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## ENVIRONMENTAL NGOS SLAM DEAL TO GIVE PREFERENCIAL FINANCING TO LARGE HYDRO DAMS

(Paris, 13 May 2005) The OECD has just announced the approval of de facto subsidies for large hydro projects. This was agreed upon at an April meeting in Paris of export credit agencies. An EU initiated proposal for favourable terms for renewable energies failed to rule out large hydro projects. "Large dams bring along massive environmental and social problems, including the forcible eviction of 40 to 80 million people", explains Bob Thomson of ECA Watch. "In addition, many hydropower projects, particularly those based on large tropical reservoirs, emit more greenhouse gases than comparable thermal power plants. Including hydropower in an attempt to encourage development of renewable energies turns a positive initiative into a Trojan horse for subsidizing large dams." <sup>i</sup>

At their meetings during the week of April 18th, 2005, the Participants to the Arrangement on Officially Supported Export Credits <sup>ii</sup> approved changes to the Arrangement that will extend repayment periods for renewable energy and water projects from 12 to 15 years. The Participants discussed, but did not arrive at a consensus on all of the EU proposal <sup>iii</sup>, which also recommended increases in the maximum allowable local costs for export financing from 15% of the export contract value to 30%. Such a policy would facilitate the transfer of technology and enhance the development impact of ECA financing, in keeping with the OECD's stated commitment to achieving the Millennium Development Goals. NGOs had recommended its increase to 50%.]

Prior to the April meetings at the OECD, NGOs offered support for incentives covering truly new renewable energy projects <sup>iv</sup>, but rejected the inclusion of large hydro dams in this category because of the massive and irreversible social and environmental damages they generate.

NGOs insist that if hydropower projects are to be included, at the very least they must fully comply with the recommendations of the World Commission on Dams (WCD) <sup>v</sup>. They therefore recommend that the OECD review of international best practices with respect to hydro dams include consultations with experts and governments which are now implementing the WCD guidelines, pointing out that the Core Values and Strategic Priorities of the WCD have been officially endorsed by the World Bank, other international organizations, governments, the main association of the hydropower industry, and civil society. In addition, the European Union has determined that carbon credits from hydropower projects over 20 megawatts can only enter the European Trading System (ETS) if the projects respect the principles and guidelines of the WCD <sup>vi</sup>.

In the meantime, NGOs hope that these new subsidies will lead to a level playing field for truly renewable energy technologies over the existing Arrangement, which favours nuclear power and fossil fuel energy plants.

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Endnotes:

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<sup>i</sup> For a good review of the problems associated with large hydro dams, see the International Rivers Network report “Twelve Reasons to Exclude Large Hydro from Renewables”.

<http://www.irn.org/programs/greenhouse/12reasons.pdf>

<sup>ii</sup> Australia, Canada, the European Community, Japan, Korea, New Zealand, Norway, Switzerland & the USA [http://www.oecd.org/department/0,2688,en\\_2649\\_34171\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,2688,en_2649_34171_1_1_1_1_1,00.html)

<sup>iii</sup> [http://www.eca-watch.org/documents/EU\\_renewables\\_non-paperNov04.pdf](http://www.eca-watch.org/documents/EU_renewables_non-paperNov04.pdf)

<sup>iv</sup> “New renewable sources” include modern biomass, World Commission on Dams (WCD) compliant small (up to 10 MW) hydro (mechanical as well as electric), geothermal, wind, all solar, tidal, wave and other marine energy. [http://www.cures-network.org/texte/dec\\_engl181103\\_lay.pdf](http://www.cures-network.org/texte/dec_engl181103_lay.pdf)

<sup>v</sup> <http://www.irn.org/wcd/wcdguide.pdf>

<sup>vi</sup> <http://europa.eu.int/comm/environment/climat/emission.htm>