

**Regional Multi-Stakeholder Consultation on the MRC Hydropower Programme
Vientiane, Lao PDR, 25-27 September 2008**

Consultation Brief

This brief, dated 1 September 2008, and the attached draft Programme, comprise the second announcement for the Regional Multi-Stakeholder Consultation on the MRC Hydropower Programme (HP). It summarises the background and proposal for this Programme, and provides an overview of the objectives, expected outcomes and overall approach to the Consultation.

A key element in the brief is inclusion of “guiding questions” and “expected outcomes for HP formulation” which are proposed to guide the presentations and discussions at the Consultation, and lead to recommendations for the final formulation of the MRC Hydropower Programme.

The Consultation Brief builds on national consultations on the HP in the Lower Mekong Basin countries, organised by the MRC Secretariat and considerations of some initial concepts by the MRC Joint Committee in June 2008. A preliminary draft Programme Document for the HP is under preparation and will be made available to participants one week prior to the Consultation.

Background

The Mekong Region is enjoying consistent economic growth. As a result, the region’s demand for energy is rapidly increasing. This together with considerations of climate change and renewable sources of energy and the rising importance of regional trade and investment flows, have stimulated a new era of hydropower development in the basin. In response to market demands, a broad range of developers are now investigating a large number of potential projects, some of which were identified as early as the 1960s. Many concession agreements are already at advanced stages of negotiation. Projects for the Mekong mainstream are among them as these are now seen as more viable due to the expected increase in dry season flows that will result from dam projects currently being constructed in the upper Mekong Basin in China, as well as high oil and gas prices and considerations of climate change.

Hydropower generation potential and energy demand are geographically imbalanced, thus highlighting the importance of and opportunities for an emerging regional power market. This regional dimension is the driver behind most of the current projects with bilateral agreements being established for the export of electricity.

MRC supports sustainable hydropower development that is implemented in accordance with provisions of the 1995 Mekong Agreement and is in the joint interests of its member states. It recognises that there are both opportunities and risks that need to be addressed.

Towards a MRC Hydropower Programme

The MRC approved its Hydropower Strategy in 2001 and drafted a Concept Note for its Hydropower Programme (HP) in 2005. These documents were a comprehensive attempt to interpret emerging international good practice and lay out what it meant for the Mekong region, and identify strategic work areas and possible components of the programme.

Although due to funding constraints the HP did not start until earlier this year, a number of the strategic directions and activities identified under the Strategy were already incorporated into other related MRC programmes. Some of the elements under the Concept Note are actively being implemented, including:

- Assessment of cumulative impacts of basin-wide water resources development options, including hydropower development on the mainstream and tributaries - under the Basin Development Plan (BDP) Programme;
- Providing assessment tools for environmental and social aspects, with particular focus on trans-boundary impacts; and synthesizing regionally appropriate sustainability considerations for hydropower development - under the Environment Programme (EP); and
- Broadening our understanding of the impacts of dams on fish migration, spawning and fisheries production – under the Fisheries Programme (FP).

In recognising the complexities but also the pace of hydropower development in the basin, MRC proposes a multi-track approach for its Hydropower Programme.

Track 1 aims at improving understanding of the regional implications of hydropower projects within a relatively short timeframe. Some aspects, such as changes in the flow regime, are already incorporated into the study of cumulative impacts of various development scenarios under the BDP. But there are other important questions to answer that go beyond the scope of any one individual project developer, financing agency or national line agency. For example, Track 1 of the HP will focus on some of the important questions facing mainstream hydropower development – to what extent the barrier effect of mainstream dams can be minimized or successfully mitigated, and how to develop standard specifications and protocols for navigation locks.

Track 2 would take a longer term perspective and require more detailed formulation. It incorporates two types of activities. The first would build on and share knowledge, making available the vast array of experience already gained with integrating improved governance, social and environmental aspects into hydropower development. Some of the activities proposed involve expanding MRC's database on existing, planned and proposed hydropower projects; building capacity for strategic environmental assessment through a case study covering the mainstream of the Lower Mekong Basin; supporting the Environment Programme implement the initiative on Environmental Considerations for Sustainable Hydropower Development; disseminating policy options for benefit sharing from hydropower projects; improving availability of environmental baseline data; building capacity for independent monitoring among respective line agencies; and carrying out an initial scoping assessment of the potential for small-scale decentralised hydropower for rural communities.

Further tracks of the Hydropower Programme may be identified as it evolves.

In each of the various activities, the role of HP would be one of a facilitator of dialogue among different groups according to the nature of the issue involved. With its mandate and regional scope, MRC can reach out to the full range of stakeholders. At this initial stage, at least four areas of dialogue are proposed for further consideration: joint *ministerial* briefings across relevant sectors in each of the member countries aimed at discussing good practice; dialogue meetings among *private sector developers and financiers* to raise awareness of basin-wide issues and procedures under the 1995 Agreement and explore areas of improving sustainability performance and ensuring consistency and coordination on environmental mitigation measures; a regional *multi-stakeholder* forum for structured debate on key issues facing the sector, and continued strengthening of discussion with MRC's Dialogue Partners on the implications of *upstream* developments.

Consultation Objective

The primary objectives of the Regional Consultation are to:

- gather information on the scope and approach of MRC's emerging Hydropower Programme, which will help shape it into an effective and relevant initiative;
- provide an opportunity to assess and disseminate major activities under the initial Track 1 of the HP and related activities of other programmes;
- promote MRC's role in facilitating dialogue on important aspects of hydropower development that require an integrated basin perspective; and
- provide a forum for discussing some of the key issues facing hydropower development in the Basin.

Outcomes of the Consultation

The expected outcomes of the Consultation are:

- improved understanding of the Mekong hydropower development context and its key issues;
- recommendations on the further formulation process of the Hydropower Programme, in particular on scope, structure and implementation arrangements;
- considerations on how to involve stakeholders – government, private sector, NGO's and development partners – on a regular basis in the MRC Hydropower Programme

Overall approach to the Consultation

A Detailed Draft Programme of the Consultation is attached. It will be structured in four blocks as follows:

- *An Opening Session on 25 September*, chaired by the MRC Council Chair, to welcome participants and set the overall stage for the Consultation through an opening Address by a Senior Representative of the Government of Lao PDR, followed by keynote addresses by key international partners
- *Five Technical Sessions 25-26 September*, co-chaired by Senior Representatives of the MRC countries and international partners, to present and discuss hydropower development issues and approaches in the Lower Mekong Basin (LMB) from the perspective of the main stakeholders: the riparian countries, the private sector developers and commercial banks, the NGOs and civil society groups and development partners. These sessions will consist of presentations leading to facilitated discussions of the issues and challenges, with focus on the role of MRC and its proposed Hydropower Programme. Guiding questions will direct the debate towards addressing the expected outcomes of the Consultation.
- *A final Working Session on the Formulation of the MRC Hydropower Programme on 27 September*, chaired by the CEO of the MRCS, to review and discuss the draft Programme Document of the Hydropower Programme and provide recommendations to the MRC for the formulation of the programme, based on the ideas and views emerging from the five Technical Sessions of the Consultation. This process will subsequently continue through the normal preparation and approval process through the MRC Joint Committee.
- *A Field Visit 27-28 September* to the Theun Hinboun Hydropower Scheme to give interested participants an impression of actual conditions in the field and continue interaction in this setting.

The Consultation is expected to have some 120 - 150 participants, and some 20 presentations are invited. Hence, in order to ensure adequate time for discussions, presenters have been requested to stay within the allocated time, and participants are encouraged to be brief, focused and concise in their interventions.

Sessions 1-5: Key issues and questions to be addressed in the Consultation

In the following outline of the sessions a brief overview of the expected issues to be raised in the five technical sessions is provided, along with guiding questions for the discussions.

Session 1 – MRC’s role in hydropower development

In this session, MRCS representatives will outline the overall context of hydropower development in the LMB from a basin perspective, and describe the contribution of MRC through the existing programmes, particularly the Basin Development Plan (BDP), the Environment Programme (EP) and the Fisheries Programme (FP), as well as the proposed new Hydropower Programme (HP). The role of MRC as stipulated in the 1995 Agreement, and the “procedures for notification, prior consultation and agreement”, will be briefly presented. Finally, the important issue of barrier effects of mainstream dams to fish migration will be addressed by a brief report on the outcomes of an Expert Group Meeting on this issue organised by MRCS a few days prior to the Consultation (on 22-23 September)

Guiding questions:

- What are the main opportunities, risks and responsibilities for MRC in hydropower development in the Lower Mekong Basin (LMB)?
- Does MRC require additional capacity, expertise or state-of-the-art tools to advise on and support decision-making on hydropower development in the LMB?
- What are the perceptions of hydropower line agencies, private developers and financiers on the role that MRC can play, and the services it can provide?

Expected outputs for HP formulation:

- Raised awareness of MRC’s role in providing an integrated analytic framework to guide basin-wide development;
- Raised awareness of MRC’s role on cumulative and trans-boundary issues
- Challenges for MRC and areas in need of strengthening

Session 2 – Hydro potential and development: national and regional perspectives

In this session senior representatives from the energy line agencies in the four MRC countries will provide the national view on hydropower development, including overviews of the planning and licensing processes in the countries. Conditions for and lessons from private sector participation and measures taken to address environmental and social issues in hydropower development will be raised, but detailed discussions of this issue will be deferred to Session 5. The presentations will briefly address the development context and forecasts of energy demands and hydropower development potential, as well as planned major projects in the Mekong tributaries and mainstream. A senior representative from China has been invited to provide a brief status on the planning, implementation and operation of the Lancang hydropower cascade, and the cooperation between China and the Lower Mekong Basin (LMB) countries in hydropower development in the basin. Finally the influence of the regional power market in the Greater Mekong Sub-region (GMS) on hydropower development in the Mekong basin will be addressed by a representative from the Asian Development Bank.

Guiding questions:

- What are the key issues in hydropower development at national level for each of the MRC countries?
- What are the key regional opportunities, risks and benefits in hydropower development (sustainability, bilateral/regional benefit sharing, co-operation with China)?
- What are the main factors/drivers motivating accelerated HP development (energy prices, climate change concerns, etc.)?
- What is the contribution of hydropower development to social development and poverty reduction, by itself, by associated multi-purpose use of reservoirs, and through targeted poverty reduction initiatives?
- What are the main trade-offs in the planning and operation of hydropower dams vis-à-vis irrigation, flood protection, fisheries, navigation etc?

Expected outputs for HP formulation:

- Improved understanding of key country and regional/trans-boundary issues in hydropower development (thematic and geographic), to be taken up by the proposed MRC HP

Session 3 – Innovative policy instruments, challenges for implementation

In this session, senior representatives from government and NGO's will address ways to deal with the social and environmental aspects of hydropower development, through innovative policy instruments for benefit sharing from hydropower development with affected communities and as part of a wider programme of payment for environmental services and through new approaches to strategic environmental assessment. It will address how such instruments can be applied towards mitigation measures and environmental safeguards, and how they can be included in the consultation and decision processes for hydropower development by both public and private actors, with appropriate support from MRCS.

Guiding questions:

- What are the opportunities and real life limits to benefit sharing at local level?
- What are the requirements and opportunities to develop new policy tools?
- What are examples of innovative approaches to stakeholder consultation for hydropower development (at regional, national and project/local level)?
- Can the Vu Gia Thu Bon experience with Strategic Environmental Assessment (SEA) be replicated and up-scaled in LMB?
- What is the scope for SEA for mainstream dam development?
- How can MRC provide support to countries (and their private developers and financiers) in SEA, Cumulative Impacts Assessment (CIA) applications and compliance monitoring of safeguards?

Expected outputs for HP formulation:

- MRC's role in raising awareness of, developing, and supporting development of innovative policy tools at national and basin scale
- Innovative approaches to stakeholder involvement at regional, national and project/local level

Session 4 –Lessons from sustainable hydropower development from around the World

In this session the Mekong basin will take inspirations and draw lessons from other parts of the World, such as the Columbia River in the US, the Rhone River in France, and the Yangtze River in China, presented by senior representatives from these basins and countries. Issues in these basins of relevance to the Mekong include operational issues of cascades of dams, sediment and delta management issues, mitigation measures for fish migration, adaptive river basin management, benefit sharing with affected communities, and generally how to achieve sustainable hydropower development by balancing development and environmental protection.

Guiding questions:

- What are the approaches in other international river basins in addressing hydropower development? How do they promote and implement the principles of Integrated Water Resources Management (IWRM)?
- What are the experiences with the role of the Regulator in private sector driven development?
- What are the main operational issues of cascades of dams?
- What are the key challenges and solutions to sediment management, long term bed stability and delta stability?
- What are international experiences in addressing barriers to fish migration?

Expected outputs for HP formulation:

- Experiences and good practices to inspire or be replicated in the LMB with support of the HP
- Institutional and programmatic lessons for MRC from other river basins
- Mechanisms and activities for HP to benefit from international good practice, and for MRC to engage at various levels as a recognised dialogue partner in hydropower development issues.

Session 5 –Project finance, incentives for sustainability

In this session, senior representatives from private developers and commercial banks will provide their perspectives on incentives for achieving environmental and social sustainability in hydropower development, whether through corporate social responsibility, regulation, financing mechanisms and/or other means. The session will address the roles and interaction between the various actors through appropriate institutional frameworks and public-private partnerships. The possible role of MRC to support private developers and banks and identify potential solutions between the public and private actors that result in improved outcomes when viewed from a basin perspective will be considered.

Guiding questions:

- What are the regulatory framework conditions, appropriate from the perspective of both governments and the private developers and banks, under which private sector participation in hydropower development should take place?
- What are the required mechanisms for sharing data and information between the various parties, leading towards coordinated efforts to ensure integrated sustainable development of hydropower in the Mekong Basin?
- What is the potential of regulation vis-à-vis financial incentives to promote sustainable hydropower development by private developers?
- What is the feasibility/appropriateness of different financial incentive options to private developers to adequately consider environmental and social impacts in hydropower development in LMB, and to what extent can such incentives influence decision making in hydropower development?
- What is the role of credit agencies and banks in environmental and social safeguards?
- How can development partners (donors/banks) work in partnership with private investments in hydropower to raise sustainability?
- What are the most appropriate arrangements for MRCS to engage with private developers and financiers?

Expected outputs for HP formulation:

- MRC's role in raising awareness and supporting private sector development, and the appropriate entry points in private sector project cycles
- MRC's role in incentive development and facilitating improved outcomes

Session 6: Formulation of MRC Hydropower Programme – working session

The many constructive observations and recommendations with respect to the role of MRC in hydropower development that are expected to emerge from the five technical sessions will be synthesised and guide the final session which will address the formulation of the MRC Hydropower Programme (HP). The facilitated discussion in this session will be introduced by presentations by MRC staff and consultants, covering: a summary of national hydropower consultations in the LMB counties, draft project document for the HP, and draft project document of the ADB/WWF/MRC project on “Environmental Considerations for Sustainable Hydropower Development” (ECSHD).

Guiding questions:

- What are the main national and regional priorities (thematic and geographic) to be considered in HP formulation?
- In light of the outcome of the previous sessions: are the proposed scope, thematic areas and activities of HP appropriate?
- Is the proposed multi-track approach appropriate, and what is the realistic time frame for Track 1? Are there any additional immediate priority activities for Track 1? What other activities could be considered for Track 2 and subsequent tracks?
- What are the most appropriate arrangements for MRCS to engage with private developers and financiers? What are the next steps?

- What are the appropriate implementation arrangements, including regular involvement of stakeholders – government, private sector, NGO' and development partners –in the MRC Hydropower Programme
- How can HP be financed, in the short and longer term?

Expected outputs for HP formulation:

- Raised awareness of MRC's role in providing guidance and advice for hydropower development in the LMB
- Consensus on the scope, priorities, entry points and implementation arrangements of the MRC's HP
- General agreement on draft project document for ECSHD
- General agreement on next steps in the development of MRC Hydropower Programme

Vientiane, 26 August 2008