

Brazil's Amazon dam project moves ahead

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RIO DE JANEIRO, Brazil --

Regulators granted preliminary approval Monday to a massive Amazon dam project praised by business leaders as a way to prevent possible energy shortages but criticized by environmentalists as a potential environmental disaster.

The approval by the Ibama national environmental protection agency means companies can soon begin bidding to construct the project, which would generate electricity and allow barges to navigate 2,600 miles to upstream tributaries in Peru and Bolivia.

Other permits must also be obtained before the multiple dam project gets under way, but Monday's move was a key regulatory step and is sure to prompt big construction companies to line up to participate in the project expected to cost 20 billion to 28 billion reals (\$10 billion to \$14.7 billion).

Ibama imposed a series of 33 restrictions designed to reduce the dams' impact on the environment and to help relocate Brazilians living in the area whose homes would be swamped, according to the government's Agencia Brasil news agency.

The government hopes to complete the Santo Antonio and Jirau dams on the Madeira River, a major Amazon tributary, by 2012 to generate electricity for Latin America's largest nation and economy. When finished, they are expected to produce 6,450 megawatts, or 8 percent of Brazil's current electricity demand.

"The government's decision is to build a model Brazilian hydroelectric project from scratch," said acting Mines and Energy Minister Nelson Hubner.

While President Luiz Inacio Lula da Silva and business leaders say the dams are necessary to fuel strong demand for electricity, the dams would flood hundreds of square miles in one of the Amazon's most pristine areas. Critics worry about the destruction of wildlife and rain forest, as well as problems from pollutants and parasites.

Experts from the National Institute for Amazon Research, or INPA, have said the area to be flooded by the Jirau could be nearly twice the estimated 204 square miles and extend into neighboring Bolivia - prompting periodic protests from the Bolivian government.

The dams could lead to the extinction of ecologically and economically important fish species, blocking upstream migrations of adult fish and grinding up most larva and fry heading downstream, environmentalists say.

Other potential problems include the increase of malaria-carrying mosquitoes, the advance of soy plantations into the rain forest and the impact of mercury discarded into the river by gold miners, which could make its way into the food chain and affect Amazon residents who survive on fish.

The Amazon River basin covers 60 percent of Brazil. Although the government says destruction of Amazon rain forest has fallen to its lowest rate since 1991, experts say as much as 20 percent of the forest's 1.6 million square miles has already been destroyed by development, logging and farming.

Likely bidders for the project include leading Brazilian construction firms Norberto Odebrecht SA and Camargo Correa SA, Brazil's Agencia Estado news agency reported.