

World Bank turns to hydropower to square development with climate change
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The World Bank is making a major push to develop large-scale hydropower projects around the globe, something it had all but abandoned a decade ago but now sees as crucial to resolving the tension between economic development and the drive to tame carbon use.

Major hydropower projects in the Congo, **Zambia**, Nepal and elsewhere – all of a scale dubbed “transformational” to the regions involved – are part of the bank’s fundraising drive among wealthy nations. Bank lending for hydropower has scaled up steadily in recent years, and officials expect the trend to continue amid a worldwide boom in water-fueled electricity.

Such projects were shunned in the 1990s, in part because they can be so disruptive to communities and ecosystems. But the bank is opening the taps for dams, transmission lines and related infrastructure as President Jim Yong Kim tries to resolve a dilemma he has placed at the core of bank strategy: how to eliminate poverty while adding as little as possible to carbon emissions. “Large hydro is a very big part of the solution for Africa and South Asia and Southeast Asia. . . . I fundamentally believe we have to be involved,” said Rachel Kyte, the bank’s vice president for sustainable development and an influential voice among Kim’s top staff members. The earlier move out of hydro “was the wrong message. . . . That was then. This is now. We are back.”

It’s a controversial stand. The bank backed out of large-scale hydropower because of the steep trade-offs involved. Big dams produce lots of cheap, clean electricity, but they often uproot villages in dam-flooded areas and destroy the livelihoods of the people the institution is supposed to help. A 2009 World Bank review of hydropower noted the “overwhelming environmental and social risks” that had to be addressed, but also concluded that Africa and Asia’s vast and largely undeveloped hydropower potential was key to providing dependable electricity to the hundreds of millions of people who remain without it.

“What’s the one issue that’s holding back development in the poorest countries? It’s energy. There’s just no question,” Kim said in an interview.

Advocacy groups remain skeptical, arguing that large projects, such as the Congo’s long-debated network of dams around Inga Falls, may be of more benefit to mining companies or industries in neighboring countries than poor communities struggling to recover from the country’s civil war.

“It is the old idea of a silver bullet that can modernize whole economies,” said Peter Bosshard, policy director of International Rivers, a group that has organized opposition to the bank’s evolving hydro policy and argued for smaller projects designed around communities rather than mega-dams meant to export power throughout a region.

“Turning back to hydro is being anything but a progressive climate bank,” said Justin Guay, a Sierra Club spokesman on climate and energy issues. “There needs to be a clear shift from large, centralized projects.”

The major nations that support the World Bank, however, have been pushing it to identify such projects – complex undertakings that might happen only if an international organization is involved in sorting out the financing, overseeing the performance and navigating the politics.

The move toward big hydro comes amid Kim’s stark warning that global warming will leave the next generation with an “unrecognizable planet.” That dire prediction, however, has left him struggling for how best to respond and frustrated by some of the bank’s inherent limitations.

In his speeches, Kim talks passionately about the bank’s ability to “catalyze” and “leverage” the world to action by mobilizing money and ideas, and he says he is hunting for ideas “equal to the challenge” of curbing carbon use. He has criticized the “small bore” thinking he says has hobbled progress on the issue.

However, the bank remains in the business of financing traditional fossil-fuel plants, including those that use the dirtiest form of coal, as well as cleaner but carbon-based natural gas infrastructures.

Among the projects likely to cross Kim’s desk in coming months, for example, is a 600-megawatt power plant in Kosovo that would be fired by lignite coal, the bottom of the barrel when it comes to carbon emissions. The plant has strong backing from the United States, the World Bank’s major shareholder. It also meshes with one of the bank’s other long-standing imperatives: Give countries what they ask for. The institution has 188 members to keep happy and can only go so far in trying to impose its judgment over that of local officials. Kim, in his younger days, demonstrated against World Bank-enforced “orthodoxy” in economic policy and now may be hard-pressed to enforce an energy orthodoxy of his own.

Kosovo has ample domestic supplies of lignite, freeing the country from imported fuel. Kim said there’s little question Kosovo needs more electricity, and the new plant will allow an older, more polluting facility to be shut down.

“I would just love to never sign a coal project,” Kim said. “We understand it is much, much dirtier, but . . . we have 188 members. . . . We have to be fair in balancing the needs of poor countries . . . with this other bigger goal of tackling climate change.”

The bank is working on other ideas. Kim said he is considering how the bank might get involved in creating a more effective world market for carbon, allowing countries that invest in renewable energy or “climate-friendly” agriculture to be paid for their carbon savings by industries that need to use fossil fuels. Existing carbon markets have been plagued with volatile pricing – Europe’s cost of carbon has basically collapsed – or rules that prevent carbon trading with developing countries.

“We’ve got to figure out a way to establish a stable price of carbon. Everybody knows that,” Kim said.

He has also staked hope for climate progress on developments in agriculture.

Hydropower projects, however, seem notably inside what Kim says is the bank's sweet spot – complex, high-impact, green and requiring the sort of joint public and private financing Kim says the bank can attract.

The massive hydropower potential of the Congo River, estimated at about 40,000 megawatts, is such a target. Its development is on a list of top world infrastructure priorities prepared by the World Bank and other development agencies for the Group of 20 major economic powers.

Two smaller dams have been plagued by poor performance and are being rehabilitated with World Bank assistance. A third being planned would represent a quantum jump – a 4,800-megawatt, \$12 billion giant that would move an entire region off carbon-based electricity.

The African Development Bank has begun negotiations over the financing, and the World Bank is ready to step in with tens of millions of dollars in technical-planning help.

“In an ideal world, we start building in 2016. By 2020, we switch on the lights,” said Hela Cheikhrouhou, energy and environment director for the African Development Bank.

It is the sort of project that the World Bank had stayed away from for many years – not least because of instability in the country. But as the country tries to move beyond its civil war, and the region intensifies its quest for the power to fuel economic growth, the bank seems ready to move. Kim will visit the Congo this month for a discussion about development in fragile and war-torn states.

Kyte said the Inga project will be high on the agenda.

“People have been looking at the Inga dam for as long as I have been in the development business. The question is: Did the stars align?” she said. “Did you have a government in place? Did people want to do it? Are there investors interested? Do you have the ability to do the technical work? The stars are aligned now. Let's go.”