

HYDRO-POWER PROJECTS IN THE AGREEMENT ON SPECIAL TERMS AND CONDITIONS FOR RENEWABLE ENERGIES AND WATER PROJECTS

Julian PAISEY
OECD Secretariat
Vienna, 3 April 2006

Agreement on Renewable Energies and Water Projects

- Objectives of promoting use of renewable energies sources and access to safe drinking water welcomed
- However, concerns raised about inclusion of hydro-power projects, given potential environmental and social impacts
- Participants to the Arrangement agreed to consider whether extant guidelines for assessing such projects were sufficient to comply with the relevant international standards

Extant Guidelines

- 2003 OECD Recommendation on Common Approaches on Environment and Officially Supported Export Credits
 - Screening and classifying all projects in respect of which ECAs' share is above 10 million SDRs or which are located in sensitive areas
 - Projects classified as Category A (high potential impact), B (less adverse potential impact) or C (minimal or no potential impact)
 - Large dams (as defined by ICOLD) are considered Category A projects
 - For Category A projects, ECAs should require an EIA

Extant Guidelines

- 2003 OECD Recommendation on Common Approaches on Environment and Officially Supported Export Credits
 - Projects should be benchmarked against:
 - Host country standards
 - One or more relevant international standard: WBG, EBRD, ADB, AfBD, IADB; or any higher standard, such as EU standards
 - Three WBG Safeguard Policies relating to involuntary resettlement, indigenous peoples and cultural property
 - Projects should comply with host country standards and with relevant international standards when these are more stringent
 - Review of OECD Recommendation due by end-2006

Relevant International Guidelines

- World Commission on Dams (WCD) Final Report 2000
 - Contains 5 Core Values, 7 Strategic Priorities and 26 Recommendations
 - General acceptance of Core Values and Strategic Priorities; disagreement on some aspects of detailed Recommendations
- IHA Sustainability Guidelines
 - Framework for good practices in accordance with WCD values
 - Recognises sustainable development is collective responsibility of government, business civil society, consumers and individuals

Relevant International Guidelines

- World Bank Group Safeguard Policies
 - Environmental Assessment
 - Natural Habitat
 - Forestry
 - Pest Management
 - Cultural Property
 - Involuntary resettlement
 - Indigenous Peoples
 - Safety of Dams
 - Disputed Areas
 - International Waterways

Outcome of Discussions

- OECD Members and the European Commission agreed statement:
 - Standard practice is that hydro-power projects should in all material respects meet the requirements of the relevant aspects of all the World Bank Group Safeguard Policies
 - Members and the European Community recognise the value of the relevant aspects of other international sources of guidance, such as the [draft] IHA Sustainability Guidelines and the WCD Report Core Values and Strategic Priorities

Outcome of Discussions

- Participants to the Arrangement agreed:
 - The application of this statement to the granting of officially supported export credits for hydro-power projects (regardless of size or whether under the Agreement on Renewable Energies and Water Projects or on standard terms)
 - The implementation of the special terms to hydro-power projects from 1 December 2005
 - Agreement on Renewable Energies and Water Projects, including experience with hydro-power projects, will be reviewed in 2007.