

MEKONG RIVER BASIN

GOVT REVOKES AGREEMENT WITH RUSSIAN COMPANY ON DAM DEVELOPMENT

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Vientiane Times, December 13, 2013

The Lao government has decided to revoke the agreement with a Russian company to develop Xekong 4 hydropower project in Xekong province after discovering that the company failed to comply with the conditions attached.

Minister of Energy and Mines Dr Soulivong Daravong confirmed the agreement with the Region Oil Company of Russia was revoked while clarifying numerous issues to the ongoing National Assembly (NA) session on Thursday.

His clarification was made after NA members raised questions regarding the project delay that lead to the relocation of local villagers to make way for the project construction. But when villagers moved out, there was no sign of any progress made in the project construction.

Dr Soulivong said "We have revoked the agreement with the company because they do not comply with the agreements and we have yet to grant the project to another new developer."

The minister confirmed that there will be a new company assigned to develop the project but the government wants to review the existing form of the project development.

Under the existing plan, the project will flood a coal mining area located near the dam site. "What we were doing is to review whether we will allow the project development that will result in the coal area being flooded or whether we should reserve the coal area."

"Our assessment found that we should not allow the project to flood the coal area," he said.

Dr Soulivong proposed to build two dams to replace the originally proposed one, those being Xekong 4A and Xekong 4B, but the revenue from the two smaller dams will be less.

In 2005-2006, Region Oil and the Lao government signed four memorandums of understanding to develop three hydropower projects – Xekong 4, Xekong 5 and Nam Kong 1 – a combined investment of about 12 trillion kip (US\$1.5 billion).

The Lao government signed the project development agreement with the Region Oil on June 26, 2008. The company held an 80 percent share and the Lao Holding State Enterprise (LHSE) the remaining 20 percent.

The original Xekong 4 project was designed to have an installed capacity of 300MW, with the electricity to be exported to Thailand.

NA member for Xekong province Mr Khamdaeng Kommadam told *Vientiane Times* on Thursday that they supported the government's decision to revoke the agreement because "the company cannot possibly" develop the project.

Mr Khamdaeng said "This is a government project but it is only located in this province. The most important thing the minister said is that the project will flood the coal area and that's why he proposed to build two dams."

Meanwhile Xekong provincial authority has relocated hundreds of people from villages to be affected by the planned development of the Xekong 4 dam despite the fact the project has yet to start.

In September this year, Head of the provincial Integrated Rural Development Office, Mr Visaem Xayseuksa told *Vientiane Times* "that since the work to develop the project has not yet started, compensation from the investors has not been received.

"However, the provincial authority decided to go ahead with the relocation of those to be affected," Mr Visaem said. "Once the project starts to be developed the investors are expected to compensate the displaced villagers."

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