

TATA MUNDRA:

A PROJECT AWAITING SETTLEMENT



THE PROJECT

Tata Mundra Project (Coastal Gujarat Power Limited – CGPL - a subsidiary of Tata Power), is a 4,000 megawatt power plant developed on over 1250 hectares of land near the village Tunda-Wand, in Kutch district (India's largest district with an area of 45,652 km²) of Gujarat state.

A consortium of Banks including International Finance Corporation (IFC), the Export-Import Bank of Korea, Korea Export Insurance Corporation, the Asian Development Bank (ADB), BNP Paribas and domestic banks/institutions like State Bank of India, the India Infrastructure Finance Company Ltd., Housing and Urban Development Corporation Ltd., Oriental Bank of Commerce, Vijaya Bank, State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Travancore, and State Bank of Indore financed the project. IFC approved this project in 2007.

The northern shore/coast of the Gulf of Kutch – where Mundra is located – has seen large-scale industrialization in over little more than the last decade. There is a very large Special Economic Zone (SEZ) created by the Adani Group, as well as the largest private sector port with coal terminals and other facilities by the same industrial house. The same group is also building a huge 4,620 MW coal-based thermal power plant within the SEZ area, several units of which are already operational.

In little more than a decade or so, this largely rural but thriving local economy – fishing, salt-making, animal husbandry, and agriculture and horticulture being the four primary economic activities – has been subjected to huge amounts of pollution, land-use change, displacements, denial of traditional rights, and other impacts.

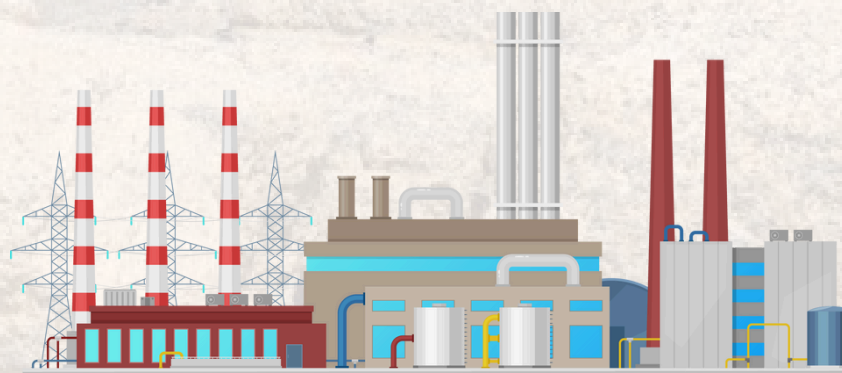
KEY IMPACTS ON PEOPLE AND THE ENVIRONMENT

- **Erroneous Environmental and Social Impact Assessments.** IFC relied on the ESIA the company submitted which failed to account for significant social, economic, and environmental damages caused by the project in its EIA and SIA, and even neglected to identify certain communities as project affected.
- **IFC failed to conduct a cumulative impact study.** The project, sited in the vicinity of several other large-scale polluting industries, will have significant cumulative impacts on the local population and environment, yet no cumulative impact assessment has been performed.
- **IFC failed to conduct adequate, meaningful, and informed consultations with the affected communities.** The communities repeatedly complained about the lack of consultation before the project started and failure to share key information about the impacts and mitigation plans.

- **The project violated its environmental clearance by destroying inland ecosystems.** Large stretches of mangroves, dry-land forests, and biodiversity-rich creeks were destroyed for the construction of the inlet and outfall channels and other associated activities of the project.
- **The project destroyed the aquatic wealth by adopting a one-through cooling system.** The project was permitted for a closed-cycle cooling system initially, but got an amendment to that clearance and installed a cheaper, more environmentally-destructive one-through cooling system.
- **The project blocked access to fishing and grazing grounds.** Access roads for the fisher-folk and the pastoralists to fishing and grazing grounds have either been blocked or diverted, forcing villagers to take an unusually long route and pay more for their transport, and resulting in considerable delay for women returning from the markets after selling fish.
- **The project has caused drastic reduction in fish catches, destroying the livelihoods of local fisher-folk.** Available fish-catch data indicate considerable reduction in fish catch.
- **The project failed to thoroughly examine or adequately address the health and environmental impacts of ash contamination from the project.** The partially-operational plant is already contaminating drying fish, salt, and animal fodder in the area, causing significant health concerns. Salt contamination has been demonstrated to cause an increase of diseases and abnormal abortions in cattle. Further, heavy metals contained in toxic coal ash—such as cadmium, lead, selenium, and mercury—are known to bio-accumulate in animal and human bodies.
- **Children records higher respiratory ailments:** There is a roughly 20% increase in children's respiratory diseases in the past two years. The question of adverse health impacts due to both huge amounts of coal dust from CGPL and fly-ash from CGPL (& Adani power), is a critical one, as these two together are bringing in and burning nearly 28 million tons of coal every year in that small area.
- **Salinity ingress and coal dust pollution making farming impossible:** Unscientific extraction of ground water and constant dredging of the intake channel has aggravated the salinity ingress which is turning fertile agriculture lands to barren in a fast pace. Additionally the coal dust makes agriculture products unusable.

It is in this context that communities filed a case with the Independent Accountability Mechanism of IFC, the Compliance Advisor Ombudsman (CAO) in June 2011. After a two year process, CAO published their findings in October 2013.

CAO validated major MASS complaints. It found the IFC committed serious supervision failures and significant policy breaches.



CAO COMPLAINT AND FINDINGS

CAO confirmed that IFC did not adequately consider in its risk assessments seasonally resident fishing community and religious minority population to be affected by the project, which excluded them from the application of land acquisition standard, biodiversity conservation and other relevant policies to protect them.

CAO confirmed that that IFC committed major shortcomings in fulfilling requirements to manage impacts on airshed and the marine environment. Specifically, the investigation found that IFC did not ensure that its client correctly applied the 1998 WB guidelines for thermal power that restrict a net increase on emissions of particulates or sulfur dioxide within the airshed. On marine environment, CAO found the IFC to have no robust baseline data on project impacts to marine resources, which constrained it from monitoring marine impacts.

CAO also found that IFC has not assured itself that the plant's seawater cooling system complied with applicable IFC Environmental, Health and Safety (EHS) Guidelines. This compliance failure risks that thermal plume from the project's outfall channel will extend into shallow waters and estuaries that pose significant ecological risks on marine resources.

CAO also confirmed the failure of the IFC to conduct an adequate cumulative impact assessment. CAO stressed that IFC should have advised its client that environmental and social risks emerging from the project's proximity and relationship with Mundra Port and Special Economic Zone should have been assessed by a third party, with mitigation measures developed.

CAO concluded that IFC's review and adoption of its client's reports are not robust to ensure the Performance Standards and supervision requirements are met.

IFC'S RESPONSE AND PRESIDENT KIM'S INACTION

IFC dismissed CAO findings. Essentially, they rejected expert findings, defended their project decision and their client and issued no remedial action. Instead, IFC proposed some studies. 12 years after that proposal, neither the studies are shared with the communities, nor any plans developed based on those studies.

After a month of silence, the then World Bank President Jim Kim cleared management response.



LITIGATION

Holding IFC liable for the damages, communities filed a class action suit in the Circuit Court of District of Columbia in 2015. IFC argued the World Bank Group (WBG) enjoys impunity and that was challenged. In 2019 the Supreme Court of the United States ruled that WBG does not enjoy absolute impunity in commercial agreements. However, in 2022 the Supreme Court endorsed the decision of the Circuit Court rejecting people's claim for liability holding that because the plant is in India, the case did not have sufficient connection to the United States.

CAO'S CONTINUED ENGAGEMENT

Since the time CAO published its report in 2013, the project is kept open and had publishing two monitoring reports on 2015 and 2017. These reports confirmed that no remedial action is taken by IFC and most of the issues CAO found in its compliance audit remain unaddressed. A third monitoring visit was made in early March 2025 and the report is awaited.

EXPENSES INCURRED BY IFC AND ADB

In meeting in 2023, the General Council of the World Bank said that IFC had spent \$8 million for lawyers in the case (Jam vs IFC) which was filed by the communities. A report looking into the cost-benefit analysis of ADB's accountability mechanism claimed that \$5 million was spent by the Compliance Review Panel (CRP) between 2013-2018 when the case was handled by CRP. In that context, it would not be inappropriate to calculate that for handling the complaint between 2011-2025 (still continuing), nearly 3 times than CRP, CAO spent at least double the amount, if not more. Hence a conservative figure spent on the project since the complaint was filed in 2011 is \$23 million, without even anything used for the people or to address the issues reported by both CAO and CRP.

PEOPLE'S DEMANDS

The project was fully commissioned in 2012 and for the past over one decade the impacts pertaining to pollution, impacts on health, diminishing fish catch, salinity ingress, sea erosion and others have been on a rapid increase year after year, causing a steep decline the standard of living of the communities.

To address this, people have two key demands:

1. To reduce the long-term impacts, change in the technology should be done – from an open cycle cooling system to a closed cycle cooling system.
2. In order to address the loss hitherto, a development fund should be created to ensure economic support and skill building.



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