Guide to Sinohydro Resources’ environment and social policies in hydropower development projects (BOT Projects, Sinohydro Resources)

Sinohydro, a Chinese government-owned enterprise, is the world’s largest dam builder. By its own estimates, it has cornered approximately 50 to 60 per cent of the international dam building market. Since 2009, International Rivers has communicated with Sinohydro on matters relating to overseas dam building and environmental policy development. Along with several external experts, International Rivers made detailed recommendations on environmental and social policy standards that Sinohydro should adopt. We also reviewed several drafts of the environmental policy framework and provided input from our regional offices and Chinese NGOs partners. In addition, International Rivers has used our dialogue to raise civil society concerns and objections to specific projects with Sinohydro involvement.

Throughout our dialogue, we have gained a better understanding of how Sinohydro structures and manages its international operations, the challenges it faces in “going overseas,” and the realities facing its employees in remote locations. Sinohydro too has gained insight into the purpose and role of international NGOs such as ours. We hope that the whole process has helped build understanding, and been a forum for constructive discussion and debate.

Over the past few years, Sinohydro has undergone extensive reorganization and consolidation as part of the Chinese government’s effort to slim down the number of State-owned Enterprises under its control. PowerChina was created by the State-Owned Asset Supervision and Administration Commission in September 2011, combining the then Sinohydro Group and HydroChina Corporation, along with various other small power construction and design firms. In fact, many of Sinohydro’s senior management moved to PowerChina to establish the company.

**Sinohydro International** was created and is owned by PowerChina. It is responsible for all hydropower construction contracts. **Sinohydro Resources**, is PowerChina’s hydropower development arm, responsible for investment projects including the development of overseas hydropower projects.

Typically Sinohydro International engages in turnkey or EPC (Equipment, Procurement and Construction) contracts and construction contracts. Sinohydro Resources is more likely to take on BOT contracts (Build, Own and Transfer Contracts) where the company is granted a concession to develop, invest in and operate a hydropower
In a meeting in November 2013, between Sinohydro Resources’ General Manager Shen Decai and International Rivers, Mr Shen said that Sinohydro had adopted the World Bank Safeguard Policies as its basic standard. In subsequent meetings, Sinohydro Resources has clarified that the World Bank policy standards are aspirational for the company, and at the project level, local laws and regulations form the basic safeguard.

**Policy Commitments**

How to Use the Guide

To facilitate the practical use of this guide, Sinohydro Resources’ policy commitments and standards have been organized under key stages of the project cycle (feasibility study and project development stage, construction and dam operation). Where relevant and appropriate, we have provided a short explanation of what the policy commitment may mean in practical terms or how to determine if the policy commitment has been fulfilled.

Feasibility Study and Project Development Stage

As Sinohydro Resources is a hydropower project development company, many decisions about the project specifications including: project location, reservoir level, level of impact on local communities and environment, will be made by the company.

1. **Project Location**

Sinohydro Resources in aspiring to have its operations at the level of World Bank safeguard standards, should not be participating in projects which lead to the significant loss or degradation of critical natural habitats. Critical natural habitats are defined by the World Bank as areas that are legally protected, officially proposed for protection, or unprotected but have known high conservation value.

Sinohydro Resources should also take measures to protect natural habitats (non-critical) and avoid impacting the environment. If Sinohydro Resources is responsible for the project design work and/or feasibility studies, Sinohydro is required to have made efforts to minimize harm to the environment. Evidence of such efforts could be the canvassing of alternatives and consideration of the social, economic and environmental impacts of proposed projects. The final project location and design should also be the option that avoids significant environmental impacts.
2. Environmental Impact Assessments

As a minimum, all Sinohydro Resources projects should have an Environmental Impact Assessment (EIA) report. Sinohydro Resources should also not commence construction without a completed EIA and requisite approvals in place. China’s own environmental impact assessment laws require that EIAs be approved before project construction in China.

As noted above, Sinohydro has committed to adopting the World Bank and International Finance Corporation’s (IFC) safeguard policies, this means that communities should have access to all relevant information about the project and its impacts including EIA and Social Impact Assessments (SIA) reports.

Once affected communities and civil society groups have a copy of the EIA report, it is important to examine the quality of the EIA. To determine whether the EIA is sufficient, it may be helpful to see whether the EIA addresses the following issues:

- Has the EIA sufficiently addressed all areas of the environment and identified all likely or possible environmental impacts?
- Does the EIA document baseline conditions?
- Have the impacts been assessed in the project area (planned and unplanned activities) and have associated facilities (e.g. roads and quarries) been included in the EIA?
- Have cumulative environmental impacts been assessed?
- Have appropriate experts been engaged to assist in conducting the EIA?
- Has the report been independently reviewed?
- Has there been sufficient consultation with relevant stakeholders (local communities, NGOs and government officials)? Has the developer responded adequately to stakeholder concerns raised during the EIA process? Have community concerns been incorporated?
- Does the EIA report contain recommendations on appropriate mitigation measures to offset negative social and environmental impacts?

3. Public Consultation and Disclosure of Information About Project Impacts

Sinohydro has committed to ensuring that there is an effective forum for clear and open communication between the local community and the company, in line the Chinese Government’s Guidelines for Environmental Protection in Foreign Investment and Cooperation. As recommended by the government guidelines, Sinohydro should host information workshops during the project development phase. Sinohydro should address all concerns and issues raised by local communities and stakeholders in a timely and adequate way. Community members and local civil society groups should work to
ensure that their views are fully considered in the planning of the project.

The Chinese government guidelines noted above, require that Sinohydro Resources regularly release environmental information, including plans and measures undertaken to comply with local laws and regulations. Relevant information and documents should include EIA and SIA reports about the project.

4. Resettlement and Displacement

As noted above, Sinohydro Resources has adopted the safeguard standards prepared by the World Bank. According to these, Sinohydro Resources should avoid causing displacement. However, if displacement cannot be prevented, displaced communities should have their livelihoods, including income and production levels, restored to above or at their former living standards.

In a few projects Sinohydro Resources has committed to engaging displaced and affected communities in the development of a resettlement plan, which has included the opportunity to review draft plans and nominate resettlement sites.

5. Grievance and Complaints Mechanism

While Sinohydro Resources has not made this commitment, Sinohydro International Limited has committed to responding to complaints and grievances of local communities in its Sustainable Development Policy. Communities and NGOs should encourage Sinohydro Resources to operate at this standard and encourage the company to develop a Grievance and Complaints mechanism to enable community concerns to be raised and addressed. In some project sites, such as the Nam Ou Cascade Project in Lao PDR, Sinohydro Resources has established such mechanisms to comply with local laws and has reported that it is resolving complaints and grievances mostly within several days. However International Rivers own investigations have found some complaints are not responded to for months.

6. Cultural Heritage

Sinohydro Resources should avoiding damaging cultural heritage sites in line with World Bank safeguard standards. This may mean that during the project design phase, options that avoid impacting cultural heritage are investigated and developed, and competent professions are engaged to assist with identification and consultation with the local community. In addition, Sinohydro International Limited has committed to protecting World Heritage Sites.
1. Compliance with Local Laws and Regulations

Sinohydro Resources should have acquired all necessary permits and approvals as required under local law.

2. Environmental Impacts

In line with the global hydropower construction industry practice, Sinohydro Resource Projects should all have Environmental Management Systems (EMS) to mitigate any environmental impacts during project construction. The EMS should anticipate and mitigate environmental impacts during project construction and should be established before construction commences. An example of an EMS not being implemented is uncontrolled waste and pollution from construction activities.

3. Resettlement and Community Development Activities

Once a resettlement action plan is adopted, the host country government and the project developer are responsible for the implementation of the action plan during the preparation and construction phases. During the implementation of the resettlement action plan, the local community should receive ongoing reports on the implementation of the resettlement action plan and updates on efforts to address key areas of community concern.

4. Grievance and Complaints Mechanism

As noted above, Sinohydro Resources is required to communicate with and inform local stakeholders. This should be used to inform key stakeholders with project information, raise complaints and resolve complaints.

Site Rehabilitation

Once construction has concluded, Sinohydro Resources should, in line with World Bank Policy Standards, restore the impacted land and environment to a state as close to its initial condition as possible.
Bank Information Center, Quick Reference Guide to World Bank Safeguard Policies

World Bank Policies on Resettlement and Environmental Assessment


Chinese Standards

China Export Import Bank’s Policy is available at http://www.internationalrivers.org/node/2523


Additional information about China’s global role in dam building see New Great Walls (Second Edition)