

- [Home](#)
- ▼ [National](#)
 - [Nay Pyi Taw](#)
 - [Yangon](#)
 - [Mandalay & Upper Myanmar](#)
 - [In Brief](#)
- ▼ [Business](#)
 - [Currency Watch](#)
 - [Market Movers](#)
 - [Technology](#)
 - [Property News](#)
- ▼ [Lifestyle](#)
 - [Restaurant Review](#)
 - [Recipes](#)
 - [Travel](#)
- [The Metro](#)
- ▼ [Sports](#)
 - [2018 Asian Games](#)
 - [2018 FIFA World Cup](#)
 - [Myanmar Open Golf](#)
 - [Martial Arts](#)
 - [ONE Championship](#)
- ▶ [Opinion](#)
- ▼ [Special Features](#)
 - [In Depth](#)
 - [Fiction](#)
 - [ASEAN](#)
 - [PangLong](#)
 - [By Election 2017](#)
 - [EduCentre](#)
 - [Election 2015](#)
- [In Pictures](#)

HEARTBEAT OF THE NATION

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| [Myanmar Edition](#)

1. [Home](#)
2. » [Business](#)
3. » CPI pushes for restart of Myitsone Dam

CPI pushes for restart of Myitsone Dam

CPI pushes for restart of Myitsone Dam

Ye Mon, Clare Hammond 05 Jun 2015



A local villager walks near the site of the Myitsone hydropower project in southern Kachin State. Photo: Aung Myin Ye Zaw / The Myanmar Times
CPI pushes for restart of Myitsone Dam

President U Thein Sein has suspended the Myitsone Dam project until the end of his current term. Once this is over, CPI Yunnan International Power Investment Company (CPIYN) says it is hoping to restart work.

The president temporarily halted the hydropower project in Kachin State in September 2011, about six months after taking office. The Myitsone Dam faced significant criticism over its environmental impact and its affect on local residents, which U Thein Sein alluded to when ordering the suspension.

Some local villagers say they oppose the project, but CPIYN officials say they are preparing for a possible restart once the president's term is over after this year's election.

CPIYN says they were not given the opportunity to explain the dam's upside before the 2011 suspension, and are now casting a wide net in explaining its benefits, talking to a range of organisations. It has also hired British public relations agency Bell Pottinger to help convince stakeholders that the dam is the best way to provide Myanmar with power and that it will do more good than harm.

"We are in communication with lots of the stakeholders – NGOs [non-government organisations], the government, the NLD [National League for Democracy], the 88 Generation student group and the ethnic groups. They are human and they know that Myanmar needs electricity. Ultimately it will be a government decision whether or not to restart it, but the discussions are an ongoing process," said Mr Wang Ping, chief of the department of public affairs at CPIYN.

"We are not clear on whether the suspension will be lifted at the end of U Thein Sein's term, but we firmly believe that the benefits will be appreciated."

London headquartered reputation management company Bell Pottinger confirmed that it is working with CPI. It has also hired former UK ambassador to Myanmar, Mark Canning, as a senior consultant for the region, though he is not directly managing the CPI account. Separately, Mr Wang said that also negotiating on CPI's behalf are members of the Myanmar China Electric Power Committee, a government to government mechanism established last year.

Villagers also believe the project could soon be resumed. On May 24, Myitkyina township administrators visited Aung Myin Tha new village to try to force residents to sign an agreement saying they have no right to use vacant property, and could be dispossessed in the event that the project is restarted. However, residents refused to sign the agreement, according to the villagers.

Residents from Tan Hpre village told *The Myanmar Times* that they are worried the project will start again and they accused the government of wanting to destroy the Ayeyarwady River. "I think the project will be resumed after 2015. Myanmar people need to protect this river and the new government should suspend or abolish this project completely," said U Tu Hkwan from Tan Hpre village.

Whether or not the project is restarted depends on the policy of the new government. A member of the Kachin National Democracy Congress Party said the party will object again if the next government resumes the project.

"We don't want this dam project. I don't understand why CPI doesn't look out for the environment and the future of the Ayeyarwady river. They should. And the next government should respect what the people want," he said.

Relocating the locals

Mr Wang believes that the company has not been given a sufficient chance to explain the benefits of the project. CPI signed the deal for the dam projects with the former administration. According to separate sources, one of the conditions of the contract was that the Chinese company did not undertake any promotional activities to convince villagers of the benefits of the dam.

"In the old Myanmar, you couldn't talk freely and everything was done on a government to government basis. You couldn't check with families about their wishes, or whether they were willing to relocate. We didn't have enough time to explain to the villagers what the project is about," said Mr Wang.

"Then the government changed. There was no dialogue before the project was halted. The president himself had come to inspect our progress and he approved it," he said.

To date, 2146 people from five villages have been relocated to two resettlement sites, he said. To facilitate the entire project, which includes six other large dams in addition to Myitsone, 18,000 people will need to be relocated from 53 villages – 11,000 of these will be moved from the Myitsone area.

"This might sound like a lot, but it is very little compared to the Three Gorges Dam in China where 1.15 million people were relocated," said Mr Wang.

Since the project was suspended, several of the relocated villagers have returned to their old homes to work on the farms and some have opened restaurants and general stores. "I sell snacks, coffee, noodles and grilled fish near the Myitsone resting camp, it's good for us. If we live in the new village, we can't get money," said Daw Hkawn Nam, who has opened a restaurant.

U Aung Hpan, the administrator from Aung Myin Tha village said the authorities know that the villagers don't want to live in the new village, but they are not allowed to return to their old homes, as the dam project may be resumed after president U Thein Sein's term.

Old controversies



Objections to the project are many and varied. Daw Aung San Suu Kyi wrote an appeal against it in 2011, which cited a lack of sound planning, the failure to enforce necessary conservation laws and a poor ecological awareness. The area is widely recognised for its biodiversity.

While the appeal accepted the benefits that hydropower dams can bring, it also noted that the environmental impact assessment (EIA) report, published in 2011, “has generated intense concern, in particular with regard to the safety aspect”, due to the dams’ proximity to fault lines.

Others such as the Biodiversity and Nature Conservation Association (BANCA) claimed the EIA was rushed, and that CPI did not wait for its completion before starting construction and resettlement. The location of the dam was also contested, as the reservoir will submerge important historical and cultural sites, as well as the area recognised as the birthplace of Myanmar.

“There is fear that the area to be flooded is the size of Singapore. Singapore is a very small place. Also, most of the area is mountainous, with gorges, and it’s very remote with not many people living there,” said Mr Wang. “Many say that the social and environmental impact of the project is too big, but according to our EIA, it is acceptable and can be mitigated. The environment is always in our heart,” he added.

Many are also concerned that 90 percent of the electricity will be exported to China, but Mr Wang was keen to correct this. “Myanmar will get 10pc for free, which is more than 10 billion Kwh per year [from the total seven proposed Ayeyarwady hydropower projects], and then it will be able to draw down as much as it needs at a negotiated price. The remaining power will be sold to anyone who wants to buy it, whether it’s China or other countries. We must be clear that the electricity will first be used to meet nationwide domestic demand and that the first 10pc will be free,” he said.

China does not need additional power from Myanmar, he added, and this year there is a 7000-megawatt (MW) surplus in Yunnan province alone. However, civil society groups including the Renewable Energy Association of Myanmar have pointed out that most of Myanmar’s population lives off-grid and therefore will not benefit from the dam.

“We could offer assistance in this. China is ready to help – many parties are ready to help, but Chinese companies are the most suitable in terms of price, quality and delivery,” said Mr Wang. He added that as the grid is expanded in Myanmar, more people could benefit from power generated by a dam at Myitsone.

Another major concern is that conflict between ethnic Kachin and the military was reportedly exacerbated in 2010 after work began on the Myitsone project. Fighting between the Kachin Independence Army and the Tatmadaw broke out in June 2011, ending a 17-year ceasefire. Three months later U Thein Sein suspended work on the dam.

“There are now important plans for peace deals, and if they are passed, that will make a big difference. We are praying for a permanent nationwide ceasefire,” said Mr Wang. “We are hoping that our project will be part of the solution to the conflict, as it will lead to more local jobs, better infrastructure and better communications.”

Mr Wang said that CPI will need to be sure there is no more fighting before it resumes work. “Without permanent peace, nobody will be willing to invest.” However, he conceded that it is possible the project could go ahead without a ceasefire deal, if the government agrees to it.

Working out a benefit-sharing scheme between the government and ethnic groups for the profits of the project is not the responsibility of CPI, said Mr Wang, and must be negotiated by the parties themselves.

A need for power

Myanmar’s need for power is well documented. The government has several options, including liquefied natural gas (LNG), oil, coal, hydropower, wind and solar. The World Bank believes that hydropower is one of the best solutions for powering Myanmar. In January, it held a workshop in Nay Pyi Taw on sustainable hydropower.

The International Finance Corporation which is the private sector financing arm of the World Bank, plans to work with the Ministry of Electrical Power and the Ministry of Environmental Conservation and Forestry to rank all of the possible hydropower projects in Myanmar in terms of environmental impact and productivity, with a view to identifying the best sites for development. The project is due to begin later this year.

Myanmar is among the world’s biggest untapped territories for hydropower, according to the International Hydropower Association, having only made use of 2.6 gigawatt of over 100 GW of potential. Total installed capacity in Myanmar is 3300MW, three-quarters of which is hydropower, from 19 operating projects. Myanmar aims to provide electricity to 50 percent of the population by 2015, and 100pc by 2030.

In light of this, CPI has no plans to abandon the Myitsone project. “The country needs electricity, that’s why we choose to stay. We are not frustrated, as we are not here to make a quick buck. It’s a long-term project, so it needs a long-term mindset and that’s what we have. We are committed,” said Mr Wang.

Hydropower is much cheaper than many of the other options – LNG costs K150 to K170 per unit, coal costs K70 to K80 per unit and hydropower is K60 to K70, according to Mr Wang.

“It’s very competitive. Coal is not suitable as there is no coal in Myanmar of adequate quality so it would need to be imported. Gas is too expensive – the government will be paying four to five times the current bill if they choose LNG. Solar power is not steady, and nor is wind, they are suitable as a back-up but not as a primary power source,” he said.

Furthermore, if the government chooses to use the country’s hydropower, it will receive a large amount of income. For the total seven upstream Ayeyarwady projects, the government would receive \$54 billion throughout the 50-year concession period. It would receive \$18 billion alone from Myitsone, and have full control of the dam once the concession period is over.

Whatever the decision, it needs to be made soon, said Mr Wang. “If we started the project tomorrow it would take nine years before it was producing power. If you want my hydropower by 2030, you need to make a decision now. There are businesses complaining that there isn’t enough electricity.”

Stalemate

Others note that the Myitsone project itself is also under time pressure – after a certain point it will no longer be economically viable. Investors have already spent US\$1.2 billion and money is being spent every day on maintaining the sites and providing free 24-hour power to the surrounding villages. In total the Myitsone dam alone is likely to cost \$8 billion to complete.

China has stated that if Myanmar wants to cancel the project completely, it will need to solve the situation legally and provide compensation for the contract. “CPI will require at least \$5 billion in compensation for the time and money spent,” said a source close to the project. “If the project is cancelled altogether, they will almost certainly sue the government.”

On the other hand, if the project was to be restarted, investors would need a guarantee that the project would not be suspended again, said Mr Wang. “What’s to say it won’t be stopped again? If it is restarted there will need to be assurance – to get the financing to continue the project we will need to meet certain requirements,” he said. “The new government will have to handle its existing

contracts very carefully. The spirit of a contract is very important.”

Furthermore, it is important that the villagers receive communication about whether or not the project will be restarted. The government has not made it clear whether they will be expected to stay in their new accommodation or be allowed to move back to their ancestral villages, according to Mr Wang. In the meantime, CPI will continue to offer assistance to the villagers, including through rice donations, he said.



A woman walks toward the Myitsone dam project site. Photo: Aung Myint Yc Zaw / The Myanmar Times

[What is the Myitsone Dam?](#)

The Myitsone Hydroelectric Project is situated at the confluence of the Malikha and Maykha rivers. It is the southernmost and largest of seven dams planned to be built along the Ayeyarwady, Malikha and Maykha rivers. If built, it will become one of the largest hydropower stations in the world, with an installed capacity of 6000 MW.

CPIYN is the majority shareholder in the Upstream Ayeyarwady Confluence Basin Hydropower Company (ACHC), which was registered in 2010 and is a joint venture between the Ministry of Electric Power (15 percent), CPI (80pc) and Myanmar Asia World Company (5pc). CPIYN is a wholly owned subsidiary of state-owned China Power Investment Corporation, one of China's five largest power generation groups.

The hydro dam was suspended by President U Thein Sein in September 2011, following some public opposition, and has since remained in limbo.

This article has been amended to correct the amount of power the seven Ayeyarwady hydrodams will generate, and the amount of revenue the government is to receive from all seven projects and Myitsone alone.



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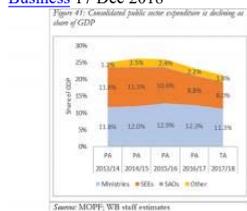
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