

 Early Warning System

IFC-34062

China Three Gorges South Asia Investment Limited



Quick Facts

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|---------------------------------|-------------------------------------------------------------------------------------------------------------|
| Countries | Pakistan |
| Financial Institutions | International Finance Corporation (IFC) |
| Status | Active |
| Bank Risk Rating | A |
| Voting Date | 2014-05-01 |
| Borrower | China Three Gorges South Asia Investment Limited |
| Sectors | Energy |
| Potential Rights Impacts | Healthy Environment, Housing & Property, Labor & Livelihood, Right to Food, Right to Health, Right to Water |
| Investment Type(s) | Equity |
| Investment Amount (USD) | \$ 125.00 million |



Project Description

The IFC is considering investment into China Three Gorges South Asia Investment Limited's (CSAIL) renewable power projects currently under development in Pakistan, which include the following:

(a) Three Gorges First Wind Farm Pakistan Limited will develop a 50 MW Three Gorges First Wind Farm Project in Sindh Province. It has 33 wind turbines of 1.5 MW each with 77 meter (m) rotor diameter with total capacity of 49.5 MW. The initial environmental examination required by Pakistani regulation was approved by Sindh Environmental Protection Agency in February 2011. No environmental impact assessment was required under Pakistan regulations. Construction started in January 2013 and commercial operation is expected to start in October 2014.

(b) Wind Eagle Limited is developing a 100 MW wind project in Sindh Province. The project will be developed in two farms (Farm A and B, 50 MW each). The first version of the feasibility study was conducted in 2013 and an Environmental and Social Impact Assessment is currently being prepared at this stage.

(c) A 50 MW PV solar power plant called "First 50 MW Solar PV Power Project in Cholistan, Punjab Province" is also being developed. The initial environmental examination and environmental impact assessment were submitted to the Punjab Environmental Protection Agency and were approved in 2012 with no objections. A project design document for the Clean Development Mechanism under the United Nations Framework Convention on Climate Change is also being prepared for submission.

(d) Karot Power Company Limited, sponsored by CTGC and its local partner Associated Technologies Limited (Pakistan), is developing a 720 MW run-of-river Hydroelectric Power Plant project in Punjab Province and Azad Jammu and Kashmir Province. The power house will be located in Punjab Province, and the dam will be built on the Jhelum River, which runs through both provinces. Initially the project was planned by the Pakistan government's Water and Power Development Authority, but it was taken over by the Private Power Infrastructure Board, and was then awarded to Karot Power Company Limited to develop the project. The initial environmental and social impact assessment was prepared by a consortium of international and Pakistani consultants in September 2009, based on an original project design consisting of a concrete dam (initially proposed at a height of 91m) and an underground power house. This environmental and social impact assessment was submitted to the Punjab Environmental Protection Department and Azad Jammu and Kashmir Environmental Protection Agency, and was approved by both agencies by 2011. After CTGC took over the project, the project's design was reviewed and is likely to be modified to use a rock fill dam (98.5m in height) and a surface power house. CSAIL plans to update the environmental and social impact assessment in 2014 to reflect the final design and to meet IFC Performance Standards, including preparation of a Resettlement Plan.

(e) The 1,100 MW run-of-river Kohala Hydroelectric Power Plant project is being built near Kohala, in the Azad Jammu and Kashmir region. The project company has not been established yet. Pakistan's Water Power and Development Authority initially identified the project and conducted a feasibility study. The Private Power Infrastructure Board issued a Letter of Interest to the CTGC group in 2009 and the project was transferred to CSAIL in 2012. The initial environmental and social impact assessment was prepared for the Water and Power Development Authority by a consortium of international and Pakistani consultants and was submitted to the Azad Jammu and Kashmir Environmental Protection Agency (EPA) in 2009. The EPA provided initial comments to the Water and Power Development Authority related primarily to the method for determining ecological flow. The project is designed to intake water from Jhelum River, upstream of Muzaffarabad, and discharge back to the same river at a point downstream. The environmental and social impact assessment prepared for the Water and Power Development Authority has not yet been transferred to CSAIL. CSAIL states that it will update the environmental and social impact assessment for the project in line with IFC Performance Standards.

(f) Lastly, a 300 MW 3rd Wind Farm Project and 50 MW Solar PV Project are being developed in Sindh Province. A single site



Early Warning System Project Analysis

RISK CATEGORY: Category A. According to IFC, "[t]his is a category A project primarily due to the potentially significant and diverse environmental and social impacts and risks associated with some of CSAIL's prospective business activities in Pakistan, particularly development and operation of large-scale greenfield [rural land that has remained largely unused] hydro power projects (e.g. Karot 720 MW and Kohala 1,100 MW on Jhelum River) and wind power projects (e.g. 300MW Third Wind Farm Project in Sindh Province)."

APPLICABLE SOCIAL AND ENVIRONMENTAL STANDARDS:

Based on the bank documents, these environmental and social policies are triggered:

- PS 1 - Assessment and Management of Environmental and Social Risks and Impacts
- PS 2 - Labor and working conditions
- PS 3 - Resource Efficiency and Pollution Prevention
- PS 4 - Community Health, Safety and Security
- PS 5 - Land Acquisition and Involuntary Resettlement
- PS 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources

At this time IFC has not identified any impacts on indigenous peoples or cultural heritage, making IFC Performance Standards 7 and 8 inapplicable at this stage.



People Affected By This Project

OUR RISK ASSESSMENT

The proposed solar and wind projects are estimated to have minimal social and environmental impacts. The following analyses are focused on the Karot and Kohala Hydropower Projects (Information is currently limited on Kohala HPP pending a revised environmental impact assessment).

LABOR RIGHTS

Project documentation for the Karot Hydropower Project indicates a that there is high risk of injury to workers and local residents in the course of construction due to the existing steep mountainous conditions. Another group of potential risks for the workers is due to blasting works at the quarry or for road widening.

The following questions may be relevant in determining whether your community's labor rights may be adversely affected by the construction or operation of the Karot Hydropower Project:

- Are working conditions for workers engaged in this industry safe and healthy?
- Do some workers work in conditions that are less safe and healthy than those of others?
- What opportunities (legal or other) have been made available to you if you consider that your working conditions are not just and favorable?
- Do you have reasons to believe that the planned investment project could deny workers just and favourable conditions of work?

RIGHT TO FOOD

According to the World Commission on Dams, "destruction of community productive bases in agriculture and fisheries can give rise to food shortages, leading to hunger and malnutrition."

Project documentation for Karot Hydropower Project depicts that the residents in the project area use the valley for traditional dwelling, crop cultivation and animal husbandry, timber production and fuel wood cutting. There are no industrial units or other economic activities from which the population of project area can make their living. Household income is earned by male family members who work as unskilled labor in the construction or transport sectors outside the valley and from traditional subsistence agriculture i.e. growing maize, wheat, vegetables, fruit and by keeping a few domestic animals. Potential consequences of land loss include loss of livelihood and means of subsistence.

The following questions may be relevant for local communities:

- Have you (as a people) been deprived of your means of subsistence since the beginning of the investment project?
- Has your access to good and affordable food in sufficient quantity been affected since the beginning of the investment project?
- Does the company have a policy or program to ensure that the planned investment project does not affect people's right to food?

RIGHT TO HEALTH

According to the World Commission on Dams, "[e]nvironmental change and social disruption resulting from large dams and associated infrastructure developments such as irrigation schemes can have significant adverse health outcomes for local populations and downstream communities." Issues include river pollution, vector-borne diseases, and accumulation of high levels of mercury in reservoir fish.

Project documentation for Karot Hydropower Project indicates the lack of adequate medical facilities in the project area,



Investment Description

- International Finance Corporation (IFC)

IFC's contribution would be an equity investment of up to US\$125 million in China Three Gorges South Asia Investment Limited ("CSAIL"), an investment holding company formed in September 2011 that will acquire, develop, build, own and operate renewable power generation projects in Pakistan. CSAIL aims to become the largest renewable power company in Pakistan. The project aims to secure an investment of around US\$15-20 billion to develop 10,000MW of additional generation capacity in the next 5 years.

When the IFC makes an "equity investment" it obtains some percentage ownership in the project's sponsoring company, which means IFC involvement with that company continues after completion of the project.



Private Actors Description

CSAIL, a wholly owned subsidiary of CWE Investment Corporation (“CWEI”) through CWEI Hongkong Investment Company Limited is a holding company for investment in Pakistan under which single purpose vehicles will be formed for the project financing of each of the projects. CWEI is the overseas investment subsidiary of state owned China Three Gorges Corporation (“CTGC”). CTGC is one of the largest power companies in the world that owns and operates several multi-stage hydro, solar and wind generation projects in China and globally, with a cumulative capacity of over 50,000 MW.

Founded in August 2011, CWEI is a wholly owned subsidiary of CTGC and serves as the dedicated overseas investment platform, responsible for investment, construction, operation and management of the international businesses of CTGC. Leveraging on the financial strength and technical capabilities of CTGC, CWEI is pursuing the development of hydro, wind and solar generation projects across South Asia, Southeast Asia, Europe, America and Africa. CWEI is also the largest shareholder in Energias de Portugal (“EDP”), which is an integrated utility company that generates, distributes, and supplies electricity in Portugal and through EDP Renovaives, it is one of the largest wind power producers in the world.

CWEI will maintain a majority 51% equity stake in CSAIL until a Qualified Public Offering and in addition to IFC, other regional and international institutional investors, including development financial institutions, sovereign wealth funds and private equity funds are expected to take minority shareholding in CSAIL.



| Private Actor 1 | Private Actor 1 Role | Private Actor 1 Sector | Relation | Private Actor 2 | Private Actor 2 Role | Private Actor 2 Sector |
|-----------------|----------------------|------------------------|----------|----------------------------------------------------------|----------------------|------------------------|
| - | - | - | - | China Three Gorges Corporation | Undisclosed | - |
| - | - | - | - | China Three Gorges South Asia Investment Limited Company | Client | - |
| - | - | - | - | CWE Investment Corporation | Undisclosed | - |



Contact Information

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CONSULTATIONS

According to the IFC, CWE Investment Corporation's perspective projects, three solar/wind power projects and two large HPPs, are at an early development stage with limited project development activities on the ground. As such, current engagement with local communities and stakeholders are being conducted by the engineering consultant and aimed mainly at facilitating temporary land leases for geological surveys.

IFC states that, as a condition of IFC's investment, CWE Investment Corporation will develop a stakeholder engagement plan for the Karot Hydropower Project based on the Good Practice Handbook on Stakeholder Engagement published by IFC in 2007, meeting Pakistan's mandatory requirements on stakeholder engagement. The stakeholder engagement plan will include identification of local stakeholders such as affected communities, local government authorities, non-governmental and other civil society organizations, local institutions and other interested or affected parties. The stakeholder engagement plan will also propose an engagement program that will cover the process of socio-economic survey and continue through the land acquisition, compensation, physical relocation, design and constructing of replacement housing, and community program development.

ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at <http://www.cao-ombudsman.org/>



Bank Documents

- [First Solar CDM documents Sep 2012.pdf](#)
- [First Solar IEE and EIA Sep 2012.pdf](#)
- [Karot EIA Sep 2009.pdf](#)
- [TGF IEE Jul 2010.pdf](#)

Campaign Documents

- [China: Environmentalists celebrate as plans to build dam at 'angry river' are shelved by govt.](#)
- [World Bank Group's financial intermediaries linked to various human rights abuses in Southeast Asia;](#)