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## What goes behind the idea of biodiversity offsetting: The case of Nam Ngiep Dam in Lao PDR

The governments of Cambodia, Laos and Thailand are planning eleven large-scale hydropower dams on the Mekong River's mainstream. If built, the dams would block major fish migrations and disrupt this vitally important river, placing at risk millions of people who depend upon the Mekong for their livelihoods and cultures. The Laos hydropower development plan alone contains more than 70 new big dams, 12 of which are under construction and nearly 25 at advanced planning stages (1). Laos has also signed a Memorandum of Understanding (MOU) to provide 7,000MW of energy after 2015 to Thailand, and 3,000MW of electricity from now until 2020 to Vietnam (2). One key investor in these dams is the Asian Development Bank (ADB).

In line with the "green economy" trend, the ADB, along with other financial institutions like the World Bank, obliges companies to offset the biodiversity loss that cannot be avoided. This is the case of the Nam Ngiep 1 Hydropower Project, which started in 2014 and is located in the central provinces of Bolikhamxay and Xaisomboun, Laos, 40 km upstream from a confluence of the Mekong River. It is scheduled to begin operations in January 2019. The biodiversity offset project is supposed to compensate for all the biodiversity loss that the dam will generate.

On this occasion we talk with **Premrudee "Eang" Daoroung** of Project SEVANA South-East Asia, a Bangkok based environmental activist who has been monitoring the environmental issues of the region in the past two decades.

### **How is the general situation of dams' proliferation in the Mekong region and how is the situation specifically in Laos PDR? What are the main impacts of this boom?**

The issue on large-scale hydropower dam in the Mekong region still continues to be one of the major concerns among the groups that are monitoring the situation and the vast numbers of affected local people in the region. While China is finishing eight large hydropower dams in the upper part of the Mekong mainstream, Laos has also been building the first two dams in the lower part of this major river. The Xayabouri and Don Sahong Dams, despite the many unanswered questions on their impacts to the Mekong fisheries and local livelihoods, the misleading consultation process and their economic viability, are currently under construction. On top of this, recently, Laos proposed and pushed for a new dam at Mekong's mainstream, the Pak Beng dam. There are several dams that are being built. Among others is the Nam Ngiep 1 dam on the Nam Ngiep River, the tributary of the Mekong River that demarcates the border between Laos and Thailand.

The Mekong mainstream River dams are an indication of the regional political change towards the open market economy. Yet, these also reflect the influential relationship between the builder and energy buyer countries, such as China and Thailand, with those giving the investment ground, such as Lao PDR and Cambodia. The expansion and continuous pushing for constructing dams in the Mekong also shows how powerful the private sector has become in the region. These dams are also creating conflicts over Mekong's development plans within and among member countries. For instance, while the Mekong delta in the south of Vietnam, well known as the world's rice basket, has

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been affected by the dams being built upstream, the Vietnam government is still holding the concession to build the Luang Prabang dam at the Mekong mainstream in the northern part of Laos.

With very little information coming outside China and Lao PDR, the two countries host most of the Mekong mainstream dams. However, for Lao PDR, a small country with 7 million people, the situation is known through various studies as somehow paradoxical (if not ridiculous). Apart from a few hundred dam plans and with more than ten dams already being built in the country, Laos is still familiarizing itself with other kind of large scale projects that also require its natural resources, including large scale agribusiness, plantations and mining. After two decades, however, Laos does not have a real economic success yet, but more and more territories grabbed away from people. The conflict on “development” projects and the question of who has benefited from those projects as well as what will be the result for the future of Laos and its people in the coming decade are still critical issues for this small, land locked country.

### **Can you tell us what are the consequences (economic, social and environmental) of implementing the Nam Ngiep 1 Hydropower Project?**

Similar to other hydropower dams in Laos, the Nam Ngiep 1 dam is being built without sufficient participation of the affected people. As usually, the bitter thing was that people felt that they had no right to either participate or refuse what the government was proposing. More than 3,000 people needed to be resettled, most of them Hmong and Khmu, the two major ethnic groups in Laos. According to an interview conducted by International Rivers (IR) in 2014, people who declared that they lived in the project area for more than three decades recognized that the compensation they were offered could not be compared with their livelihood needs and losses.

Nam Ngiep dam is built in an area officially categorized as protected forest area. The dam's reservoir, which took a large area of the Nam Ngiep River catchment, will therefore cause a dramatic change to the river and forest areas in terms of natural resources and biodiversity. The intention and capacity of the government of Laos in managing the protected areas is still doubtful, especially when seeing how the government needs to rely on the ADB and the company for carrying out the task. The Nam Ngiep dam is supposed to provide approximately 4 per cent of the 7,000 MW proposed for export to Thailand by 2020. Nevertheless, the question and criticism on how the Electricity Generating Authority of Thailand (EGAT) interprets the future needs in electricity remains among the Thai society. The dam, is being built by a consortium that includes Japan's Kansai Electric Power Company (45%), Thailand's EGAT International Company (30%) and the Lao Holding State Enterprise (25%). It has funds from the Asian Development Bank (ADB), which approved a US 50 million dollars private sector loan for the construction.

### **How has the ADB been historically involved in financing dams in the region?**

Apart from the Nam Ngiep dam, in Lao PDR, the ADB has played a significant role in the construction of the Nam Theun 2 dam (NT2), which was built on the biggest Mekong tributary, Theun River (Nam Theun). A 39-meter high wall forms a reservoir that submerged 450 km<sup>2</sup> of the biodiverse Nakai Plateau at the border between Laos and Thailand on one side and Laos and Vietnam on the other. There were 6,300 indigenous people relocated to make way for the reservoir and more than 120,000 village people affected living downstream of the dam. This controversial project has been heavily criticizing by different groups. However, the dam started its operations in 2010, selling electricity to Thailand. The ADB provided US 20 million dollars on concessional loans alongside a private sector loan of up to US 50 million dollars, and a political risk guarantee of up to US 50 million dollars. The Nam Theun 2 dam has been promoted as a key project in the power

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interconnection plan, a signature scheme of the ADB, the Greater Mekong Subregion (GMS).

On top of the direct support to the project, the ADB is leading the GMS energy sector plans forward and specify rules for regional governance. The ADB convened and facilitated the so-called “Regional Power Trade Coordination Committee”, with each country’s energy ministry. According to an International River’s briefing paper, the energy projects that have been selected as ADB’s high-level priorities for investment between 2014 and 2018 include the Lao PDR – Vietnam Power Transmission Interconnection, to transmit electricity produced by a series of dams in Lao PDR to Vietnam, as well as the Substation Transmission Facility, to export energy from Laos’s Nam Ngiep 1, Nam Theun 1 and Nam Ngum 2 dams to Thailand. The role of the ADB in the energy sector and hydropower dam development is critical and that makes it the target of criticism and questioning. Among the criticism is the bank’s failure to meet its own standards and regulations, especially when relating to the impact of its projects on local people or communities. Instead, the main focus of the ADB is to facilitate the investment of the private sector and to encourage the governments in the region to work with businesses.

Since 1992, the ADB has been proclaiming its plan to “integrate” the countries of the Greater Mekong Subregion and by doing so bring prosperity and economic growth. From 2006 through 2015, ADB financed 376 projects worth US 15.4 billion dollars that directly support the integration of the Association of Southeast Asian Nations (ASEAN). However, the results are at the very least doubtful. The fact that the ADB does not take into account local people and considering that it is supposed to be a “development” bank, has only made criticism and resistances on the ground stronger.

**According to the ADB Safeguard Policy Statement, “Meaningful consultation is a process that begins early in the project preparation phase and is carried out on an ongoing basis throughout the project cycle”. Do you think that the preparation and implementation of this Dam was done with a “meaningful consultation”?**

The ADB’s Nam Ngiep 1 dam has been facing a strong criticism, exposed by the organization International Rivers (IR) after they reached out to the area and were able to interview people. IRs stated that ADB violates its own safeguards with a lack of consultation and the much-needed information provided on impacts, resettlement plans, compensation and lack of appropriate land in designated resettlement areas (70 per cent of which is protected forest area). The lack of a comprehensive cumulative impact assessment, major hazards assessment, and mitigation plan is not only for the upstream dam construction area but also on the impacted downstream. When referring to the ‘meaningful consultation’, however, it is also a question for the government of Laos. Throughout the two decades of dams building, which has been cited as Laos’ most important development tool, the most critical and problematic issue occurred and raised has been the severe lack of people’s participation, even at a very basic level – on what is happening to them right at their homeland. In the Nam Ngiep dam’s environment management plan, the only three main parties participating in the planning process are the government of Laos, the ADB and the company. The government seems to recognize its obligation in working with and reporting to ADB and the company as well as to absorb some budget from them. Its role, unfortunately, has been to facilitate the work of the external actors, rather than defending Laos’ people.

**In your opinion and experience working along communities affected by dams, would it be possible to offset the biodiversity loss that building a large dam generates?**

In relation to the biodiversity offset idea, one very problematic issue is the way that the project measures the actual biodiversity loss from the project. Considering the fact that the local people, who

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have been using and protecting the territories and biodiversity surrounding the dams, are not recognized as the main actors to be consulted, it is difficult to see how the project can measure the “value” of biodiversity and its loss. In fact, the project so far has not completed the baseline studies of the pre-project biodiversity value. Yet, the project proponent is suggesting an expected ‘no net loss’ of biodiversity by way of offsetting. But both the value of biodiversity, environment, natural resources as well as people’s livelihoods in a country such as Lao PDR are certainly the same and very much interconnected and dependent. The Hmong and Khmu ethnic in Laos especially have a certain way of using these other values in everyday life. The bigger the difference on the “values” between the Hmong and Khmu people with the “values” that the project’s proponents conceptualize, the less the chance can be to measure the lost biodiversity. Even less to offset it.

**The idea of the biodiversity offset project appears to be to help protecting an area known as Nam Chouane-Nam Xang, which otherwise, is argued, would suffer threats (2). First, according to your understanding of the dynamics of rural communities in Laos, do you agree that the communities living around the compensation project area are a threat to its biodiversity? What do you think of the underlying idea of “biodiversity offsetting” that one place can be equal to another place? As these compensation projects are focused on the biodiversity alone, What about the communities affected in both projects: the dam and the offset project?**

The concept of biodiversity offsetting that they are trying to apply to the Nam Ngiep 1 dam project in Laos is very similar to other major management plans in Laos, such as the old Shifting Cultivation Stabilization program, being launched since the late 1980s as the flagship program to preserve natural forests from the practice of shifting cultivation by the local Laos ethnic groups.

The meaning of this program for the government of Laos has been that shifting cultivation is similar to ‘slash and burn’ practices, leaving very little room for ‘rotational agriculture’. Therefore, the main aim of the program has been to get rid of people’s practices for rice growing in the upland and highland areas of Laos, as if they were the main reason of forest loss. The government of Laos has spent almost three decades to replace people’s traditional practices in the forest areas to something that can give more benefit to the state, and, as it has always claimed, to the Laos people. After almost three decades however, many communities, as a consequence of this program, were relocated from their original area and confront the lack of food security and food sovereignty. That has been the hardest thing for the people that were relocated to a place they could not choose, without the reasons and means of livelihood. It is still difficult enough when referring to agricultural land areas, not to talk about the most sensitive ecosystem of forest and biodiversity in overall.

The biodiversity offset project appears to have the same objective of getting rid of people’s practices of shifting agriculture as both the Hmong and Khmu ethnic groups have very similar practices. And it also tends to result in much of the same consequences of lack of food security and food sovereignty. And the complex way of how the values of biodiversity, environment, natural resources and peoples’ livelihoods take form and are interrelated might appear similar but are different and unique for each place where the ethnic groups live, produce and reproduce their reasons and means of livelihoods.

**How do you think the international community could help unmask the greenwashing dam promoters are starting to perpetuate in Laos and the whole Mekong region?**

The support of the ADB and the Mekong governments to the private sector has become more obvious in recent years, even though criticisms to its role are in place since the early 1990s. It is imperative to uncover the beneficiaries of development: the ADB, the governments and the

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companies. How do they work together without people in their plans should be presented more strongly to the public eyes. For that, the international community or the host country of the company or funding government can play a major role in monitoring, networking and campaigning on the problematic actors coming abroad to the region.

(1) International Rivers, <https://www.internationalrivers.org/campaigns/laos>

(2) Ministry of Energy and Mines, Department of Energy Business, Lao PDR,

<http://www.poweringprogress.org/new/power-projects>