

# ECONOMIC IMPACTS OF DAMS



Large dams have long been promoted as providing "cheap" hydropower and water supply. Today, we know better. The costs and poor performance of large dams were in the past largely concealed by the public agencies that built and operated the projects. Dams consistently cost more and take longer to build than projected. In general, the larger a hydro project is, the larger its construction cost overrun in percentage terms. The true risks and costs of dams are being forced into the open due to increasing public scrutiny and attempts to attract private investors to existing and new projects.

The World Commission on Dams found that on average, large dams have been at best only marginally economically viable. The average cost overrun of dams is 56%. This means that when a dam is predicted to cost \$1 billion, it ends up costing \$1.56 billion. In too many cases, the burden of uneconomic dams is shouldered by a nation's citizens, while the project builders walk away with a tidy profit and another project to add to their portfolio. Given that most of the world's large dams are now being built in the world's poorest nations, this is a burden they can ill afford.

Another issue is that large dams are often the largest energy development in many poor countries, which can lead to an unbalanced (and climate-risky) energy supply. While countries generally get richer as they increase their use of modern energy, the trend goes the other way for dependency on hydroelectricity. Of the world's 40 richest countries, only one is more than 90% hydro-dependent; of the world's 40 poorest, 15 are more than 90% hydro-dependent. Numerous hydro-dependent countries have suffered drought-induced blackouts and energy rationing in recent years. Energy security means these countries should diversify power generation away from large hydropower, rather than deepening their dependency. Changes in rainfall patterns due to climate change make this especially critical.

Source : <http://www.internationalrivers.org/economic-impacts-of-dams>