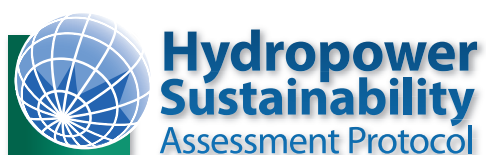




Governance Committee 2013-2015 Annual Report



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According to paragraph 3.3 of the Charter,

“The Governance Committee receives a yearly report from the Management Entity on implementation of the Protocol and summarising all official Protocol applications and may request more frequent reports as needed”

This Annual Report to the HSA Council covers the period 2013-2015



1. Report by Chair

Dear Members

In the last two years we have made a good start on advancing the Hydropower Sustainability Assessment Protocol. As you will see in this annual report, the use of the Protocol is spreading, and, I believe, is beginning to have real traction. The next two years will be critical in seeing the maturation of the tool and its integration into the hydropower sector. I look forward to seeing it emerge as a standardized tool whose use is considered accepted practice globally. And I look forward to seeing its use advance the real sustainability of hydropower by influencing the global discussion. Sustainability of hydropower is no longer just an aspiration; it is tangible, concrete, measurable.... and achievable.

Progress this last two years has included:

- The spread of assessments to virtually all regions of the globe;
- The diversification of users from companies who are industry leaders (many thanks to them for their early adoption) to other players in the hydropower sector, including financial and governmental;
- The first applications of the Early Stage tool;
- Training, accreditation, and licensing of assessors;
- The recent completion of the on-line communication platform;

There are a number of priority areas that need to be focused on in the next two years. First, of course, is the continued spreading and diversification of the Protocol use. Next is the focus on the Early Stage tool as well as other areas of revision and refinement of the Protocol and supporting documents.

But one area in particular I would like to call out is an improvement of the system and practice of Protocol Governance: energizing the chambers; increasing chamber participation; increasing communication within and among chambers; increasing the opportunity for conversation and meetings among Governance Committee members; and taking advantage of the new on-line communication platform to support this communication. Communication is key and has been difficult. The idea that we should have face to face, or even telephonic meetings to advance our business sounds good, but has proven to be cumbersome in practice. Now we have the opportunity to try out an alternative system. I look forward to substantive engagement on the part of Chamber members and Governance Committee members on the key Protocol issues in this next two year phase.



Thanks to all of you for your participation,



David Harrison
Chairperson
Hydropower Sustainability Assessment
Council Governance Committee

2. Protocol Implementation

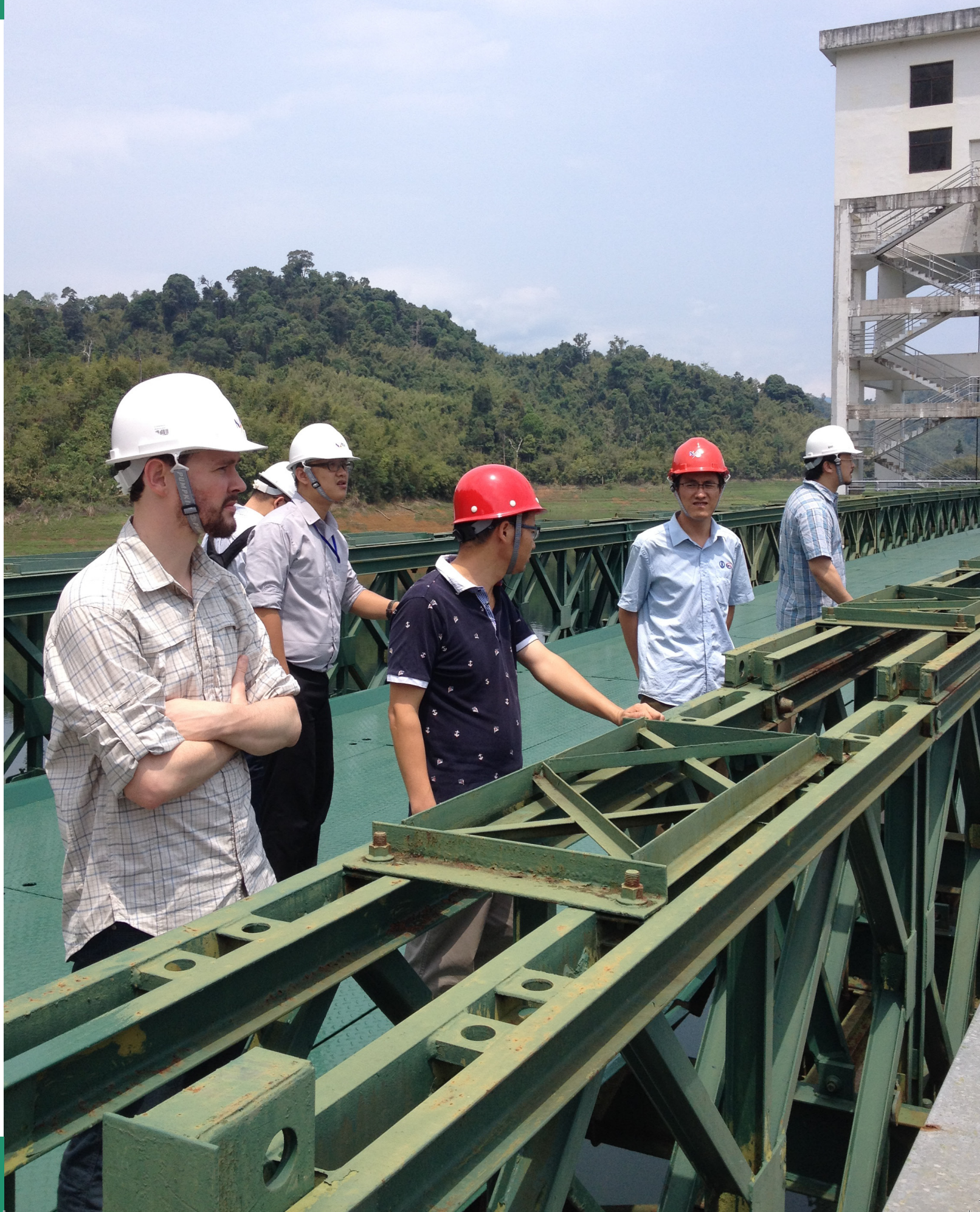
Implementation of the Protocol is obviously key to its uptake around the world. The Governance Committee in the last report to the Council noted the importance of a multi-faceted approach that included projects from across the world.

At that time, it was recognized that one of the advantages of having IHA operate as the Management Entity was its ability to draw on sustainability leaders from the IHA membership and stakeholders. This presented an ideal basis for launching application of the Protocol.

The Sustainability Partner model, relying on industry leaders as first movers in the use of the Protocol, provided a strong basis for initial growth. Although the value of the tool lies in its comprehensive and detailed assessment methodology, that may present an intimidating challenge to even the most structured of users. The Sustainability Partner model of training and support in preparation for the assessment, followed by the first assessment, has proved successful in simplifying initial engagement with the tool and will continue to be an important basis for introducing new projects and users to the Protocol.

Demonstrated implementation has, as predicted, leveraged interest in the Protocol. Sustainability Partners now come from all types of developers, and extend beyond IHA members to governments, civil society and financial institutions. The ability to demonstrate how the Protocol works through published assessments has also built credibility in the integrity and value of the Protocol, and thus has driven further interest in the tool.

Looking forward, the Sustainability Partnership model will continue to evolve. While it will continue to be a means for a growing body of developers and owners to engage with the Protocol, it will also become a means of evaluating projects for finance and regulatory approval, and provide a framework for management systems and internal sustainability capacity building.



A. Assessments

As at the last report to Council, seven assessments had been undertaken (with two pre-assessment visits on further projects). Of those projects, half had been Operation Stage projects, and the great majority had taken place in developed economy countries. All Sustainability Partners involved were IHA members.

Use of the Operations Stage tool and the fact that application was limited to sustainability leaders within the IHA membership indicated some justifiable caution around the tool, as stakeholders explored the implications and relevance of its use.

Since then a further eighteen projects have been assessed, with a substantial number in the pipeline.

Of interest is the move from a majority utilising the Operations tool to increased use of other Protocol

sections; the far greater range of countries utilising the tool, including strong representation from developing economy countries; and finally use of the Early Stage tool.

This last point in particular represents an important new direction for the Protocol. It was always understood that getting this Early Stage module used would be more challenging, however the SECO funding (more of which later) has provided a means of demonstrating its value. The Early Stage tool provides a link between systems planning and individual projects. Its use going forward is still in its infancy.

Assessments have now taken place in each of the key regions worldwide.

Assessments since the last report

Date	Company	Location	Size	Tool
Sep-13	Landsvirkjun	Iceland	150 MW	Operation
Oct-13	Isagen	Colombia	820 MW	Implementation
Jan-14	EVN/TSHPCo	Vietnam	260 MW	Implementation
Apr-14	SAE	Brazil	3150 MW	Implementation
Jun-14	Isagen	Colombia	260 MW	Operation
Mar-14	Isagen	Columbia	936 MW	Preparation
Jun-14	Program Sava Ltd	Croatia	160 MW	Early Stage
Sep-14	Kabeli Hydro	Nepal	38 MW	Preparation
Oct-14	Itaipu Binacional	Brazil/Paraguay	14000 MW	Operation
Nov-14	EPM	Colombia	52.5 MW	Preparation
Nov-14	Jindal Power	India	3097MW	Implementation
Nov-14	E.on	Sweden	3MW	Preparation
Jan-15	China Three Gorges	China	100MW	Implementation
2015	Ministry of Power	Ghana	87 MW 36 MW 43 MW 68 MW 64 MW 55 MW	Early Stage

B. Training



Map of assessments and training around the world

Blue = Assessments
Yellow = Training

There have been more than thirty training workshops run to date since the last report to this Council, across the ambit of government, civil society, the financial sector and industry itself. This training has furthermore taken place across the spectrum of development agendas, in all regions in the world.

The training materials have expanded from a week-long courses run by the Management Entity and members of what was then the Transitional Governance Committee, to a fully flexible set of materials that is adaptable to this full training through to shorter, more focussed courses. These materials are continually updated and expanded. Besides providing training for Sustainability Partners before assessments, they provide support

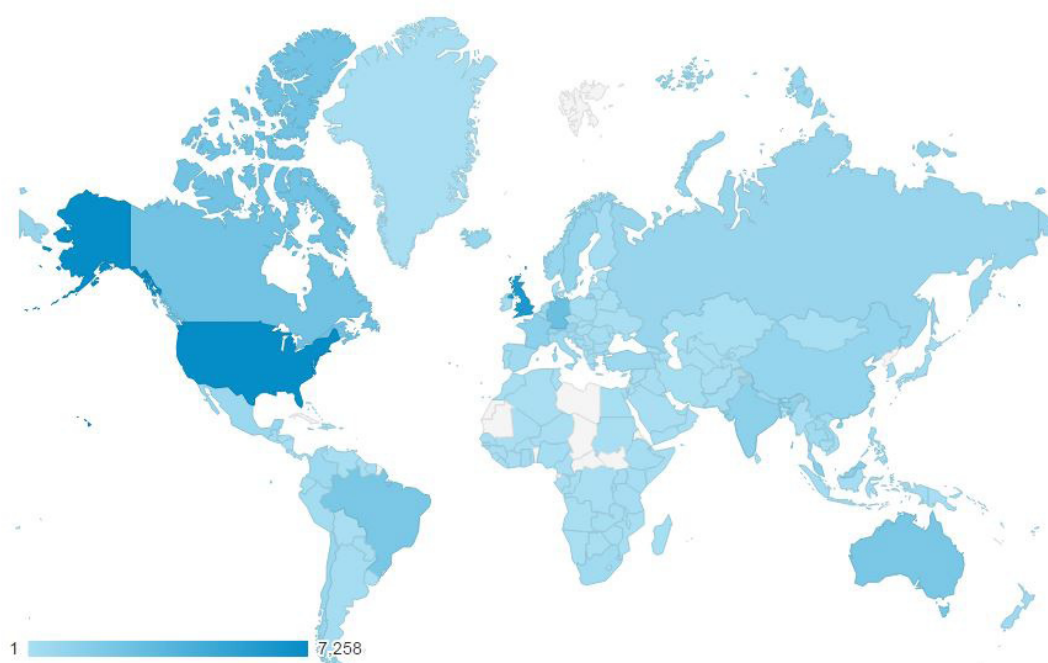
for introductory workshops for the full range of stakeholders now engaging with the Protocol.

Furthermore, after the initial accredited assessor training, which was used as a development workshop for assessor training, the Management Entity has run a number of courses, including exams, for trainee assessors. The system has proved itself robust over the period.

C. Website and database

The website, developed with the support of the Hydro4LIFE project, has now been through two iterations, and provides all the information needed to access the Protocol. It is growing as a resource around sustainability and the Protocol, from access to the various stages and the tool itself through to articles and commentary on the Protocol and its application. It also provides basic capacity-building tools around the Protocol, including powerpoints and informational leaflets with basic information for those wanting to explore the fundamentals of the tool, with guidance on how to engage further.

Sessions	New Sessions	New Users	Bounce Rate	Pages/Session	Avg. Session Duration
46,243 % of total: 100%	65.51% Avg. for view: 65.46%	30,295 % of total: 100.09%	53.97% Avg for view: 53.97%	3.19 Avg for view: 3.19	00:03:18 Avg for view: 00:03:18



There are also twelve assessment reports available on the website, covering all stages of the Protocol. These provide case studies on assessment outcomes, and also provide information on each Protocol topic. These are currently linked through a basic database.

The database itself is intended both to provide an access point for education around sustainability topics (being able to search examples of particular issues and how they are being addressed around the world) and also a means for the Protocol management to identify areas of weakness

generally. This will allow for targeted materials to address specific areas of weakness on sustainability issues. A functioning database will also allow for further refinement of the Protocol over time, based on historical information.

While the database does not have all these capabilities at the moment, funds have been made available under the SECO project to address this. A call for tenders is being prepared to develop a more robust functional database that will be linked directly with assessors as they complete assessment reports, and provide for more detailed data analysis.

D. Communications Internal and External

Increasingly, the value of the Protocol is being recognised by third parties. As more assessments become available for consideration, and the credibility of the assessment process and the assessors is demonstrated, the Protocol is being seen as a model for sustainability in the sector that can be adopted with confidence.

Two quotes from parties who have or do work closely with the Protocol demonstrate this: The World Bank worked with a client to facilitate an assessment in a developing economy country context, and noted in a report based on the assessment, interviews with actors engaged with the Protocol and accredited assessors that *"The application of the Protocol followed by a management plan to address identified gaps are likely the most powerful existing tools to improve the sustainability performance of hydropower schemes."*¹

IIED conducted an analysis of the sustainability standards and guidelines currently available in the hydropower sector, and concluded *"... that the most practical and effective tool currently available for measuring and communicating good practice, and the degree of respect for WCD guidelines and general good practice of individual projects, is the Hydropower Sustainability Assessment Protocol."*²

Notwithstanding such endorsements, it has become clear that more work is needed on communicating with the hydropower community at large. This includes both the broader potential users of the Protocol, from governments, regulators and developers through to civil society and the donor community, as well as those who have demonstrated support for the Protocol by joining chambers engaging directly with the tool.

The PGC has recently approved a communications strategy that aims to take defined steps to communicate the Protocol to audiences that may have heard of the tool but had not seen the merits of engaging with it. This strategy was developed on the basis of a survey, interviews and analysis of data analytics, and pointed out the need for

certain key aspects to be addressed, such as more use of appropriate case studies, targeted website improvements, increased profiles at specific conferences and stronger direct engagement with key actors within the sector. The strategy is currently being formulated into an action plan for implementation over the next twelve months.

Referencing the Protocol

World Bank: The Protocol for use by World Bank clients: lessons learned and recommendations.

OECD: Common Approaches

IIED: A review of social and environmental safeguards for large dam projects

WWF: Everything you need to know about the UN Watercourses Convention

Citi: Hydropower sector brief

ICPDR: Sustainable Hydropower Development in the Danube Basin: Guiding Principles.

EON: The Hydropower Sustainability Assessment Protocol in practice – a utility's perspective

On the communication with Chamber members, a significant step in addressing communication shortfalls within and amongst the chambers has been finalisation of the online communications tool. This web-based resource, supported under the SECO project, will allow information exchange, debate and document sharing through the Council as a whole, but also within each of the chambers, the Governance Committee and the Accredited Assessors as separate groups.

Training on the online communications system has recently been completed for all these groups, and it is expected that in the period immediately after the annual meeting more work will be done to drive substantive use of the tool.

¹Liden, R. and Lyon, K., 2014. *The Protocol for use by World Bank clients: lessons learned and recommendations*. World Bank.

²Skinner, J and Haas, L; 2014. *A review of social and environmental safeguards for large dam projects*. International Institute for Environment and Development (UK).

3. Projects

Revenue to support the capacity-building around and implementation of the Protocol comes from income from assessments and from third party supported projects.

The Protocol has benefitted from a number of these third party supported projects in the years since its launch; these projects have provided or continue to provide valuable and targeted support to the tool and its management structures. It is important to acknowledge the key role that the entities supporting these projects are playing in implementation of the Protocol, as the funds provide important resources to address areas of weakness or shortfalls in current application.

A. Hydro4LIFE

Hydro4LIFE

This was the first significant project to provide support for the Protocol after its launch, co-funded by the European Union and International Hydropower Association. The project ran for four years, and is now in a reporting phase, having wrapped up its substantive work late in 2014.

The project was focussed on the European Union, however it naturally had a number of ripple effects as many of the tools developed to support its European implementation were able to be adapted and applied throughout the world. Key examples would be the database and website. The project also provided significant support to the Protocol at a key stage of its implementation through the workshops and assessments conducted in the EU that provided examples for others worldwide.

While the project was limited in the number of applications in the EU for reasons not related to the project itself and represented a significant financial and management burden to the Management Entity and IHA generally over the period of its application, it is regarded as a key success for the Protocol, especially given that it provided this support early on in its development.



B. Norad



Norad

The Norad project has been running for a year and a half, and will continue until end 2016. Its key aims are increased knowledge of and capacity around the Protocol in developing countries, with the aim of enabling sustainability-driven hydropower development in this context.

The project is made up of three main elements: an ongoing implementation stage that supports knowledge and capacity building and project identification, a second phase that provides for application of the Protocol (through Sustainability Partner-type models) in three countries or regions identified during the first stage, and a third element focussed on support for the Early Stage tool and the governance structures.

Implementation of the first and second stages is well underway with supported visits to, and in some instances substantive workshops in, Ethiopia, Zambia, Kenya, Mozambique, Madagascar, Tanzania, and South Africa in Africa, and Bhutan, Nepal, Myanmar and Vietnam in Asia. These have included substantial Protocol training workshops in Nepal, Zambia and Bhutan. This led to a second stage Sustainability Partnership in Nepal, with a number of other countries now being considered for the second and third applications.

The third element of the project will begin in earnest in the later part of this year, as the PGC explores application of the Early Stage tool.



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Eidgenössisches Volkswirtschaftsdepartement EVD
Staatssekretariat für Wirtschaft SECO

The agreement with SECO was signed late in 2014, and is expected to run through 2017. The SECO project focusses heavily on the Early Stage tool, designed to fund application of this stage on multiple projects across two countries. However, it extends beyond this, and is providing funding for the online communications tool and improved database, both mentioned earlier in this report. It will also provide tailored support to experts and the PGC around improvements or changes to the Early Stage tool. The first set of assessments has just been completed in Ghana, and the Management Entity is working with SECO to identify an appropriate second country in which to apply the tool.

Looking forward, we are exploring opportunities to obtain funding to support strengthening of the Protocol itself. This will be the subject of discussion at the annual meeting, but it is clear, for example, that the Protocol could benefit from an improved focus on climate change in all its ambits. In addition, we are also looking for support for the development of management systems tools designed around the Protocol that enable integration of environmental and social sustainability into existing management systems.



4. Accredited Assessors

After much discussion, a standardised approach to managing accreditation and regulating of income from assessments to support the Protocol has been agreed upon, and the first group of Accredited Assessors have formally signed the appropriate license agreement.

The PGC has also now agreed on a standardised approach to the accreditation of further assessors, based on demand as well as issues such as language, skillsets and geographic representation.

The accredited assessors are the only group licensed to use the Protocol for commercial purposes, and only they are entitled to conduct official assessments. As such, they carry the reputational value of the Protocol on their shoulders.

Furthermore, under the license structure agreed, a percentage of the revenues from any work they do using the Protocol will be returned to the Protocol to support its management over the long term.

5. Looking Forward

The models and systems are now in place to support the long term roll-out of the Protocol. Furthermore, the Protocol Governance Committee is active and engaged with the work of the Protocol. The Protocol is being applied in an ever more varied range of situations, including areas where it is anticipated that the most hydropower will be developed going forward.

However, the perception of the tool remains to an extent that of a 'nice to have' rather than a standard use tool when hydropower is being developed or operated. As such, a key element of the work going forward is focussed on communication -- increasing the ambit of those who are aware of and see the benefit of using the Protocol. Closely aligned to this will be ongoing work on applying the tool. This will focus not just on increasing the number of applications of the tool, but doing so in a manner that demonstrates its value and application in high-development areas: Africa, Asia and South America. Doing so will require more engagement in these regions, and publication of assessment results and the stories behind them. Increasing and focussing communication and outreach is a key element looking forward.

A second element relates to the tool itself. After four years of application and lessons learned, it is now appropriate to consider how the tool might

be improved. This will range from addressing a number of 'easy fixes' of small weaknesses that have been identified; starting to work through the significant database of comments from those using the tool, not just on the tool itself, but also the processes supporting it; through to fundamental changes such as the possible addition of topics. An important part of this work will revolve around the Early Stage tool; we will apply it under the SECO funding and other applications, and work to identify where it fits within the pre-feasibility and planning phases of project development. This work has started already, and we are working towards a better understanding of how the tool will add value to not only developers, but also national regulators and planners in the complex area of energy and water planning.

Finally, we will be looking to increase the value proposition behind the Protocol -- working with third parties to demonstrate the value in their using the tool to make decisions around project financing, approval and monitoring, for example. We will also work to develop complementary systems such as the management systems tool that will enable further engagement with the Protocol.

Acknowledgements

The Protocol has benefited from support from a wide group of stakeholders who play a key role in supporting the tool and its application.

The Protocol Governance Committee would like to acknowledge:

Funding projects:



Norad

Hydro4LIFE



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Eidgenössisches Volkswirtschaftsdepartement EVD
Staatssekretariat für Wirtschaft SECO

Sustainability Partners:



CTG



edf

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Hydro
Equipment
Association

Hydro
Tasmania
The power of natural thinking



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