



## ALIANZA PARA LA CONSERVACIÓN Y EL DESARROLLO

November 7, 2008

We consider that the Barro Blanco Hydroelectric Project should not be validated as a Clean Development Mechanism (CDM) project; because this hydroelectric project completely fails to fulfill the condition of additionality required by the CDM; the Panamanian Designated National Authority (DNA), the National Environmental Authority (ANAM), is marred with conflicts of interests; and the Government of Panama has systematically violated the human rights of the Ngobe indigenous peoples and peasant communities that will be directly affected and that have opposed to the construction of this project since 1999.

Plans for the development of an earlier version of the Barro Blanco Project, Tabasara I, were abandoned after the Supreme Court of Panama ordered a temporary suspension of the environmental impact assessment (EIA) of the neighboring Tabasara II hydroelectric project for lack of consultation with the affected indigenous and peasant communities. Tabasara II was planned to be developed by the same consortium downstream from Tabasara I (currently Barro Blanco). Both of these projects produced strong protests by the affected Ngobe and peasant communities, as well as the intervention of the Indigenous Affairs Committee of the National Assembly and the Ombudsman's Office of Panama between 1999 and 2003. In the worst of these protests, fifty six indigenous demonstrators, including women and children, were arbitrarily detained by the National Police on January 25, 2003, after they had closed the Pan-American Highway to protest against the construction of these projects (El Siglo, January 26, 2003; La Critica, January 26 and January 29, 2003; La Prensa, January 28, 2003, and September 26, 2008).

Although the Tabasara I hydroelectric project has been downsized and reconcessioned under the name of Barro Blanco, the Project Design Document (PDD) specifies that at least 50% of the population continues to be opposed to the construction of this project (p. 54). In spite of this situation, the National Environmental Authority (ANAM) has recently approved the corresponding EIA through Resolution No. IA 332-2008 of May 9, 2008, blatantly violating the collective rights to private property, and free, prior, and informed consent of the affected indigenous population under the Inter-American Human Rights Convention. The Environmental Impact Assessment (EIA) section of the PDD (p. 49-50) does not even mention the destruction of the agricultural lands of the peasant and indigenous communities affected by the project; as well as the involuntary resettlement of Ngobe subsistence farmers from the Bakama annex area of the Ngobe-Bugle Indigenous Comarca. The PDD does not specify any measures to guarantee the rights of the estimated 50% of the population that is still opposed to the project. For this reason, we consider that the Barro Blanco hydroelectric project does not comply with the guidelines of the World Commission on Dams, as required by the European Union linking directive.



## ALIANZA PARA LA CONSERVACIÓN Y EL DESARROLLO

During the last four years, the National Environmental Authority (ANAM) of Panama has become the most outspoken promoter of hydroelectric projects in the whole country under the justification of preventing climate change. In spite of being simultaneously responsible for approving EIAs, granting water concessions, and monitoring compliance with environmental regulations (Law 41 of 1998); ANAM has also become the Designated National Authority (DNA) of the Clean Development Mechanism (CDM) in Panama, and has been actively engaged in the promotion of 87 different hydroelectric projects around the country (see Panama CDM Portfolio). Although several of these projects, like Barro Blanco, have been accused of violating indigenous and human rights, ANAM has completely ignored public protests, as well as substantiated scientific objections against the approval of these projects.

Instead, ANAM has proposed an elaborate scheme of environmental services payments, allegedly devised to benefit the local communities; ensuring that part of the CER revenues will circle back to this institution that has arbitrarily assumed the unauthorized position of sponsoring community development projects (see PDD p. 50). No Panamanian legislation has granted ANAM any mandate to foster community development as they now pretend to do using revenues from the same CDM projects that they promote, approve, concession, and monitor compliance with the existing environmental regulations. Because of this blatant conflict of interest, and the lack of any transparent and accountable mechanism for public scrutiny, hydroelectric projects, like Barro Blanco, that are being sponsored by ANAM, should not be validated as Clean Development Mechanism (CDM) projects.

Most importantly, Barro Blanco completely fails to fulfill the requirement of additionality. Contrary to what is expressed in the PDD, the most plausible alternative to the construction of Barro Blanco would not be a fossil fuel plant (carbon, fuel, or gas) nor a run-of-the-river hydroelectric plant; but another hydroelectric plant with a reservoir. In addition, the Government of Panama has also been actively sponsoring wind and solar energy during the last three years (see National Hydrocarbon and Alternative Energy Policy 2005, Ministry of Trade and Industry). Although no major hydroelectric project with a reservoir has been recently constructed; the Chan 75 (Changuinola I) hydroelectric plant (AES) that will add 223 MW to the Interconnected System, and the Bonyic hydroelectric plant (EPPM) that will add an additional 30 MW, are currently under construction in the Province of Bocas del Toro, and will not be run-of-the-river hydroelectric plants as erroneously stated in the PDD (p. 13). In addition, the Chan 140 (132 MW) and Chan 220 (126 MW) hydroelectric projects, also concessioned to AES and declared of social and public interest through Resolution AN 1228 of October 19, 2007, are scheduled to begin construction during the next five years.

Contrary to what is expressed in the PDD, the profitability of hydroelectric projects in Panama is very high, and this is the reason why so many hydroelectric projects are scheduled to begin construction during the next five years. Unfortunately, in the PDD, the profitability of hydroelectric projects is entirely based on the Expansion Plan



## ALIANZA PARA LA CONSERVACIÓN Y EL DESARROLLO

produced by the Government; whereas, the financial information of the projects is not publicly available. For this reason, there is no independent verification of the quality of this data. However, according La Prensa, October 1, 2008, the net utility of AES, the main hydroelectric generator in the country, quadrupled between the first semesters of 2007 and 2008.

In 2004, the Government of Panama also passed a law that created fiscal incentives for the construction of hydroelectric projects. In addition, hydroelectric generators are also allowed to sell in the spot market at the same price as their thermoelectric counterparts, significantly increasing the margin of profit for an industry that intrinsically has lower operating costs. Based on these investment possibilities, over the last five years, hydroelectric generators in Panama have actually been looking to export to the Central American Regional Electric Market (MER). According to La Prensa, April 18, 2004, 4.30% of the total electricity generated in the country in 2003 was sold to MER. If the Barro Blanco project had such a reduced margin of profit, how can we explain the transfer of 20% of the funds obtained from CERs to an annual community support fund administered by ANAM (PDD p. 50)?

For all of the reasons explained above, we truly recommend that the Barro Blanco Hydroelectric Project should not be validated as a CDM project, in compliance with CDM additionality requirements, and international environmental and human rights legislation.

Osvaldo Jordan  
International Affairs Coordinator  
Alianza para la Conservación y el Desarrollo (ACD)  
osvaldo.jordan@acdpanama.org