



## Contact

Sustainable Hydropower Website  
C/- Hydro Tasmania  
4 Elizabeth St  
Hobart TAS 7000  
AUSTRALIA

[sustainable.hydropower@hydro.com.au](mailto:sustainable.hydropower@hydro.com.au)

# Demonstrated need for the project

Assessing the need for the project against alternative demand and supply side options for power delivery is an important part of ensuring that capital investment is appropriately targeted.

## Issue

Demonstrating the need for a project is of primary relevance to proposed new power projects. This is best done by governments, at a strategic level where a range of development options can be considered.

If a proposal for a hydropower project is assessed outside the context of alternatives, it could be approved and constructed even though it is a sub-optimal development.

Failure to thoroughly investigate and demonstrate the need for a new dam project can be politically, socially and economically costly in both the short- and long-term. Unexpected economic issues arising from lack of demonstrated need have included failure to recover investment costs, low profitability, and poor utilisation rates.

## Management

Undertaking a thorough assessment of alternative development options can help ensure that a project is appropriate and desirable in the first instance. Given that it is the role of government to determine regional or national energy development priorities and project options, it can be expected that national or regional governments will have a significant role in the process of assessing alternatives within an overarching energy strategy.

Global issues such as the need to curb greenhouse gas emissions are relevant within the broader strategic framework. The assessment of need should consider both demand-side and supply-side management options, and should where appropriate involve those whose rights will be affected or bear risks associated with any given option.

Effective project assessment and decision-making processes are informed by economic, social and environmental investigations. Broadening economic analyses beyond financial internal rates of return to include economic profitability (as demonstrable through cost benefit analyses) is desirable.