

CHALILLO CHILL

Critics slam the dam that a Canadian company wants to build in Belize's valley of the scarlet macaw.

KELLY LOVEROCK

Canadian-based Fortis Inc. and the government of Belize are continuing to press ahead with a \$44-million dam project that has been widely condemned as an economic and ecological nightmare.

Critics say the proposed Chalillo dam in the Macal River Valley of western Belize will be unreliable, unnecessarily costly and a threat to endangered wildlife in one of the most ecologically sensitive regions of Central America.

Fortis is a \$1.6-billion Canadian power company based in St. John's, Newfoundland. The company, which has electric utilities in Newfoundland, Ontario and PEI, owns 68 percent of Belize's national electricity utility, Belize Electricity Limited.

One of Fortis' major assets in Belize is the existing Mollejon dam, downstream from the Chalillo site on the Macal River. This dam is essentially useless during the dry season, and one purpose of the Chalillo project is to provide additional dry season water for the Mollejon generator.

Fortis representatives and government officials in Belize say the Chalillo dam will also attract foreign investment, help alleviate poverty and decrease dependence on power imports from Mexico. Currently Belize gets energy from the Mollejon dam during its stable working months, from diesel-powered generators and from the Mexican power grid.

The proposed Chalillo dam is to be 49.5 metres high and would flood about 20 kilometres up the Macal River valley. But its planned generating capacity is only eight megawatts, and critics doubt that it would generate much power during the dry season.

Villagers of Cristo Rey (population 800), who fish and drink from the Macal River, say that since Mollejon was built in 1995, water levels have plummeted and many villagers have developed skin irritations after bathing in the water. They fear construction of the Chalillo dam will make things even worse.

Ecological scientists also expect serious damage. The Chalillo site in the Macal River Valley is home to a range of threatened species including the exceedingly rare scarlet macaw. The dam's reservoir would flood parts of the Mountain Pine Ridge Forest Reserve, Chiquibul Forest



The Chalillo site is in the Macal River Valley, which contains the only known nesting sites for a rare subspecies of the scarlet macaw. Nearly 400 hectares of the remote valley area will be inundated and more than 800 hectares of prime valley habitat destroyed.

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The valley contains the only known nesting sites for rare subspecies of the scarlet macaw, fewer than 200 of which remain in Belize. Other rare and endangered species in the area include Central American river otters, Morelet's crocodiles, Central American spider monkeys, tapirs, ocelots and jaguars.

As well, the Chalillo reservoir would flood two Mayan ruins, containing ancient pyramids and temples. Approximately 500 Maya indigenous people in Belize have signed a petition calling on the government to preserve these remainders of their cultural heritage.

Eighteen of the world's leading scientists and naturalists, including David Suzuki,

Robert Bateman, and Peter Raven, president of the American Association for the Advancement of Science, have joined the US-based Natural Resources Defense Council, the Sierra Club of Canada, Probe International, Newfoundland groups and others to protest the project.

In addition, the World Conservation Congress, at its second session in Amman Jordan in October 2000, urged Belize Electricity and Fortis to discontinue the project unless they can demonstrate "that the project would not cause significant degradation or destruction of wildlife habitat and the natural environment."

Former project partner Duke Energy of the US chose to withdraw from the venture. But Fortis chief executive Stanley Marshall is determined to continue. He told *Maclean's* magazine, "Fortis won't bow to pressure groups who are looking out more for their own self interests than the people of Belize."

The government of Belize too has publicly denounced project opponents. Prime Minister Said Musa said, "We don't think it is fair for these environmental groups to be beating up Belize over this little dam when their own countries have so many of them. Now they are trying to tell us we can't have one."

In August 2000 one government official, in an article published in the *Belize Times*, labeled Belizean NGOs and

their supporters as "Enemies of the State" for voicing opposition to the dam.

NGO representatives, however, say there is little chance the Chalillo project will bring benefits for power consumers or ordinary citizens in Belize.

Members of a broad coalition of project critics in Belize, Canada and the US have recently written to members of Fortis' board, asking for a review of the company's Chalillo commitments. They say an independent economic analysis has concluded that the dam may be profitable for Fortis but economically detrimental for Belizeans. The dam's critics argue:

Belizeans already pay Fortis more than three times the average energy rates in Canada (approximately 30 cents/kilowatt hour). Fortis' profits from Belize are usurious: in the third quarter, Fortis earned \$5.6 million from 100 Gigawatts of electricity sold in Belize, as com-



Sustaining Livelihoods

pared with \$3.4 million from more than 800 Gigawatts sold in Newfoundland and Labrador. Considered over the entire year, Fortis earns 4 to 8 times more per kilowatt hour sold in Belize than in Newfoundland and Labrador.

The contract for the Chalillo dam would force Belizeans to buy electricity from the dam before any cheaper source. A similar contract for the existing dam costs Belizean ratepayers more than three million dollars extra each year. The short-term gain to Fortis from such business practices are likely to be far outweighed by the long-term damage to its relationship with the Belizean people, and to its international reputation as a good corporate citizen.

For the limited output of an eight-megawatt facility, Chalillo would cost over \$44 million. The power would be sold to Belize Electricity at 15 cents per kilowatt hour (kWh) nearly double the current cost of power imported from Mexico (about 8 cents per kWh).

Alternative domestic supply options include electricity from bagasse units, which burn sugar cane waste to generate power at an estimated cost of about 11 cents/kWh.

The Canadian International Development Agency (CIDA) has also been criticized for assisting Fortis by contributing almost \$466,000 to AMEC, a Canadian engineering company, to prepare a project justification report and environmental impact assessment.

Project opponents say the assessment work includes inaccurate and misleading information on geology and hydrology, that no public review has been allowed to examine the assessment work, and that CIDA's assistance has helped Fortis rather than the environment.

CIDA officials have defended their actions, arguing that they have not supported the project itself but only helped to ensure that a proper environmental assessment was carried out. They say the AMEC environmental assessment report clearly recognizes that the project would have significant adverse environmental effects. In CIDA's view, the Belize government's decision not to heed this conclusion is unfortunate, but beyond CIDA's influence.

Although the Belizean National Environmental Appraisal Committee (NEAC) approved the assessment, critics assume this reflects pressure from the government of Belize, which strongly supports the initiative. ■

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Follow Up

<www.stopfortis.com> Petition to save Belize's rainforest from Fortis' dam.

<www.nrdc.org> The site of the Natural Resources Defense Council.

SEE NO EVIL

Despite a new law and new policies, Export Development Canada retains plenty of room to avoid careful environmental assessments and public scrutiny.

REGAN READER

New legislation now governs the controversial Export Development Corporation (EDC), now to be Export Development Canada (still EDC). The Crown corporation, funded by Canadian taxpayers, provides trade financing, risk insurance and other financial services to Canadian firms exporting or investing abroad.

For years, EDC has been criticized for its secrecy and apparent willingness to support Canadian involvement in socially and ecologically questionable projects. Critics have pushed the government to impose rigorous environmental assessment and disclosure obligations on the corporation.

The revised *Export Development Act*, proclaimed late last year, is the government's response. It requires EDC to establish and apply a process for environmental reviews of proposed transactions involving projects that could have adverse environmental effects. However, critics are disappointed by the vagueness of the requirements and the amount of discretion left in the hands of EDC.

In cases where proposed EDC support would involve a sizable new project, the new law requires EDC to determine whether the project is likely to have negative environmental effects and whether EDC involvement is justified. But it allows the corporation to make the key decisions on what projects are reviewed, what studies are required, what criteria are applied, and what information is made public on the ecological and social effects of EDC-supported projects.

As a result, the critics say, there is no guarantee that EDC will meet Canadian or international standards for environmental assessment, provide greater transparency or ensure adequate attention to human rights, labour and environmental concerns. In effect, the critics argue, the government has left the fox in charge of the henhouse.

Some details on how EDC will exercise its discretion under the new law were revealed soon after it came into effect. On December 21, 2001, EDC released an Environmental Review Directive setting out its commitments and procedures for environmental review of potentially damaging projects. It also announced a new informa-

tion disclosure policy, which commits the corporation to ensuring that applicants for EDC support release environmental assessments of the most worrisome projects – those categorized as “likely to have environmental effects that are sensitive, diverse or unprecedented.”

The directive replaces an earlier Environmental Review Framework that had been criticized in an independent evaluation commissioned by the government, a report from Parliament's Standing Committee on Foreign Affairs and International Trade, and an audit by the Office of the Auditor General.

In May 2001, the NGO Working Group on the EDC, established by a coalition of environmental and human rights organizations called the Halifax Initiative, released a review of EDC-supported projects entitled *Reckless Lending II*. It identified many EDC supported projects with significant adverse ecological and/or social impacts.

One example is the primarily Canadian-owned Antamina mine in Peru, which received five million dollars in EDC support. Development of the huge mine will result in the leveling of eight peaks in Peru's highest mountain range and disrupt the livelihoods of thousands of local inhabitants. Residents have complained about inadequate compensation for resettlement, livelihood loss and exposure to pollution from the mining operations.

EDC also provided support for the Chamera II dam in northern India. Critics claim that the social and ecological repercussions of the first Chamera dam, including the flooding of 18 km² of forest, remain unaddressed. They also say the second dam is being built in one of the highest seismic activity areas in India.

A third case centres on funding for the world's largest urea plant, the 50 percent Canadian-owned Profertil nitrogen fertilizer factory in Argentina. Profertil has twice been shut down because of ammonia leaks and related fires. Concerns have also been expressed about the discharge of wastes into the ocean. The facility is located, along with nine other petrochemical plants and refineries, near residential communities.

In her review of EDC assessments, Auditor General Sheila Fraser concluded that