

Buenos Aires, 19th July, 2018

China Development Bank Corporation

CC: Bank of China, Industrial and Commercial Bank of China, China Regulatory Bank Commission, China Gezhouba Group Corporation (CGGC)

Subject: Comments on the Cóndor Cliff - La Barrancosa Hydropower Project (CCLBHP)

Dear Madams and Sirs,

In remembrance of the public hearing celebrated one year ago, the Coalition "Santa Cruz River without Dams" would like to take this opportunity to continue our efforts (see letters sent on July 18th 2016, March 6th 2017 and August 4th 2017) to expose our concerns with the Chinese banks and companies involved in the CCLBHP in the Santa Cruz River.

With this letter, the Coalition would like to share our observations and concerns on your financial support to the project, and some contradictions within this investment and some of the policies of your institution and the other related Chinese government agencies:

China Development Bank's (CDB) vision, as its website states, is to build "*a world-class development financial institution to provide sustained support for economic and social development*"¹. However, regarding the cultural and archaeological heritage, the CCLBHP will affect cave paintings and stamped petroglyphs and native communities' sacred sites. Moreover, the project will affect the territories of the Mapuche and Tehuelche communities, who have not been even invited to a public enquiry before the environmental assessment impact was held, violating their right to Free, Prior and Informed Consent established by International Labour Organization (ILO) 169 and ratified by Argentina (1992)².

CDB claims to adhere to the macro risk management approach and "*guards against irregularities and illegal activities*"³. As you may know, even though the Environmental Impact Assessment (EIA) has been dismissed by many social parties (NGOs, local peoples, experts and the social community) the government has approved it and gave the order to continue with the construction. However, *Emprendimientos Binacionales S.A. (EBISA)*, a public entity operating under the Ministry of Energy, is the entity that conducted the new EIA, taking into account that the Ministry of Energy is one of the entities responsible for approving such EIA, thus, the same entity that develops the EIA is the one to approve it. Secondly, we challenge the role that the Under Secretary of Hydroelectric Energy, Jorge Marcolini has played. Mr. Marcolini is subject of a criminal complaint for conducting "*negotiations incompatible with his public function*". According to the indictment, Mr. Marcolini's obligation to receive and review the EIA as a public official, was incompatible (and created conflicts of interest) with his role as Director of EBISA. Not only has he played a double role in running the company that developed the new EIA and being one of the authorities to approve it, but he has also promoted the CCLBHP from the private sector as Project Manager of *Ingeniería y Asistencia Técnica Argentina S.A. (IATASA)*, a private consultancy firm which praised the construction of the CCLBHP.

¹ <http://www.cdb.com.cn/English/qywh/khyj/>

² http://www.cdb.com.cn/English/qywh/khyj/201605/t20160510_3308.html

³ <http://www.cdb.com.cn/English/qywh/khyj/>

Furthermore, is important to mention that there have been some questionable and corrupt management around the tenders of this project. First of all, there have been three different opportunities for the adjudication of the tenders but the first two were cancelled without any public explanations. The third and final one (June 2013), was adjudicated to Electroingeniería S.A. although it came out third in the pricing hierarchy. Surprisingly, it presented a discount note (a note that lowers the original price) in the last moment - which is not valid during the protocol of opening the envelopes of offers - in order to become the first bidder although it has no experience at all in the construction of dams. Only a few doubted about this rare adjudication, but the minister of Federal Planning, Julio de Vido and the secretary of Public Works of that time, José López, decided to continue with the process. Both of them are now imprisoned for accusations linked to corruption cases.

We believe that CDB should be loyal to its core values. One of them is Green Growth⁴. As your website says *“CDB places great emphasis on energy and resource conservation and environmental protection. We support green, circular and low-carbon development, incorporating the notion of ‘green credit’ into all aspects of its business operations”*. In addition, *CDB guides enterprises abroad to develop and manage projects according to international ecological protection principles and regulations and strike equilibrium between social, economic and environmental benefits”*. This core value goes in the opposite direction of the CCLBHP. It does not conserve the water (river, lake and glacier) resources, nor does it protect the environment (it causes loss of biodiversity, for example). This project is not aligned with CDB's core values.

To support this, four important glacier scientists have expressed their concerns regarding the Santa Cruz dams: Dr. Hernán de Angelis (Argentine Antarctic Institution, University of Stockholm and University of Uppsala, Sweden); Prof. Francisco Navarro (Polytechnic University of Madrid, Spain); Dr. Helmut Rott (Institute for Atmospheric and Cryospheric Sciences, University of Innsbruck, Austria); and, Prof. Shin Sugiyana (Institute of Low Temperature Science, Hokkaido University, Japan). To summarize their opinions, they all agree on the fact that the EIA presented by Ascensio Lara (2016) for EBISA has major gaps and inconsistencies. They consider that the current level planned for the Cóndor Cliff dam is too high to ensure the long-term stability of the Southern Patagonian Ice Field. One of them describes how the Argentine Lake has a fluctuation on its seasonal level of three meters. This impacts on glaciers, which show variations according to speed and the release rate. This implies a huge risk to the glaciers because they have developed their actual state and variation as an adaptation to topography, climate and lake. This is why a sudden change in the lake's level could affect enormously the glacier dynamic into something unstudied and unknown. The four scientists agree that more thorough studies should be done in order to know the real negative impacts that the dams will create in the environment.

Last but not least, the CDB has a new Green Strategy. This policy is based on the four Green Bond Principles⁵: Use of proceeds; Process for Project Evaluation and Selection; Management of proceeds; and, Reporting. The first principle clearly establishes that the use of proceeds from any bonds issued under CDB's Green Bond Framework will be used to finance or refinance loans which finance assets or projects that fall under the categories of Water, Transport or Energy. It

⁴ <http://www.cdb.com.cn/English/qywh/khizg/>

⁵These principles are voluntary guidelines that recommend transparency and disclosure and promote an integrity of the green bond market development. More in: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

also states that the following categories of projects or assets are **strictly excluded**: clean coal and fossil fuel-related technologies; nuclear and nuclear-related technologies; and **large hydropower dams (more than 25 MW)**. The dams have a potential of 950 MW (Cónдор Cliff) and 360 MW (La Barrancosa), and, although we are aware that this project is not under this strategy framework, we are concerned that it goes against CDB's core values and vision.

We hope you find our letter useful to assess the reputational, legal and financial risks of the CCLBHP. It is clear to us that the numerous and large challenges of this investment project are not going to be resolved in the short term. On the contrary, we firmly believe that this project will never earn the necessary "social license" of the Argentine people and much is yet to be addressed and resolved by the courts and political arenas of our country.

Finally, we want to invite you to reconsider the CCLBHP and to leave behind old energy paradigms. We prize China's, and CDB's, efforts to curb green gas emissions and to promote wind and solar energy and green finance at home.

Argentina has a great potential in terms of renewable energies, one of the best in the region. It has a vast and very diverse territory which includes all kinds of climates and biomes. This variety gives Argentina great potential for almost all renewable energy sources. To the West, in the Cuyo region, we have an arid climate with low cloudiness, auspicious for solar energy. To the South, in the Patagonia, we have one of the best areas in the world for wind energy, added to other regions such as the Puna and the Atlantic Coast of Buenos Aires.

The Coalition will be the first to support bilateral cooperation that does not repeat the mistakes of the past but invests in a truly clean energy future.

Sincerely,



**Fundación Vida
Silvestre
Argentina**



**Fundación
Ambiente y
Recursos
Naturales**



Aves Argentinas



**Fundación
Banco de
Bosques**



**Fundación
Naturaleza
por el
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Responses to:

Fundación Ambiente y Recursos Naturales (FARN)

María Marta Di Paola mmdipaola@farn.org.ar

Sánchez de Bustamante 27 (C1173AAA)

CABA, Argentina