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EQUATOR PRINCIPLES ANALYSIS OF THE RAMPAL COAL-FIRED POWER PLANT, BANGLADESH

MAY 2015

EXECUTIVE SUMMARY

Note: This is the Executive Summary of a forthcoming report that includes a full analysis of the compliance of the Rampal coal plant with the Equator Principles

The Equator Principles is a risk management framework adopted by 80 financial institutions from around the world for assessing and managing environmental and social risk in project finance. This report examines the compliance of the proposed Rampal coal-fired power plant (also known as the Maitree Super Thermal Power Project) in Bangladesh with the Equator Principles. The analysis shows that serious deficiencies in project design, planning, implementation and due diligence obligations render the project non-compliant with the minimum social and environmental standards established by the Equator Principles, as well as the International Finance Corporation's Performance Standards.

The failure to comply with these minimum standards are indicative of the social, environmental and financial risks the Rampal coal plant poses and make the project a clear "no-go" for Equator Principle signatory institutions. Accordingly, the report calls on EPFIs to rule out involvement in financing or support of any kind for the Rampal coal plant.

BACKGROUND: PROJECT SUMMARY

Rampal is a proposed 1320-megawatt (MW) coal-fired power plant to be located at Khulna division in southwest Bangladesh. The project is a joint venture between the Bangladesh Power Development Board (BPDB) and India's National Thermal Power Corporation (NTPC), which have formed the Bangladesh-India Friendship Power Company Pvt. Ltd. (BIFPLC) to implement the project. The shareholders will equally contribute 30 per cent of the equity of the US\$ 1.5 billion project, with the remaining debt of 70% to be financed by loans from external sources. Media reports indicate that the project proponents are seeking project finance to cover the debt portions of the deal.

The project has acquired 1,834 acres of land and site preparation has commenced, including land filling for construction of the plant and its associated infrastructure. A tender for the project's Engineering, Procurement and Construction (EPC) contract has been released and bids are due on 18th May 2015.

The Rampal coal plant is located just 14 kilometers upstream of the Sundarbans Reserve Forest, the world's largest remaining contiguous mangrove forest and a UNESCO World Heritage Site and Ramsar Site and Biosphere Reserve. The rich wetland ecosystem of the Sundarbans provides habitat for an extraordinary range of biodiversity with 453 recorded species, including at least 58 rare and threatened species and a number of endangered or critically endangered species, including the last remaining population of the Bengal tiger, several types of turtles, fishing cats, and the Ganges and Irrawady river dolphins.

This vast mangrove forest provides breeding grounds for fish and shrimp and is a rich source of food and sustainable livelihoods for the many surrounding communities. It has been estimated that more than one million people depend on the Sundarbans for their livelihood.



Despite the vital importance and global conservation significance of this sensitive wetland ecosystem, the Rampal coal plant requires coal and coal ash to be transported through the Sundarbans, and the Pashur River will be extensively dredged and widened along a 10 km stretch.

MOUNTING CRITICISM AND CONTROVERSY

The project has been subjected to ongoing criticism and protest within Bangladesh, leading to delays of several years. Three lawsuits against the Rampal coal plant have been filed with the High Court, all of which are outstanding and could delay or prevent construction. **In September 2014, Bangladesh's planning commission refused to approve the project** due to the complexities of its financing and ownership structure, leaving the Bangladeshi government unable to source the 15% equity funds it needs to invest in the project.

Protests against the project culminated in a five-day Long March from Dhaka, the nation's capital, to the project site in September 2013, with 20,000 participants demanding an immediate halt to the project. In May this year, 40 Bangladeshi environmental groups issued a statement calling on the project to be abandoned and requesting that "all financial institutions and potential equity investors make a clear public commitment to rule out any involvement in arranging or providing finance for the Rampal coal-fired power plant."

The [UNESCO World Heritage Committee](#), Ramsar Convention Secretariat, and International Union for the Conservation of Nature Bangladesh have each taken action to formally convey their serious concerns about the project and its impacts on the Sundarbans.

The Norwegian Pension Fund's Council on Ethics conducted a [detailed investigation](#) into the Rampal coal plant. In late 2014, the Council recommended that the fund divest from India's National Thermal Power Corporation due to "*an unacceptable risk that NTPC will contribute to severe environmental damage through the building and operation of the power plant at Rampal, including related transportation service.*"

ASSESSMENT OF EQUATOR PRINCIPLE COMPLIANCE

A detailed review of the project indicates that it violates Equator Principles (EP) 1 through 7 and IFC Performance Standards (PS) 1, 3 and 5-8 as follows:

- The Environmental Impact Assessment for the project is grossly inadequate and fails to meet the requirements under EP 2 and PS 1. Serious deficiencies include:
 - Failure to carry out a separate EIA on the impacts of extensive river dredging or the transport of coal through the Sundarbans – despite the fact that the Department of Environment's provisional clearance for the project included a requirement for these separate assessments;
 - Insufficient assessment of factors and risks relating to water consumption, transport and disposal of coal ash, and waste management;
 - Weak assessment of impacts on existing livelihoods, in particular impacts on people who depend on the Pashur River and the fisheries and other resources within the Sundarbans, and no livelihood restoration plan;
 - Failure to consider the cumulative impacts of other vessels transporting toxic materials through the Sundarbans, and failure to adequately address associated and cumulative impacts of coal and related industrial developments in the area.
- No analysis of lower emissions alternatives to the project, as required under EP 2 and PS 3.



- Both the UNESCO World Heritage Committee and the Ramsar Secretariat have expressed concerns about the project’s impacts on the Sundarbans and requested additional information, assessment and mitigation plans. None of these requests have been complied with by the project proponents or the government, in violation of EP 2. The project violates PS 6 as it is likely to have a “measurable adverse impact” on the Sundarbans, which is considered a critical natural habitat.
- In direct violation of the requirements of PS 3, the Rampal coal plant poses excessively high and extremely grave risks to air, water and land. These risks extend beyond the immediate project area, threatening the sensitive ecosystem of the Sundarbans World Heritage Site. Unacceptably high-risk features and potential adverse impacts of the project include:
 - Coal, materials needed to construct and operate the plant, and highly toxic coal ash will be transported along an 85-kilometer route that cuts directly through the Sundarbans. With more than 400 ships carrying coal and other materials along this route each year, experts warn that water in the Sundarbans and surrounding areas will be contaminated by discharges of ballast & bilge waters, oil leaks, ash and coal spilling off the ships. The recent oil spill in the Sundarbans demonstrates the sensitivity of the area and the incapacity of the government to handle such disasters;
 - Coal transfer, shipping and barging activities at Akram point will result in coal spillage, the release of coal dust during transport and transfer, and will generate noise and light pollution that will create disturbances for the wildlife of the Sundarbans;
 - Extensive dredging of riverbed areas with resulting erosion will cause altered water chemistry and adverse impacts on aquatic biodiversity including globally endangered freshwater dolphins and other endangered species living within the Pashur River system;
 - Insufficient provisions surrounding disposal of the coal ash in a region that is vulnerable to flooding mean that there is a high likelihood of improper storage, leading to leaching of heavy metals including mercury and arsenic into ground and surface water, likely contaminating the Sundarbans; and
 - Thermal releases of water from the coal plant may adversely affect the freshwater ecology of the Sundarbans.
- The process of acquiring land for the Rampal coal plant has violated every requirement under PS 5. Land acquisition for the project and site preparation, including land filling, were carried out before the EIA was conducted, in violation of national law. Due process was not followed in land acquisition and relocation, compensation to landowners has been inadequate, and a large number of landless farmers who depend on the land and water bodies for their livelihoods have been displaced without any compensation.
- There is no evidence that an Environmental and Social Management System or Action Plan has been prepared for the project, in violation of EP 4. While the EIA does include one chapter entitled “Environmental Management Plan” and another chapter entitled “Environmental Monitoring Plan”, neither meets EP 4 requirements for addressing, monitoring and mitigating risk. The Environmental Management Plan devotes a single page or less to management of resettlement, coal transport and handling, dust suppression, ground water, ash waste, solid waste, and air pollution. The Environmental Monitoring Plan is a mere nine pages in length with a total of three paragraphs on provisions for compliance monitoring.
- Stakeholder Engagement has not been conducted in a structured and culturally appropriate manner with affected communities and other stakeholders as required in EP5. Legitimate stakeholders protesting the project have been “constantly harassed by powerful quarters”, subjected to threats, physical assaults, and intimidation that includes the filing of false cases against them. Even the study



team tasked with carrying out consultations for the final EIA provided clear evidence of the failure to meet PS 5 requirements for engagement and consultation with stakeholders.

- In direct violation of EP 6, there is no evidence that an accessible, legitimate, and functioning grievance mechanism has been established to address and resolve the concerns of people who have been harmed by the forcible acquisition of land and other resources that formerly sustained them.

CONCLUSION

As detailed in the full report, the Rampal coal plant fails to comply with even the minimum environmental and social norms established by any one of the Equator Principles included in the scope of this analysis: Principles 1 through 7. Being non-compliant with the Equator Principles, the project is not appropriate for investment by EPFIs. In order to uphold their commitments under the Equator Principles, signatory financial institutions should immediately cease any and all consideration of financing for the project.

