

**U.S. Position on the Ceylon Electricity Board Wind Power Generation Project  
(Sri Lanka)  
October 24, 2017**

Sri Lanka has demonstrated robust and steady growth over the past decade that has been coupled with an impressive improvement in its development indicators, particularly energy access, reaching a national electrification ratio of 99.3 percent in 2016. Despite this achievement, the sector is struggling to meet growing electricity demand with low cost, reliable power, and there is an urgent need to develop new clean sources of energy to safeguard both energy security and the environment. In addressing these concerns, the Government of Sri Lanka seeks to increase the share of non-conventional renewable energy to 20 percent of total generated power by 2020, including through the development of wind resources.

ADB's proposed *Ceylon Electricity Board Wind Power Generation Project* follows the second tranche of a Multitranche Financing Facility (MFF) approved by the Board in November 2016 that would, among other activities, finance the construction of a 220-kilovolt transmission line to evacuate power generated on Mannar Island to the national grid. The United States abstained on that project due to the project's high potential for adverse impacts on a Ramsar Wetland of International Importance that is a critical habitat for migratory and congregatory birds. This includes one critically endangered bird (the Great Knot) and several nationally protected species, both of which pass through Mannar Island on the Central Asian Flyway, one of the world's great bird migratory routes. Unfortunately, while this project has the laudable outcome of increasing Sri Lanka's clean power by 100 MW, it also has the potential to contribute further to these adverse impacts.

Given concerns about the potential impacts of this project, staff from the Office of the United States Executive Director and the U.S. Agency for International Development (USAID) visited the site. From that site visit and the review of the Environmental and Social Impact Assessment (ESIA), the United States believes that baseline data collection was inadequate to fully assess the direct impacts of the proposed wind farm to bird populations and that problematic project sequencing relative to the prior MFF complicated the process of assessing project alternatives.

First, addressing the baseline data and the determination of impacts on bird populations. The United States concluded that the baseline data did not include sufficient observations throughout the day and over the seasons, thus incompletely capturing the dynamism of migratory species. Despite this shortcoming, the ESIA clearly indicated that, after avoidance, minimization, and restoration, protected bird species are likely to suffer high death rates due to collisions with the turbines. ADB staff has assured the United States that the migratory season coincides with low wind season, thus naturally decreasing the potential for collision, and that the wind farm's radar monitoring system will automatically shut down operations upon detecting bird and bat movements. The Government of Sri Lanka has agreed to invest in state-of-the-art technology to achieve this curtailment during migratory season.

The use of the radar technology is to be commended, but it will be expensive and there will be financial incentives to keep the turbines operating. In any case, the temporary shutdowns will affect the viability of the economic analysis. Absent more robust baseline data, ADB is not in a

position to determine if the ten percent energy yield variation in the sensitivity analysis adequately reflects the degree of necessary expected curtailment. Further, given its financial impact, it is not clear why this variable was not also considered in the financial analysis. The direct impacts will likely be significant, in which case operators will face a difficult choice between limiting environmental impacts and maintaining financial sustainability. The United States has requested that ADB provide the detailed criteria for operations curtailment and protocols once the radar supplier is selected.

Second, regarding the assessment of alternatives, the United States has concluded after detailed discussions with ADB staff and extensive review that the ESIA does adequately consider the no-project alternative for different locations of the substations and associated wind towers. Ideally, however, the ESIA would have considered project alternatives outside the immediate project area on Mannar Island. Indeed, it is difficult to assess alternatives at this stage, as the transmission line was approved in last year's MFF. Financing such associated facilities separately over several years is clearly part of the problem. The United States asks that ADB Management bring closely associated projects for Board consideration in a manner that allows for a prudent consideration of all impacts and alternatives.

Third, the United States notes that the ESIA contains a collision risk assessment for critical parts of the associated transmission line (including the 7.5 km section that passes through the Vankalai Sanctuary Ramsar site), the proposed wind farm, and the development of a further potential of wind energy on Mannar Island. ADB staff have assured the United States that this additional development is now unlikely to materialize given the government's better understanding of the environmental and social limitations. The United States is encouraged that any future developments will be held to the requirements of the signed loan agreement, and have asked staff to clarify if this would also apply to potential private sector development on the site, given the focus on private sector engagement in Sri Lanka's wind sector.

Fourth, given that the migratory pathway that crosses Mannar Island is recognized as having international importance, and given the value of bird tourism for Sri Lanka's economy, additional precautions should have been taken for a project like this. Did ADB consider constituting an independent expert panel in this case? Such panels should be reserved for cases with high impact.

Finally, and as the United States noted it is surprising and dismaying that a project with such significant potential environmental impact was originally to have been considered on a no-objection basis. The United States hopes and expects Management will approach this decision differently in the future.

With these comments, the United States abstains on the proposed project.