of protein. If there are not sufficient fish in the rivers nutritional and other health issues may increase.

Environment

There is a list of environmental concerns as well:

- The dam site is very flat and therefore the height of the dam will be 75 metres above sea level. The reservoir area of the dam will be extensive and also shallow and will flood 33,560ha of land.
- Much land will be lost when the reservoir floods:
 - 305km² of forests, which are used to collect non-timber forest products
 - 7km of the National Road #78
 - 7,086ha of forest in the new resettlement area
- Rare and endangered species of flora and fauna will be lost
- The river's water flow in terms of quantity and quality will forever be altered
- There will be a massive loss of the number and quantity of different fish species, as the dam will block fish passage to upstream Sesan and Srepok Rivers. Over 100 fish species are found in the river and 66% of these fish are migratory species therefore if the dam is built, most of these species will disappear from upstream locations.
- The dam will block much needed sediment and nutrient flows to downstream water users.

Human rights

The list of human rights concerns are as follows:

- The knowledge of communities who will be directly affected by the LS2 dam is very limited as they have had limited opportunity to be involved in the planning process.
- Community opposition to the project is evident. Indigenous community in Ratanakiri have sent statements and letters to local and national authorities, governing bodies, and the dam developers themselves.
- Independent research (refer Baird 2009) conducted with villages in the project area concluded that 100% of the people who participated in village meetings clearly indicated that they are opposed to the LS2 dam.
- There currently exists no clear information regarding resettlement and compensation plans for the LS2 dam and affected communities. According to a presentation given by PECC1 and KCC during 2008 (the company who conducted the environmental impact assessment), affected communities will be provided with a new wooden house, some farmland, and some infrastructure. It remains to be seen if the government or companies will meet their resettlement requirements. People are worried about impacts to their livelihoods, which are difficult to replace.
- Cambodia does not have a resettlement law. There is currently a draft version of the law but this has not yet been approved by the National Assembly indicating that there are no clear guidelines to follow. In this respect the policies of the company will likely be used rather than national guidelines meaning that resettlement is often unfair and compensation is not based on the full replacement value.
- Experience in Cambodia shows that most EIA reports are not public or performed in a transparent manner and it is difficult to know if an EIA has even been completed.

Gender aspects

Some of the gender concerns are as follows:

- Responsibility to collect water and food preparation falls to the women in the household so if water quality decreases and becomes inadequate for consumption, health impacts will be experienced by women first.
- Also if there is less water in the river, or if the relocation areas are farther from the river, then women will have to travel further to collect water.
- Children are also at risk because they spend a lot of their time playing in, and beside the river.

Other issues

After 25 to 30 years of operating a dam, the sediment loads in the reservoir will steadily build making the reservoir shallower. This will also reduce the capacity of the dam to produce electricity and reduce the financial viability of the dam and may cause financial problems in the future.

Overall, if the Lower Sesan 2 project goes ahead, it will cause serious negative environmental, social, and health impacts.

The Lower Sesan 2 dam is a big project; 420MW and 75 metre high and estimated to cost USD816 million indicating that this is a developers dream, but independent research and lessons learned from other hydropower projects in the region show that this will become a community's nightmare.

What must happen

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applicable policies

ANZ has a focus on corporate responsibility and has formed a Corporate Responsibility Committee. A strategic leadership body with Management Board mandate which performs an oversight and advisory role in achieving the Group's corporate responsibility agenda and priorities. ANZ (Australia) website states:

- "If a client or transaction is judged to have the potential to impact ANZ's reputation or involves material issues of concern to our stakeholders, the decision is escalated to ANZ senior management through avenues such as our Reputation Risk Committee", and,
- "ANZ has developed a series of social and environmental management policies which set out how ANZ will engage with customers in socially and environmentally sensitive sectors".

ANZ Royal's website states:

- "our aim is to create long-lasting and mutually beneficial partnerships with organisations that are making a valuable contribution to the development of Cambodia", and,
- which "...focuses on contributing to our [Cambodian] community".

Durig 2004, ANZ Group Managing Director Asia-Pacific, Mr Elmer Funke Kupper was quoted as saying "*The joint venture also allows us to contribute to Cambodia as its economy moves toward higher growth and supports the emerging interest of Australian, New Zealand and Asian businesses in developing tourism, trade and investment links with Cambodia*".

Updates

May 26, 2011

On May 19th, 2011, hundreds of villagers from communities along the Sesan river met in Ratanakkiri's Veun Sai district yesterday to protest the dam. Read more about the protests [here](#).

Recently, on 24 April 2011, Cambodia's Royal group announced the plan to proceed with its Vietnamese partner on a US\$700 million hydroelectric plant along the Lower Sesan River. It is expected that commercial operations will begin in 2017. Read more.

In November 2010 the government of Cambodia approved the Environmental Impact Assessment (EIA) and negotiations are currently underway to agree a power purchasing agreement for the project. In January 2011, Vietnam's Ministry of Planning and Investment licensed Electricity of Vietnam (EVN) to make a US\$800 million investment into the project. Construction is expected to start later this year, in 2011. When completed, the power plant will have a capacity of 400 MW with an average output of 1,998 GWh per year.

financial institutions involved

banks

ANZ -

- approached/interest: 49% of the venture of the \$816M investment

ANZ Royal is a joint venture with the Cambodian-based Royal Group of Companies and ANZ (Australia). ANZ Royal is 55% owned by ANZ and 45% by the Cambodian Government.

source: International rivers

companies

ANZ Royal Group

Cambodia bank

EVN

An energy and environmental services company

Royal Group of Cambodia

Royal Group of Cambodia