Engie and the Jirau dam

By Observatoire des multinationales (France)

Background

In the 1990s, the Brazilian government started to revive plans from the 1970s to build dozens of hydroelectric dams in the Amazon as part of a wider push to “accelerate growth” through infrastructure development. One of the main infrastructure projects to be launched as part of this plan, alongside the infamous Belo Monte dam on the river Xingu (a tributary of the Amazon), was a hydroelectric complex including two large dams on the river Madeira, in the Western state of Rondônia, close to the Bolivian border. This was designed as the first of a string of dams on the river in both Brazil and Bolivia, which would also constitute a “hydro-highway” that would make it possible to ship commodities produced in Brazil (such as soy) to the ports of the Pacific Coast, and then to Asia. To date, only the first two dams – Jirau and Santo Antonio – have been built, although there have been renewed talks of building dams further upstream on the river in Bolivia.

In 2007, Engie (formerly GDF Suez), a French-Belgian energy conglomerate, was awarded a contract to build and operate one of the two dams, Jirau. It was the first time that a non-Brazilian company was awarded such a contract. It was widely expected that Brazilian construction multinational Odebrecht, which won the contract for the Santo Antonio dam, would win Jirau as well, as both dams are very close to each other and thus interconnected. Competition between the two dam builders led to several legal disputes during the construction and operation phases. One of the factors which led to Engie being awarded the contract for Jirau was that it had cultivated close ties with Brazilian business circles and elites. It had previously acquired Leme Engineering, the same company responsible for conducting the impact assessment of Jirau and Santo Antonio, and the privatised energy company Gerasul, which manages several dams in the South of Brazil. Much of the construction works for Jirau were awarded to another Brazilian construction giant, Camargo Corrêa. Both Odebrecht and Camargo Corrêa have been deeply involved in the large-scale corruption scandals that have marred Brazil in recent years. Engie was also awarded the construction of another dam, Estreito, in the Brazilian Northeast, at the same time as Jirau. It was also connected to controversial dam projects on the Tapajós river, but seems to have renounced any further investment in hydropower in Brazil for the moment, because of the political backlash and because the Jirau contract did not turn out to be as profitable for the company as expected.
Environmental Impacts

Despite being flaunted as a “green” source of energy by the industry, large dams are known to cause severe social and environmental impacts, such as deforestation, destruction of freshwater sources and natural habitats, and population displacements often affecting political minorities. Jirau was no exception, as environmental safeguards and regulatory processes were repeatedly ignored or circumvented. As soon as Engie won the Jirau contract, the company decided to move its location by several kilometres, as the new location was deemed more economically profitable, but the environmental impact assessment was never updated accordingly. Engie was also granted permission to add more turbines (from 44 to 50, leading to an increase in capacity from 3300 MW to 3750 MW) and enlarge the reservoir, again without modifying the environmental impact assessment. The scope of the impact assessment study arbitrarily stopped at the Bolivian border to avoid international complications. When the Brazilian environmental regulator showed signs that suggested it would not authorise the dam, its director was fired by the federal government, and the dam was authorised under conditions that have never been fulfilled. Because of these multiple irregularities in the licensing process, federal public prosecutors launched a procedure against two executives of the Brazilian environmental agency in 2016.

Engie agreed to take limited responsibility for the most direct impacts of building the dam, but not for the wider social and environmental impacts, including problems caused by a rapid influx of people into the area, deforestation and the loss of fisheries. Catastrophic floods devastated the region in 2014, for which the two dams - largely caused by the two dams – Jirau and Santo Antonio - were blamed, as their first turbines had just been put into operation. A judge ordered both companies to compensate the victims and rewrite the whole environmental impact assessments for the dams, but the judicial process stalled. A 2017 satellite study confirmed that Jirau and Santo Antonio had flooded a far larger zone than the original environmental impact assessments had predicted.

Indigenous peoples & labour violations

Another vexed issue has been the impact of the dam on indigenous peoples in the area. There have been several claims that indigenous peoples – including tribes in voluntary isolation – have been displaced or otherwise affected by the construction of the dam, and that official reports confirming the presence of indigenous peoples in the area have been suppressed. Engie denies this claim.

Some other traditional populations of the area, including fishermen, have been directly and indirectly affected by the dams, because of the sharp fall in fish stocks. The company has largely denied being responsible for this and refused compensation to most affected fishermen. Nicinha, a local activist fighting for the rights of these fishing communities, was murdered in 2016, which illustrates that the climate of violence resulting from the dam continues to this day.

During the construction of the dams, which involved up to 20,000 workers, there have been repeated cases of forced labour. Both Engie and Odebrecht were eager to proceed with construction rapidly to boost their future profits, which led to increased working hours and poor security conditions, resulting in a number of casualties. Workers rioted on two occasions – once in 2011 and again in 2012 – over poor treatment.

The failure of judicial redress

Since the construction of the dams began, there have been countless administrative and judicial proceedings launched against Engie or its subcontractors for environmental, labour or other violations, either at the initiative of victims, or of public prosecutors. Very few have ended with substantial rulings. This is partly because the executive branch of the Brazilian government has the power to suspend litigation in the name of “national security”.

Faced with criticism regarding the human rights and environmental violations caused by the Jirau project, Engie has always claimed that it was only undertaking a project designed by the Brazilian government and abiding by its rules.
Indeed, the Jirau dam was largely supported and funded by the Brazilian government. However, as evidenced by the recent corruption scandals, some sectors of the government have always had very close relationships with the industry and this support has mostly served to protect the profit-seeking decisions of private corporations such as Engie (for example, the decision to change the dam’s location or add turbines).

**The illusion of CSR and “compensation”**

Engie made a lot of spin about the money it had distributed on the ground as “social compensation”, claiming it had found a way to make large projects such as Jirau “socially acceptable”. The corporation even went so far as to fund the design of a new industry-led standard for “sustainable” hydropower, the “Hydropower Sustainability Assessment Protocol” (HASP). Needless to say, the Jirau dam – the only large dam with Santo Antonio to which this protocol was ever applied to – received a very positive assessment under HASP.

In fact, the compensation distributed by Engie was not an initiative of the company but was mandated by law, under new legislation passed by the Lula administration. A lot of it seems to have been wasted, to have remained with intermediaries, or to have been distributed as one-off payments that did not provide a long-term livelihood to affected persons and groups. Overall, it was hardly enough to cover the social and environmental costs of the upheaval created by the dam. A flagship CSR initiative often held up as an example by Engie was the construction of a brand new town, Nova Mutum, with modern housing and infrastructure, to accommodate its executives and engineers, as well as some of the displaced populations. At the same time, however, another town, Jaci, a few kilometres away, experienced a “far west”-style population boom with the arrival of prostitutes, drug and alcohol dealers to serve the thousands of workers that had arrived in the region to work on Jirau and Santo Antonio. Violence became widespread. Significantly, the area of Jaci was not included in the scope of the original “impact study” for the dams.

**A project with greenwashing at its core**

The involvement of a French company such as Engie in hydropower development in the Brazilian Amazon should be seen in light of the strategy and policies pushed by European business elites and the European Union. There is, first of all, the promotion of privatisation and market liberalisation outside of the European Union, and the acquisition of privatised domestic companies by European corporations to create “global champions”. Secondly, the climate strategy used is based on “greenwashing” European companies and outsourcing the worst of their carbon impacts to countries outside of Europe, especially in South America and Africa. This is done by developing so-called “green” energy projects
in foreign countries (which are often not very green and involve land grabbing or conflicts with native populations) in order to “compensate” the high emissions of Europe itself.

Jirau is a case in point as it was the first large dam ever to be awarded “carbon credits”, which allowed Engie to continue investing in fossil fuels at the same time. In 2014, Engie even used its first-ever “green bond” – which had been advertised to investors as a way to support renewable energy projects – to complete the financing of the dam. But large dams in tropical regions (such as Jirau) are by no way a green source of energy as the decomposition of vegetation in its reservoirs causes the emission of large amounts of methane, a highly potent greenhouse gas.

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