

Pöyry Responds on its Role in the Xayaburi Dam

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http://www.internationalrivers.org/files/styles/600-height/public/images/blog_entry/Kirk%20Herbertson/11_0.jpg

Pöyry engineers present to a foreign government delegation (July 2012)

The Xayaburi controversy has spread to Finland. Earlier this month, Finnish engineering company Pöyry Group issued a [public statement](http://www.business-humanrights.org/media/povry_plc_statement_to_business_and_human_rights_resource_centre_120807.pdf) (http://www.business-humanrights.org/media/povry_plc_statement_to_business_and_human_rights_resource_centre_120807.pdf) denying any wrong-doing in its role in the Xayaburi Hydropower Project in Laos. The statement follows a [June 2012 complaint](http://www.siemenuu.org/?news_article=5907) (http://www.siemenuu.org/?news_article=5907) to the Finnish government filed by 15 civil society groups, including International Rivers, alleging that Pöyry has engaged in ethical misconduct in the Mekong region.

The complaint centers on Pöyry's role in the ongoing diplomatic conflict between Laos, Thailand, Cambodia, and Vietnam over whether the Xayaburi Dam should be built on the Mekong River. The complainants argue that Pöyry's actions during this conflict have violated the [OECD Guidelines for Multinational Enterprises](http://www.oecd.org/investment/investmentpolicy/oecdguidelinesformultinationalenterprises.htm) (<http://www.oecd.org/investment/investmentpolicy/oecdguidelinesformultinationalenterprises.htm>), a global standard for corporate responsibility that all Finnish companies are expected to follow.

In August 2011, Pöyry provided a [report](http://www.poweringprogress.org/download/Reports/2012/July/Compliance%20Report%20Xayaburi%20Main%20Final.pdf) (<http://www.poweringprogress.org/download/Reports/2012/July/Compliance%20Report%20Xayaburi%20Main%20Final.pdf>) to the Lao government evaluating the Xayaburi project's compliance with the dam building standards set by the Mekong River Commission (MRC). The report concluded that the project was in compliance and that construction should move forward. When the construction phase began, Pöyry took on further work as an engineer for the project.

Pöyry's August 7th statement denied the allegations. In particular, Pöyry said that "the Complainants are fully entitled to a different opinion," but that most of their concerns amount to a mere "scientific disagreement" of the sort that is common among scientists.

The recent events in Finland highlight a key question now facing the MRC governments: *Should they rely on Pöyry's work as a basis for deciding if the Xayaburi project goes forward?*

Pöyry took on this role despite a conflict of interest.

Pöyry had strong financial incentives to conclude that the Xayaburi project complies with the MRC's standards. When it was first hired, Pöyry had a close business relationship with Xayaburi dam builder Ch. Karnchang. The companies were jointly building another dam in Laos, the Nam Ngum 2 project. After submitting the August 2011 report, Pöyry then took on additional work as an engineer for the Xayaburi project. This raises questions about the company's motivations for providing a positive review in the first place.

Pöyry concluded that the project was in compliance, despite identifying evidence to the contrary.

Pöyry's conflict of interest is apparent in its unusual findings. Pöyry concluded that the project is "principally in compliance" with MRC standards. Yet Pöyry identified over 40 additional scientific and technical studies that are still needed. It omitted mention of some key MRC standards where the project was clearly out of compliance, such as the need to ensure that fish passage technologies have a 95% success rate and the need to follow World Bank dam safety standards.

Perhaps most controversial of all, Pöyry *guaranteed* that the dam's impacts could be mitigated, although the dam's impacts have not been fully identified. In other words, the Pöyry report was based more on guesswork than science. The company told Laos that all concerns could be resolved while construction is underway, despite strong arguments by the region's leading scientists and the MRC secretariat that many of the impacts cannot be mitigated at all. The [MRC secretariat also raised concerns](http://www.mrcmekong.org/assets/Publications/Reports/PC-Proj-Review-Report-Xayaburi-24-3-11.pdf) (<http://www.mrcmekong.org/assets/Publications/Reports/PC-Proj-Review-Report-Xayaburi-24-3-11.pdf>) that construction itself would bring harmful impacts. However, under the mitigation plan that Pöyry recommended, little time was set aside for the governments to discuss these concerns in any detail before construction proceeded.

Pöyry gave legal advice that provoked a diplomatic conflict.

Pöyry also acted as a lawyer for the Lao government. Even before finishing its August 2011 report, Pöyry gave Laos an interpretation of the four governments' legal obligations under the 1995 Mekong Agreement. Pöyry concluded "that the Prior Consultation Process had been ended" and that "the decision whether or not to proceed with the project rests solely with the Government of Lao."

In contrast, the Mekong River Commission's [official view](http://www.mrcmekong.org/news-and-events/news/lower-mekong-countries-take-prior-consultation-on-xayaburi-project-to-ministerial-level/) (<http://www.mrcmekong.org/news-and-events/news/lower-mekong-countries-take-prior-consultation-on-xayaburi-project-to-ministerial-level/>) at the time was that "there is still a difference in views from each country on whether the prior consultation process should come to an end," and "that a decision on the prior consultation process for the proposed Xayaburi hydropower project be tabled for consideration at the ministerial level, as they could not come to a common conclusion on how to proceed with the project."



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Land near the Mekong River that would be flooded by the dam

Nevertheless, Pöyry's legal advice led the Lao and Thai governments to move forward with the project. In June 2011, [Laos specifically cited Pöyry](#) (<http://www.internationalrivers.org/resources/laos-steamrolls-neighbors-in-xayaburi-dam-process-3708>) in a letter informing Thai company Ch. Karnchang that the prior consultation was complete. In October 2011, the Lao government [again cited Pöyry](#) (<http://www.internationalrivers.org/resources/thailand-defies-neighbors-on-contentious-xayaburi-dam-3686>) in a letter informing the Thai government that the prior consultation was complete. A few days later, the Thai government signed an agreement to purchase the dam's electricity and agreed to provide financing for the project. Since that time, numerous construction-related activities on the Xayaburi Dam have proceeded, and further discussions under the Mekong River Commission have faltered.



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Houay Hip village in Laos faces serious threats to food security as a result of the dam.

In July 2012, after the international media reported that construction on the project was underway, the MRC's donors insisted on visiting the dam site. On July 16-17, the Lao government [hosted a delegation of foreign diplomats](#) (<http://www.internationalrivers.org/blogs/267/testing-the-waters-laos-pushes-xayaburi-dam-to-critical-point>) to the site. Pöyry led most of the visit. Pöyry also presented the [construction timetable](#) (http://www.poweringprogress.org/download/Reports/2012/July/Presentation_Poyry_July_2012_V_03.pdf), revealing that the project's coffer dam would be constructed by May of next year. Around this time, the Lao government published several articles in the *Vientiane Times* citing Pöyry's work as proof that Cambodia's and Vietnam's concerns with the project had already been addressed.

Cambodia and Vietnam already rejected the Pöyry report.

The Cambodia and Vietnam governments first raised concerns with the Pöyry report almost nine months ago. In November 2011, the Cambodian government declared that "Cambodia would not agree with this report—we strongly disagree with it." That same month, the Vietnam's national union of scientists organized a seminar in Ho Chi Minh City with the specific purpose of examining the Pöyry report. They

concluded that the report was not an adequate basis for decision-making. Afterwards, the Vietnam government continued to urge for a delay in construction so that further studies could be completed.

CNR distanced itself from Pöyry.

Although many scientists have criticized Pöyry's findings, no one has stepped up to support them. In January 2012, the Lao government hired French company Compagnie Nationale du Rhône (CNR) to review Pöyry's work after hearing Cambodia's and Vietnam's criticisms. In its recent public statement, Pöyry claimed that CNR had "confirmed and verified" Pöyry's work. This is in sharp contrast to [CNR's own public statement](#) (<http://www.internationalrivers.org/blogs/267/as-consultant-distances-itself-cracks-appear-in-laos%E2%80%99-portrayal-of-xayaburi-dam>) a few days earlier that distanced itself from the Xayaburi project. On the issue of sediments, CNR emphasized that its proposed solutions were "conceptual" and "need to be developed and their costs evaluated." CNR also emphasized that its work did not examine the fisheries issue, one of the most controversial parts of Pöyry's work.

Not the most ethical of companies.

The Xayaburi controversy is not a unique situation for the Pöyry Group. They have recently encountered other ethical problems as well. In July, the World Bank placed Pöyry's management consulting arm on its [blacklist of non-responsible vendors](#) (<http://www.helsinkitimes.fi/news/index.php/business/2835-poeiry-blacklisted-by-world-bank-on-bribery-allegations>), based on allegations of "submitting false invoices and providing improper benefits to World Bank Group staff." There is no direct connection between this incident and Pöyry's role in the Xayaburi project. Nevertheless, the recurring ethical violations indicate that Pöyry's internal corporate responsibility systems—if they have any—do not work. This pattern of questionable behavior will come under more scrutiny when the Finnish government reviews the civil society groups' complaint against Pöyry in September.

Looking back, we can see that Pöyry played a significant role in creating the mess that the Mekong governments now face. Construction on the Xayaburi Dam is advancing rapidly, despite continued opposition from Cambodia and Vietnam. The future of the 1995 Mekong Agreement is now in jeopardy, as confusion has set in over the status of the prior consultation. There is still time to clean up the mess, but the four Mekong governments have to act quickly.

The time has come for the Lao and Thai governments to find a better advisor.

More information:

- ▶ Visit the [Xayaburi Dam Media Kit](#) (<http://www.internationalrivers.org/resources/media-kit-on-the-xayaburi-dam-3412>)
- ▶ Read our [review of Pöyry's August 2011 report](#) (<http://www.internationalrivers.org/resources/sidestepping-science-review-of-the-p%C3%B6yry-report-on-the-xayaburi-dam-3372>)
- ▶ Read the [June 2012 complaint to the Finnish government](#) (http://www.siemenuu.org/**english/mekong_in_finland/%3Chttp://www.siemenuu.org/english/mekong_in_finland/) (scroll down to "Complaint about Pöyry in the Mekong")

Comments

[Xayaburi Dam Project \(/comment/535#comment-535\)](#)

They will kill the fish with the dam. Fish will not be able to migrate as nature intended. The MRC should have the last word on this topic before a problem is created that can not be turned around.

Stop the problem before it takes place. This dam will have a negative effect on the entire lower Mekong basin. Governments of Lao and Thailand should use their minds not their wallet.

[Permalink \(/comment/535#comment-535\)](#) Submitted by Gary Fultheim on Mon, 2012-08-27 20:40

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