

Coca Codo Epilogue

Although Glas wished to improve the loan terms, time was not on his side. President Correa has set March 15, 2011, as the deadline to close the negotiations and sign a financing contract, otherwise the project will be put up for auction again. Glas understood that if the project were put out to bid again, he would face the same problems he now faces.

As a result, he decided to accept Sinohydro's offer, financing 63 percent of the project with debt and 37 percent with equity. The Chinese Exim Bank is financing 85 percent of the debt portion through a \$1.68 billion loan, payable over 15 years with a grace period of 5 years and a sovereign guarantee, at an interest rate of 6.9 percent. The remaining funds will come from the Ecuadorian government and the projected sale of the CO₂ quota conserved by the hydropower plant,ⁱ estimated at between \$292,252,122 and \$584,504,245. There were speculations in the press that part of the loan would be formally backed by oil exports, but officials have not confirmed this information. In any event, oil exports constitute a large share of Ecuador's foreign exchange earnings.

Unlike previous Chinese construction contracts abroad, the Coca Codo Sinclair project will be subject to local labor laws. The agreement specifies a ratio of local workers to Chinese workers of 4:1 and that the Chinese engineers will train the Ecuadorians so that they will be able to independently operate the completed facility.

After Glas signed the deal with China, there have been rising critiques of the project's transparency and its impact. Ecuadorian media groups are largely funded by powerful bankers who often oppose President Correa. According to President Correa, in order to prevent misleading and untruthful media comments, Congress passed a law creating a state watchdog to regulate newspaper and television content in June 2013. Several journalists were forced to publish corrections or arrested because their reports on Coca Codo Sinclair were not confirmed by government officials.

On April 13, 2016, four of the eight turbines of the Coca Codo Sinclair hydroelectric plant began operating, generating 750 MW of power. Glas, who began his term as Ecuador's vice president in May 2013, started the first turbine. The plant was inaugurated in November 2016 when Chinese President Xi Jinping visited Ecuador.

Aftermath

Two years after the plant inauguration, in November 2018, revelations surfaced that there were serious problems with the operation of the Coco Codo project. As a result, the

Ecuadorean government appointed a German company to conduct an independent evaluation of the hydroelectric structure. The assessment discovered 7,600 cracks in the eight distributors that inject water into the turbines and attributed the cracks to the use of substandard building materials and inferior welds.

The evaluation further revealed that when the plant's cracks were first detected in 2014, the Chinese company attempted to repair the cracks, which weakened the welding and distributor materials. In addition, sand damaged two turbines' rollers. According to the government, "The Chinese construction company rejected [our] repair request."

Another ongoing issue was the risk of the plant being wiped out by an earthquake. According to a geologist at Ecuador National Polytechnic School (EPN, in Spanish), "This project is located very close to the country's most active continental fault, a place that isn't suitable for this type of project because of the high exposure to seismic activity." The geologist further claimed that neither he nor the Ecuadorian Government had ever received a request from the Chinese for basic information to carry out a seismic-resistant design. According to him, the Chinese companies] relied on studies from past decades in many of these hydroelectric projects.

Another risk is the structure's proximity (30 kilometers) to the Reventador Volcano's active eruptive center. According to an engineer specializing in seismic engineering at EPN "One of the potential impacts on the work is that an ash flow from the volcano's activity could affect the turbines."ⁱⁱ

Dispute Resolution

Due to the construction defects uncovered by the evaluation conducted by the German company, Ecuador sought \$580 million in damages through an arbitration process. A financial settlement was finally reached in August 2025. The Chinese government agreed to pay the Ecuadorian government \$400 million as compensation for defects and losses linked to the Coco Condo Hydroelectric project. According to one report of the revelations of the construction defects and the financial settlements, "the BRI model—relying on money, corruption and construction contracts to secure influence in targeted [developing] countries—backfiring. Instead of winning allies, Beijing now faces reputational damage and a growing wave of compensation claims...."ⁱⁱⁱ

ⁱ This project will help reduce CO2 emissions by 4,837,934 tons each year, if certified through Clean Development Mechanism (CDM), a mechanism developed through Kyoto Protocol to trade carbon emission, would contribute to 15 to 20 percent of the project cost. (See appendix V for more details.)

ⁱⁱ *Dialogo*, February 15, 2019.

ⁱⁱⁱ *Chinascope* (<https://chinascope.org/archives>) September 5, 2025.