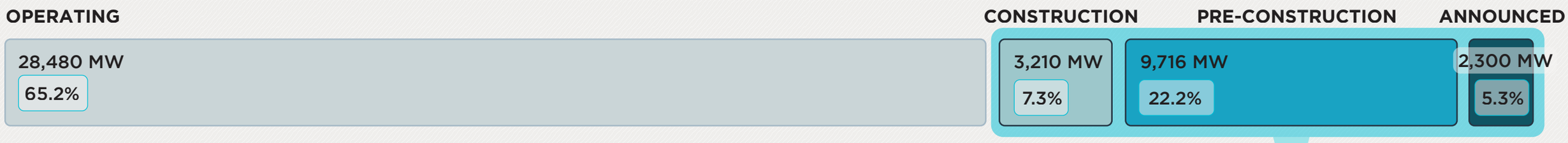
FAIR FINANCE ASIA

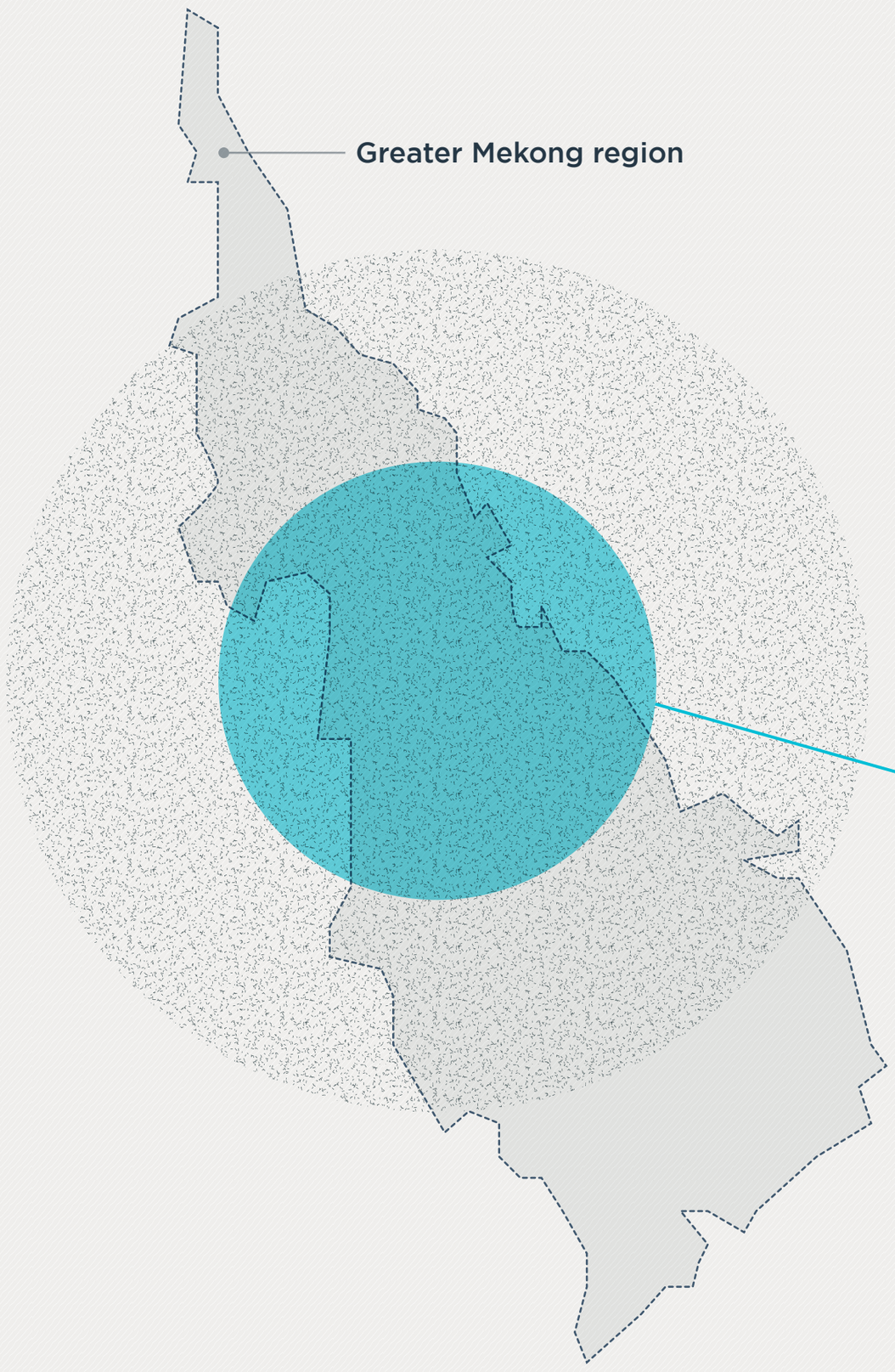
MEKONG RIVER COMMUNITIES' CONCERNS ABOUT THE SOCIAL AND ENVIRONMENTAL IMPACTS OF HYDROPOWER DAM PROJECTS

An overview of the ongoing and planned hydropower projects in the Mekong subregion and their impacts on the region's communities and environment.

TOTAL OPERATING AND PIPELINE HYDROPOWER PROJECTS IN CAMBODIA, LAO PDR, THAILAND, AND VIETNAM (CLTV) IN MEGAWATTS (MW).



According to the Global Energy Monitor, there were 97 hydropower projects operating in CLTV in May 2023 with a total capacity of 28,479 MW. **This capacity is set to increase by 15,226 MW** to 43,706 MW due to 29 projects that have been announced or are in the pre-construction phase or construction phase.[1]

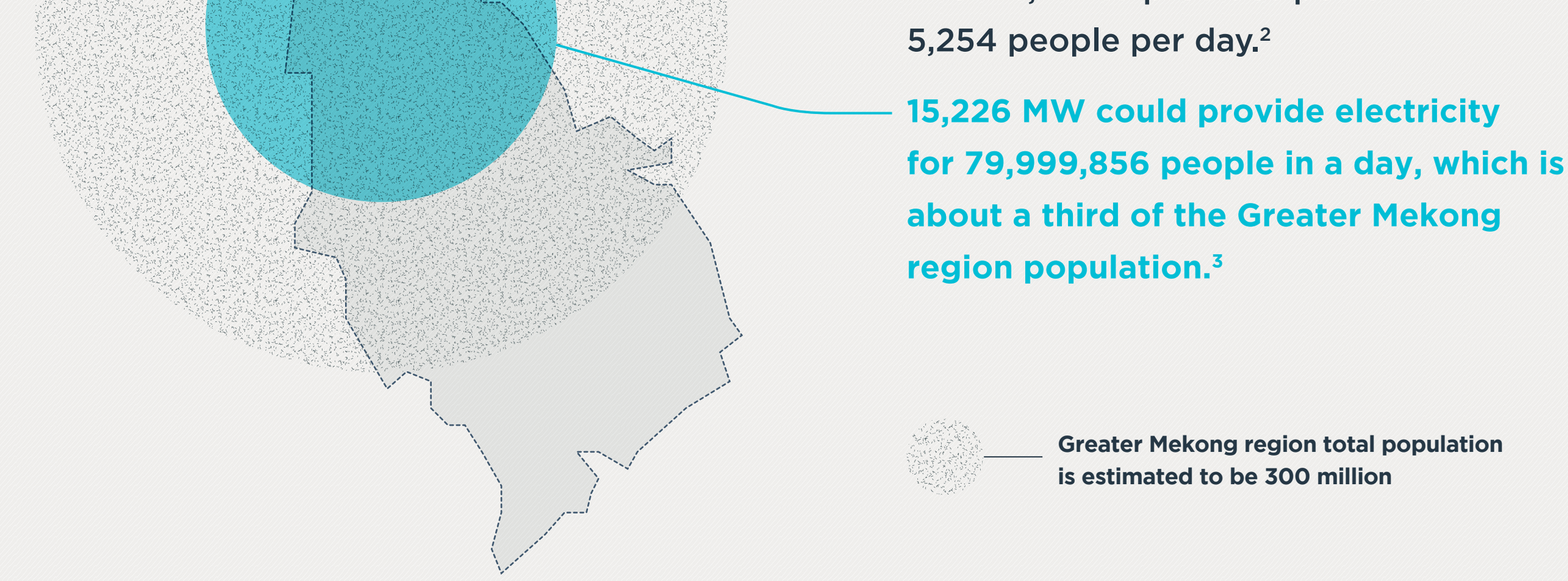


Based on average energy consumption in CLTV, 1 MW provides power for 5,254 people per day.[2]

15,226 MW could provide electricity for 79,999,856 people in a day, which is about a third of the Greater Mekong region population.[3]

Greater Mekong region total population is estimated to be 300 million

NUMBER OF HYDROPOWER PROJECTS IN THE PIPELINE IN CLTV



Lao PDR accounts for approximately 70% of hydropower projects under development in the region.

Lao PDR and Cambodia account for more than three-quarters of the hydropower capacity expansion in the region.

Lao PDR's capacity is projected to surpass that of Vietnam's.

Developments in Cambodia are set to more than quadruple the country's hydropower capacity.

Sources

1. Global Energy Monitor (2023, May), Global Hydropower Tracker, May 2023 release.
2. U.S. Energy Information Administration (2021), "Data: Electricity."
3. Greater Mekong. https://www.worldwildlife.org/places/greater-mekong.

For more information about operating and pipeline hydropower projects in Cambodia, Lao PDR, Thailand, and Vietnam, **read FFA's report, *Enhancing Sustainable Finance in Mekong Hydropower: Challenges, Opportunities, and Ways Forward*.**

DAM PROJECTS CAUSE SIGNIFICANT GENDER, ENVIRONMENTAL, AND SOCIAL IMPACTS

GENDER IMPACTS

Woman community activist sitting by the Mekong River in Cambodia.

INCREASED UNPAID CARE AND DOMESTIC WORK.
Majority of women perform unpaid care and domestic work (UCDW), such as procuring and producing food, collecting water, and cooking. The impacts of hydropower projects on water and food sources and resettlement adds to their workload. Women from minority ethnic and indigenous communities and rural areas, as well as female-headed households, especially mono-parental families, face higher exposure to these challenges.

VULNERABILITY TO VIOLENCE AND POOR MENTAL HEALTH.
Displacement and resettlement caused by hydropower projects impacts male community members' morale, which can result in increased levels of violence against women. The lack of access to resources and employment opportunities, coupled with fear of crime and violence, hinders women's ability to contribute to households. Consequently, women in these areas spend more time in isolation indoors, leading to increased anxiety and poor mental health.

INCREASED POVERTY.
The disruption of women's livelihoods can strain gender dynamics in families and communities, leading women into deeper poverty and vulnerability.

EMPLOYMENT AND WAGE INEQUALITY.
Across the Mekong subregion, significant differences in employment and wages between women and men persist due to traditional gender roles.

ENVIRONMENTAL IMPACTS

Dried up part of the Mekong River along Don Sahong village near Don Sahong Hydropower Project in Lao PDR.

DISRUPTION OF NATURAL FLOWS AND BIODIVERSITY LOSS.
Hydropower dams have disrupted the natural flow of the Mekong River and its tributaries, causing unseasonal fluctuations in water levels, flow rates, and turbidity. These disturbances often lead to shocks to the life cycles of migratory fish and birds, contributing to declines in their population.

RIVERINE AND COASTAL EROSION.
By causing sudden and unseasonal releases or constraints of flows, hydropower dams cause river bank erosion. This can destabilize banks, causing coastal erosion which facilitates deforestation and loss of fish production.

SOCIAL IMPACTS

Fisherman in Pak Ou Village Luang Prabang province (Downstream of Nam Ou Dam).

LOSS OF CULTURAL HERITAGE AND TRADITIONS.
Indigenous communities are often displaced from their ancestral lands, thereby losing millennia-old ecological knowledge. Moreover, the loss of intangible assets such as culture and traditions can be a very traumatic experience that impacts women more adversely.

SHRINKING CIVIC SPACE IN ASIA.
Human and environmental rights defenders and affected stakeholders who publicly raise concerns about adverse human rights impacts of large development projects that affect their access to land and livelihoods, are often threatened, attacked, and victims of arbitrary lawsuits and detentions.

FORCIBLE DISPLACEMENT OF COMMUNITIES.
Globally, an estimated 40 to 80 million individuals have been forcibly displaced by large dams. In Cambodia, dam construction, especially the Lower Se San 2 Dam (located on the Se San River, a tributary of the Mekong River), has displaced over 5,000 people in six villages who are primarily indigenous. In Lao PDR, tributary dams had displaced an estimated 69,413 people by 2012.

LOSS OF LAND, LIVELIHOOD, AND INCOME.
Annual fisheries losses due to hydropower projects are calculated at US$ 4.2 billion in 2020 – or US$ 565,000 per kilometer. It is estimated that by 2040, the diminishing fisheries could lead to losses approaching US$ 23 billion, and the loss of forests, wetlands, and mangroves would cost US$ 145 billion. Due to declining fish stocks, communities in affected regions are often forced to shift away from traditional fishing and small-scale agriculture, which, in turn, triggers significant migration. Ethnic minorities who have migrated often struggle to secure wage labor due to language and technical skill obstacles.

Sources:

1. Images sourced from Oxfam in Laos and Oxfam's Mekong Regional Water Governance Program.

For more information about the gender, social, and environmental impacts of hydropower dam projects discussed in this visual, read FFA's report, ***Enhancing Sustainable Finance in Mekong Hydropower: Challenges, Opportunities, and Ways Forward.***

KEY RECOMMENDATIONS TO FINANCIAL INSTITUTIONS, ASEAN, AND NATIONAL POLICYMAKERS ON MEKONG HYDROPOWER FINANCING

KEY RECOMMENDATIONS TO FINANCIAL INSTITUTIONS

The following recommendations are made to financial institutions providing credit to, or investing in, Mekong hydropower projects. The recommendations are aimed at accelerating responsible financing and investment in the sector.

Develop and disclose an overarching human rights policy and due diligence process aligned with the United Nations Guiding Principles on Business and Human Rights (UNGPs).

Financial institutions have the responsibility to avoid negative impacts on human rights resulting from their activities or business relationships. This necessitates the development of robust due diligence processes to identify, prevent, mitigate, and account for such impacts in their lending and investment practices.

When conducting risk assessments, financial institutions should apply an intersectional perspective that considers the specific risks faced by women and other minority groups, such as Indigenous Peoples.

Community consultation strategies that enable the equal participation of women, men, and Indigenous Peoples are paramount. Risk assessments must include detailed plans to mitigate the impacts of hydropower projects and devise livelihood strategies addressing gender-differentiated needs.

Develop and disclose a sector policy for the hydropower sector.

Financial institutions should adopt policies that govern their financing and/or investments in the hydropower sector, which should be guided by existing international or regional frameworks. Policies should explain which environmental and social criteria will be used to assess projects and companies involved, which must minimally cover:

- Respect for workers' rights;
- Consultation of affected communities, especially vulnerable groups such as women, children, indigenous communities, and ethnic minorities;
- Free prior informed consent (FPIC) of Indigenous Peoples;
- Environmental impact assessments on the total consequences of a dam or hydropower project on biodiversity;
- Avoiding critical impacts on biodiversity, including protected areas, wetlands, and cultural sites.

Work to address the challenge of shrinking civic space in Asia.

To address shrinking civic space in Asia, financial institutions can:

- Publicly recognize the value of human and environmental rights defenders' contributions in their risk assessment process;
- Publicly commit to protecting the rights of human and environmental rights defenders, and encourage clients and investee companies to do the same;
- Assess infringements on civic freedoms by (potential) business relationships, such as the use of Strategic Lawsuit Against Public Participation (SLAPP suits) as part of ongoing due diligence.

Diversify information sources when assessing actual and potential adverse impacts of hydropower projects.

To assess environmental and social impacts, financial institutions mainly rely only on information provided by the companies they finance or invest in, which risks overlooking potential impacts that could impact their reputation and the profitability of projects. Banks and investors should supplement this information with inputs from other sources like reports from national authorities, NGOs, other civil society organisations (CSO), independent experts, academia, and media. Setting up channels for stakeholders' dialogue and consultation can help in this regard.

Develop measures that enable effective remedy for affected stakeholders.

To support this goal, financial institutions can adopt various options when financing or investing in hydropower projects:

- Upfront assessment of a client's preparedness for remedy during due diligence;
- Require project sponsors to establish effective grievance mechanisms;
- Establish grievance mechanisms independently or in cooperation with other project lenders;
- Incorporate covenants in loan documentation addressing the client's responsibility to provide remediation for adverse impacts caused or contributed to;
- Conduct time-bound engagements with clients to support the provision of remedy to affected stakeholders, when adverse impacts occur.

Align hydropower financing and investments with the green technical screening criteria (TSC) of national and/or regional taxonomies.

Financial institutions should publicly disclose:

- The scope of their activities/investments eligible for the taxonomy;
- The proportion of their assets aligned with the taxonomy; and
- Where relevant, the proportion of their assets under management aligned with the taxonomy.

KEY RECOMMENDATIONS TO ASEAN AND NATIONAL POLICY MAKERS

The following recommendations are made to central banks, financial regulators, and policymakers in the CLTV countries and at the ASEAN level.

Central banks and financial regulatory authorities should make more active use of existing tools and guidelines developed at the regional level, including ASEAN.

The updated version of the ASEAN Taxonomy contains a range of ready-to-use building blocks, including detailed lists of sustainable activities with TSC and thresholds. Several aspects of the ASEAN Taxonomy could be improved, including stricter thresholds and TSC. Therefore, national regulators should be encouraged to go beyond ASEAN requirements. A more inclusive process is recommended for updating the ASEAN Taxonomy, with stronger civil society participation at all stages.

Countries that still lack national taxonomies (Lao PDR and Vietnam), as well as Cambodia, should develop and launch taxonomies following a transparent and inclusive process.

This will help national banks and financial institutions develop and offer sustainable financial products and services, including green, social, and sustainability-linked bond and loans, as well as trade finance products. Such taxonomies should include specific requirements for dams and hydropower projects, including eligibility criteria and the Do No Significant Harm (DNSH) requirements, as well as minimum social safeguards including FPIC of Indigenous Peoples, and be compliant with ILO Core Conventions and UNGPs.

Regulators should encourage commercial banks and asset managers to develop hydropower sector policies.

These policies should outline specific conditions under which they can engage in financing and investing in hydropower development projects.

Central banks should require the banking sector to include material Environmental, Social, and Governance (ESG) risks, including those related to hydropower, in their credit risk assessments.

Due to the sheer scale of hydropower projects, they can have potential impacts on entire basins, and even beyond. Central banks must require that banks assess such environmental and social risks and take them into consideration in their lending and investment decisions.

Central banks and financial regulators and regional development banks should consider changing their approach to large-scale hydropower projects based on a more nuanced assessment of the cumulative transboundary and basin-level impacts.

They should also encourage state development agencies and the private sector to consider more sustainable alternatives to large hydropower projects.

Central banks and national governments should consider introducing incentives for financial institutions to increase their portfolios of green, social, and sustainability-linked financial instruments.

Incentives may include adding green, social, sustainability, and sustainability-linked bonds to their collateral frameworks; subsidizing interest rates for green, social, and sustainability-linked loans; and reducing the reserve requirements for such loans.

For more information about the key recommendations discussed in this visual, **read FFA's report, *Enhancing Sustainable Finance in Mekong Hydropower: Challenges, Opportunities, and Ways Forward.***