

AN ECONOMIC REVIEW OF THE PROPOSED CHALILLO DAM

The Belize Alliance of Conservation Non-Government Organizations (BACONGO) recently hired an Economist from the Conservation Strategy Fund to make an economic assessment of the proposed Chalillo hydroelectric facility. This dam (if it is built) will provide an upstream storage facility for the existing Mollejon dam on the Macal River. It will increase the generation of electricity from this source.

Belize Electricity Ltd. has over the years spent much money in studying ways and means of meeting this country's growing demand for electricity. This included a pre feasibility study for the Chalillo project. Agra/CI Power of Canada did this, along with other in depth studies. They are now completing the Full Feasibility Study and Environmental Impact Assessment for the Chalillo Project. We expect that these reports should be completed by the end of this month.

The public is assured that this is not a "done deal" and that no pressure group will force BEL, nor Agra/CI Power, to rush with the release of an incomplete report. On the other hand we would like to bring to the public's attention that the Consultant for BACONGO, along with a colleague, spent a few short days in Belize, did some research, read the pre feasibility study and came to incorrect conclusions. However, in good faith, we proposed to invite Consultant to defend his report as soon Agra/CI Power, through BEL, release their exhaustive studies for the Chalillo Project. We expect that BACONGO will facilitate this invitation. BEL expects also to release soon, a Least Cost Generation and Transmission Study, which was done for the company by General Electric Ltd.

We have obtained a copy of the Economic Study which was conducted on BACONGO's behalf by the Conservation Strategy Fund. Space will not at this time allow through critique of this study-albeit one that was done in a few days. We would like to assure the public that a full economic analysis and financial report will form a part of the detailed Agra/CI Power report. On the other hand the report by the BACONGO Consultant is shot on key analytical factors and is the latest round of mis-information.

It has become evident that the economist and engineer hired independently to look at the Chalillo project choose to read the 1998 pre feasibility study in snippets. The 1998 report, for instance, compared Chalillo with Mexican prices and only Mexican prices. Mexican prices are cheaper than Chalillo and for that matter it is cheaper than the price from any other energy source than can work in Belize. This is so because the Mexican government has subsidized it. The fact is that Mexican power is not inexhaustible and it is not likely that Belize will be able to buy more than the present 25MW from this source. The long term nation demand for electricity in Belize will exceed this. Even now Mexico is investing in more electricity generation to meet their own national demand.

The agreement to buy electricity from Mexico at a subsidized rate will not last forever. The Consultant for BACONGO states that Belize's "need for new capacity can comfortably wait for five years with no risk of shortage." But his assumption that average annual growth in consumption is 5.6 percent is out of wack. It is more at normal growth rate of 8.4 percent with consumer demand increasing by 9 percent within the next two year. Additional demand for electricity is expected to increase even more with anticipated development in various industries - a factor which was not a part of his consideration. It is therefore one of the many missing components, along with his other superfluously modified assumptions.

Qualified Engineers who have done generation plans, say that because of the distortion of numbers in the report, "the methodology of the analysis used in the economic analysis by the BACONGO Consultant, is not only flawed, but the report incorrectly interprets the results."

They have enumerated major weaknesses in the study. Consequently it is likely that the input assumption regarding these uncertainties are also highly flawed. Let us give one example: The report makes no mention about why Mollejon historical production has been low in comparison to its potential - only that production has been historically low and could continue this way. No mention is made of the fact that the load demand of the BEL system up to the present has simply not been large enough and, therefore, not been able to absorb all of Mollejon's potential production when it is available. This is a glaring, self-serving omission by the BACONGO Consultant.

A team which did a critical analysis of this report which was done in behalf of BACONGO by Conservation Strategy Fund has noted that "the report grossly distorts the principal finding of the pre feasibility study which was that the Chalillo dam could be economic and that the financial and economic benefits of the Chalillo project could lead to a reduction in the cost of electricity. "This is why BEL took a decision to proceed with the Full Feasibility Study which is soon to be released.

But this group of Environmental NGO's could have at least corrected one of the many flaws in the report. We urge then to turn to the reference made by their Consultant that the river is "a site for laundry and car washing." We politely suggest that this embarrassing declaration be removed from the report before it is made public. "car washing" in the river contravenes the Anti-pollution Regulation of 1996.

We await the official release of the BACONGO report, which has long been completed. If and when that happens, we will be able to provide you, the public, with an objective, more-detailed and critical response.

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