Hydropower Development in Cambodia -

The Role of China and Foreign Investment

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With only 18% of the Cambodian population having access to electricity it has so far remained a privilege mostly granted to citizens of urban areas. As the available resources in terms of electricity remains scarce and the current electricity prices remain high, there is an immense potential to supply Cambodia with its electricity and energy needs through hydropower development and dam construction. With two dams currently in place, more projects are planned. Funding has been offered to be taken care of by China, who has assumed the role as the main funder for these projects. The examination of the sustainability of the construction of these dams thus requires us to take a closer look and examine the current and future role of China, in terms of hydropower development in Cambodia.

Hydropower Development in Cambodia

Cambodia currently has two hydropower dams in existence, the Kirirom and O Chum. In addition to these dams, there has been commitment to another 5 projects, with another 10 dams to follow. The Kamchay, Atay, Lower Russesi Chhrum, Kirirum III and Tatay would be constructed on the mainstream and tributaries of the Mekong River, but also outside the Mekong basin. The aim of these dams is to provide an adequate, reliable and secure supply of energy throughout Cambodia at an affordable price, in accordance with the National Energy Policy. These projects should also be viewed from
a larger perspective of how possible future export of electricity is expected to develop Cambodia’s national economy.

Keen on satisfying its own need for electricity and energy, Cambodia has officially stated that hydropower development must be carried out in cooperation and symbiosis with environmental conservation, where both social and environmental impacts are mitigated. Local NGO’s and the International Rivers Network have however simultaneously stressed how the construction of the proposed dams mentioned above will cause havoc on the local Cambodian community, and how it from a long-term perspective most likely will slow down development. This is due to the fact that the dams are estimated to threaten the eco-systems of the Mekong, and by doing so, have large-scale negative impacts on the livelihoods of Cambodia. Poorly planned and constructed dams are in this sense likely to negatively and possibly irreversibly impact the natural resources of Cambodia.

The Role of China and Foreign Investment

Out of the 5 dams currently planned, all are funded by China who has invested some $1.6 billion into these projects. According to a report from 2010 published by the Council for the Development of Cambodia, China remains the largest investor in Cambodia with an accumulative investment of $8 billion.

Out of the total 15 projects planned for the near future, 8 are funded by China, and Synohydro Corporation remains the biggest actor in terms of funding dam construction within Cambodia having funded major parts of the work carried out at the Bokor National Park, as an example. Synohydro is not the only actor which has showed an interest in hydropower development in Cambodia, however, as more than 350 Chinese companies have shown interest in aiding with capital funds. Cambodia, keen on and in need of foreign economic ventures has welcomed Chinese investment openly by accepting dam construction on its territory, but also by accepting aid packages such as the $600 million aid deal given in 2006. Deals and agreements posed by China are likely to remain attractive for Cambodia in the future as low interests rates are given
while Cambodia simultaneously has promised financial compensation to Beijing, should the planned dams perform less than expected.

Understanding Chinese actions is crucial. The dam constructions on the Lancang of the Mekong River has a maximum installed capacity of 15,000 MW and the Yunnan province remains one of the poorest regions in the country. As power shortages is becoming a crucial national issue, Chinese national needs can be understood to be framed around economic development and the development of energy. As Cambodia remains positive to Chinese investment, and as environmental standards are inadequate and significantly lower than in China, hydropower development in Cambodia to sustain Chinese needs for energy becomes a viable option from a Chinese perspective. In relation to this it should be noted that China indeed has been accused of over-emphasizing the positive aspects of dam construction in Cambodia while right out neglecting negative impacts downstream of the Mekong River. In combination with a Chinese reluctance to share national data on the impacts of dams, Cambodia can easily be interpreted as an actor in a larger scheme of Chinese power asymmetry and external governance focusing on ensuring and securing energy to meet its own ever-growing need.

**Future Hydropower Development in Cambodia**

Chinese investment in Cambodian dam projects is likely to continue as both parties remain overall positive to the current state of affairs. While investment is welcome, it would also be beneficial if the procedures for this mutual business deal is reformed somewhat.

First and foremost, Cambodia should ensure that environmental standards for dam construction are updated and in line with recommendations on hydropower development promoted on an international level. When such standards have been implemented and adopted, enforcing mechanisms should be put in place, to ensure that these standards are indeed respected and adhered to. As an example, studies should be carried out before dam construction is initiated where an assessment on possible and
likely implications and their consequences for the livelihoods of Cambodia are estimated. By studying possible impacts, planned dam projects by China would have to be in accordance with the Cambodian and international standard, thus, enforcing that these standards are complied with. Stakeholder involvement and a pro-active approach by all involved actors remain crucial.

Additionally, Cambodia should investigate the potential of renewable and decentralized energy options, such as sun and wind, to mitigate the renewed interest in dam construction. The importance of the Mekong River for the continued development of Cambodia and for the security of the livelihoods within remains of substantial and considerable importance. To open up for foreign investment into hydropower development should be assessed from a cost-benefit perspective, to ensure the sustainable management of Cambodian resources. An approach where dam construction is promoted as a win-win scenario for both China as a dam exporter, and the host country of the dam construction, is not a realistic description of the current situation. Recent Chinese investment in dam projects in Sudan reflects this where environmental and social costs have been ignored at the expense of vulnerable livelihoods.

Lastly, foreign investment should not be accepted without public scrutiny, which one can argue has been the trend so far, as the unsustainable appropriation of Cambodian resources will first and foremost affect the poor people of Cambodia rather than the people of China.