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# SEE Development Watch

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### Can the AMBO pipeline make everyone happy?

### Overview of the project and its potential impacts on the environment

The AMBO project (Albanian Macedonian Bulgarian Oil Corporation) consists of the construction of an oil pipeline from the port of Burgas (Bulgaria) through Bulgaria, Macedonia, and Albania to the port of Vlore (Albania). The 894.5 km long pipeline has been designed to facilitate the transfer of crude oil from the Caspian region to the Adriatic Sea and further - to Europe and the US. Some 30-40 million tonnes per year would be transferred via Bulgaria and Macedonia to the Albanian port of Vlore. The debate around the project has so far taken 13 years and is not over yet.

On January 31, 2007 a tri-lateral convention for the construction of AMBO was signed in Skopje. This tripartite agreement awaits Parliament ratification in each of the countries. Project Companies would then be established in the partner countries.

After signing the contract, the pre-selected Walsh Environmental, a US company, will carry out SEA (Strategic Environmental Assessment) and later EIA (Environmental Impact Assessment) studies in each of the countries. A preliminary environmental study was done by White&Case in 2000. The studies are expected to be completed within 2 years and the construction itself would take another 3 years. Total project costs are estimated to be USD 1.2 billion.

It seems the AMBO project planning has been done very carefully. As the Macedonian Minister for Foreign Investment, Gligor Tashkovic recently said - "I want this

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project to make everyone happy" - it is more than sure that at least the Government of Macedonia will do everything in its power to ensure proper public participation in the SEA and EIA procedures, and enable good exchange of information with the interested citizens and NGOs.

The project might be portrayed by Minister Tashkovic as safe, needed for this country, bringing economic development and moreover, new jobs, but in reality, as any other pipeline construction, it will pose a significant threat to the environment.

### **Oil spills in the port of Bourgas**

The port of Bourgas is already heavily polluted with various substances, including quite regular oil spills from the crude oil tankers. It has been suggested that one of the terminals should be moved near to an island off the ancient town of Sozopol, one of the most beautiful resorts in the southern part of the Bulgarian Black sea coast. In addition, there is an unknown number of war-mines on the sea bed in the Bourgas Gulf, which may cause safety problems during digging works.

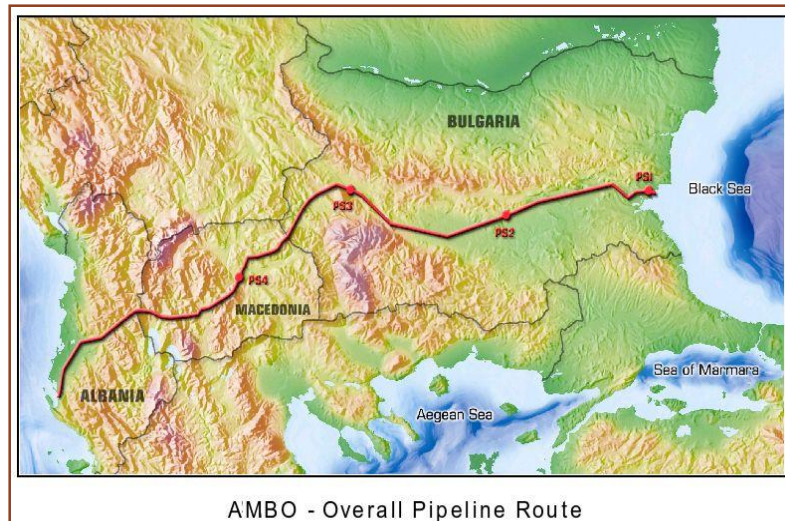
### **Crossing protected areas**

The proposed route would cross important conservation protected areas with a significant number of endangered animal and plant species. The ecological sites include:

- Gorge of Peshti Monument of Nature, MK
- "Atanasovo" Lake Reserve, BG
- "Vitoshka" Nature Park, BG
- "Ostrica" Reserve, BG
- "Rila" National park, BG

### **Climate change**

The amount of oil that would be delivered by the AMBO pipeline, together with another planned pipeline from Burgas to Alexandroupolis, 65-90 million tonnes per year, would induce 200 - 280 millions tons of CO<sub>2</sub> per year, which exceeds Bulgarian, Macedonian, Albanian and Greece CO<sub>2</sub> emissions combined.



### **Increasing the threat of oil spills in the Black Sea and Adriatic Sea**

While the planned Balkan pipelines are promoted as relieving the burden on the highly congested Turkish straits and decreasing the risk of accidents there, there are strong concerns that the risks may simply be transferred to the Black Sea and Adriatic Sea. The risk of accidents and oil spills will only be lessened if the overall number of tankers on the Black Sea, Adriatic, Aegean and Sea of Marmara decreases. So far it has not been proven that this will be the case.

It is more than clear that US has great interest in AMBO, and that the AMBO Corporation will try very hard to collect the investment funds needed to start the project. It is also known that this quest for the money has become more and more difficult, and that in despair, AMBO Corporation might turn to IFIs to chip in.

As signatories of the European Principles for the Environment (EPE), IFIs should not invest in projects unable to ensure environmental protection and promotion of sustainable development. AMBO, as a project with significant environmental impacts, which does not further the aims of sustainable development - as it focuses on fossil fuels and their consumption - should not be on the IFI list.

## **2 more nuclear reactors at Cernavoda: Romania still deluded about costs and benefits**

### **Environmental Impact Assessment**

The Environmental Impact Assessment for the construction of 3rd and 4th reactors at Cernavoda is on its way. The Romanian Ministry of the Environment and Sustainable Development recently announced that the scoping stage had been completed, and an EIA would be elaborated. Bulgaria, Ukraine, the Republic of Moldova, Austria and Hungary were notified according to the Espoo Convention on Environmental Impact Assessment in a Transboundary Context; all but Hungary expressed their interest in being parties in the Espoo consultation regarding the Cernavoda nuclear project.

In October 2006, environmental NGO TERRA Mileniul III addressed a letter to the Constanta Environmental Protection Agency (the relevant local environmental authority for the Cernavoda area) asking to be considered an interested party in the Cernavoda 3 and 4 units EIA process. A committee decided upon the scoping stage for the Cernavoda 3 and 4 environmental permitting process in Constanta in December 2006 without any notification to the above-mentioned NGO - after all Romanian environmental legislation doesn't establish such an obligation. This leaves vital issues unclear, such as whether health studies have been conducted in the Cernavoda area to check the real impact of the operating nuclear reactor (commissioned in 1996); the Ministry of Health doesn't have such studies - should they be included in the requirements for the Cernavoda 3 and 4 EIA?

### **Governmental Decision for Cernavoda 3 and 4**

The Ministry of the Economy and Finances is currently promoting a governmental decision which aims to attract investors to

Cernavoda NPP, reactor buildings in conservation



build reactors 3 and 4 in Cernavoda, in the absence of a national energy strategy, establishing, thus, the sector's development direction and eliminating any sustainable development alternatives. The decision calls for investors to build the two new reactors together with the Romanian state-owned company Nuclearelectrica. The investors would have no responsibility with regard to accident liability, decommissioning of the nuclear power plant or radioactive waste management.

A decision to continue the Romanian nuclear programme does not take into consideration the following aspects:

- the decommissioning costs for the Cernavoda nuclear power plant are not covered;
- the costs for radioactive waste management are not covered, although it is estimated that the initial cost of a repository for highly radioactive spent nuclear fuel is equivalent or higher than the costs to build a nuclear power plant;
- nuclear power plants have daily controlled radioactive emissions into the atmosphere; there is no "safe" dose of radiation;
- the costs for cleaning up the uranium mine sites are not covered;
- in case of a major accident at a nuclear power plant, the "costs" can be as high as hundreds of billions of euros.

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The price of the electricity delivered by the nuclear power plant does not include the above mentioned costs; therefore nuclear energy is promoted as a cheap source of energy. These costs, however, would be supported by the state budget, possibly to the advantage of some investors in the Romanian nuclear programme.

### Energy strategy

A medium and long term strategy for the Romanian energy sector has not been elaborated yet. A draft strategy was opened for consultation in 2006, covering the short-sighted 2006-2009 period; the project was dropped, a new version is expected. Romania's priority for the energy sector, according to existing policies, is to increase energy efficiency, as there is high potential for low-cost energy savings in the country. The importance and feasibility of renewable energy sources has also been documented.

The Romanian "strategy" seems to aim at maintaining subsidies for fossil fuel and nuclear power, while politicians tend to include green energy and climate change issues in their public discourse.

### The feasibility of the Cernavoda Nuclear Power Plant

Nuclearelectrica, the state-owned nuclear company, refuses access to the feasibility studies for the second reactor (scheduled to enter commercial operation in September 2007) and the 3rd and 4th reactors project. The first reactor has been in operation for ten years, but no funds have been put aside for reactor decommissioning, nor for the construction of a permanent repository for the radioactive waste. Making future generations of taxpayers cover these costs seems feasible for now.

With climate change effects more and more visible in the country (flooding, droughts, desertification), the problem of cooling water from the Danube should be

regarded as a serious issue. The first reactor had to be stopped in 2003 due to low water levels. Hydro-technical works are included in the Cernavoda 3 and 4 projects; this may not help much in controlling nature - it may add significant costs to the project though.

Tritium (radioactive isotope of hydrogen) build-up and significant tritium emissions are inherent features of the Canadian reactor design (CANDU). More reactors equals more tritium emissions. While there is no safe radiation dose, it is a known fact that tritium is more dangerous than other radioactive elements, as it reaches any living cell as tritiated water. Tritium removal equipment exists - it may not be very well known how effective it is, but one thing is certain: it is expensive. How feasible is it to invest in such equipment while reducing profit? How feasible is it to invest in refurbishment, in safety systems?

### Exporting nukes to Eastern Europe

Romania is a net electricity exporter. The second reactor will add to these exports. What will the third and fourth reactors be for? Are the state-guaranteed loans (and possibly Euratom money) for sustainable energy projects bringing benefits for the Romanian public, or are we subsidizing private investors to build nuclear reactors in Romania for export? It doesn't seem to make sense.

Who wins?

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### Privatising Serbia's natural resources - a dodgy deal

Serbia's largest copper company, the RTB Bor (Rudarsko-Topioninarski Basena) complex, has been recently sold to the Romanian company "Cuprom". The deal ended the restructuring and privatization process of one of the largest state-owned

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properties in Serbia, becoming the largest privatisation deal of 2007, at USD 400 million. "Cuprom" won the tender, offering USD 60 million more than the consortium formed by the Cyprus company "East Point" and London Investment Fund ORN. The privatisation, planned with assistance from the World Bank, includes the Bor open-cast and underground copper mines, an open-cast mine in Majdanpek and a copper melting and refinery unit. The lengthy process faced opposition from the Bor Workers Union, Bor municipality, opposition political parties and many others.

### **Controversies around the deal**

The major problem was the estimate of the value of RTB Bor's assets and resources which were, in some unofficial estimates, worth more than EUR 2 billion. There were also issues related to the licence/royalties for the use of the natural resources of the Bor region.

One of the most controversial terms of the deal is that workers will not have rights to shares in RTB, although there is a legal obligation in Serbia to secure a certain number of shares for workers.

Also, there are indications in the Serbian media of a possible "serious [corruption] affair that involves high state officials, including ministers of the outgoing government and important state institutions." [1]

The Romanian Company "Cuprom" holds copper, gold and silver processing plants in Baia Mare and Zalau and reported a USD 210 million turnover last year, yet it has no experience in copper mining [2]. According to the Serbian media, "Cuprom" was refused permission by the Romanian government to acquire two state-owned copper mines (Moldomin and Cuprumin).

Now the public in Serbia is asking how a company with USD 25-30 million capital assets could purchase a company for USD

400 million. The owner of the company, Horia Simu, told the Belgrade press, that his company would receive a USD 600 million loan in order to pay for and further invest in the RTB Bor acquisition, by pledging 30-40% of RTB Bor assets. The loan would be arranged by Deutsche Bank and Merrill Lynch, according to the Romanian media.

These issues caused strong opposition from the side of the second bidder, but also members of the tender commission, the Bor Trade Union and municipality of Bor, who claimed there were "last moment changes of the contract" and asked for the original document. The tender documentation established that only up to 5% of the value of RTB Bor could be used as a guarantee for loans.

The Serbian Minister for Energy and Mining, Mr. Naumov, stated at a press conference that the contract envisages a minimum of obligatory investments of up to USD 181.2 million, adding that depending on the buyer's assessments there is a possibility of investing an additional USD 45 million. He also explained that the contract includes a social programme for the 4 500 employees [3], meaning they cannot be fired within the next three years, and that for surplus workers there are the usual severance payments of around EUR 400 per year of service. Local unions, on the other hand, believe that lay-offs are unnecessary and oppose the proposed social programme.

The new owner of RTB Bor should also pay royalties for the exploitation of minerals, in line with the law, but it is not clear how much it would be.

### **World Bank involvement**

The World Bank's involvement in this privatization process is significant, though many people in Serbia may not be aware of it. The World Bank's PPF DPC-1 USD 44 million credit for the Serbian state has the RTB Bor complex as one of its so-called

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main beneficiaries. The privatization strategy for the complex was also drafted with technical assistance from the World Bank, including the social impact study. Under the Bor Regional Development Project, the World Bank completed an environmental assessment (EA), evaluating impacts and suggesting mitigation measures.

### **Where are the benefits for citizens?**

According to the State of the Environment report for 2000, Bor represents one of the places with highest air pollution in Serbia due to the operation of RTB Bor. There is huge historic pollution of the Bor complex environment, especially water pollution (Borska reka and Timok). The State of Serbia has agreed to pay USD 80 million to repair the environmental damage that RTB Bor has caused during its 100 years of operation.

Yet the general public and the citizens of Bor in particular haven't seen any binding document so far elaborating plans for the remediation of the historical pollution from the Bor complex. The new government will certainly have an important role in overseeing, financing (including loans from International Financial Institutions) and coordinating the environmental clean-up of the Bor region.

Bor has very interesting and some believe considerable resources for production of gold and some rare minerals. Within the Bor natural complex, the infamous Canadian-based company "Dundee Precious Metals" has been undertaking exploration for gold, silver and other metals during the last two years. This process has been highly confidential, with no public information on the results of the explorations.

The combination of very rich natural resources and huge social/economic problems in the mining complex is a perfect combination for persuading people to accept any type of development in their

neighborhood in the hope of picking up a few crumbs, while selling short a country's natural assets.

[1] Ekonomist Magazine No. 357, March 26th, 2007, RTB Bor: A Dubious Affair

[2] [www.thediplomat.ro/econ\\_news\\_0407.php](http://www.thediplomat.ro/econ_news_0407.php)

[3] The Bor complex had 8 800 employees in 2004, according to the local environmental plan.

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### **Local residents indignant at becoming Zagreb's dustbin**

Inhabitants of the Zagreb suburb of Resnik are furious at the city council's plans to build a 385,000 tonne per year incinerator near their homes and in March collected over 1,000 signatures against the plans within one day, representing around two thirds of the area's residents, sending a clear message to the EBRD, EIB, and other potential financiers to avoid the poorly thought out EUR 170 million project.

The move follows a packed public meeting in early March organised by environmental organisation Green Action at which local people discussed myths and facts about the planned incinerator and expressed their outrage at the lack of public consultation. Since then regular meetings have been held by local residents who are unconvinced that the incinerator is safe, necessary or desirable.

Opposition from local residents is the latest obstacle for the incinerator plan, for which two environmental impact assessments were rejected before the third version was approved without a public consultation, and is now being challenged in court by Green Action. Finding a location to dump the toxic ashes resulting from incineration is also proving to be tough, with heavy local resistance to most of the proposed sites, and the previously uncritical media is beginning to scrutinize

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the project more carefully. Financing for the project is also unclear with the EBRD project appraisal process having stagnated due to lack of input from Zagreb City Council.

The City Council only has itself to blame for the increasing unpopularity of the project. Requests from the public for information or meetings are arrogantly ignored or incorrectly answered and no consultation with the local affected people has taken place. No surer way exists of arousing suspicions and kindling opposition and the city council must learn to listen to Zagreb citizens if its policies are to be greeted with any enthusiasm.

For more information about the planned incinerator and the problems with the plans, see [www.bankwatch.org](http://www.bankwatch.org)

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### **Planes, Loans and Automobiles: EU house bank fuelling climate change with loan bias to air and road sectors**

The European Investment Bank's (EIB) investments in the transport sector are helping to fuel climate change and have made little or no contribution towards increasing the share of rail and public transport, nor towards slowing transport growth, according to a new report from CEE Bankwatch Network.

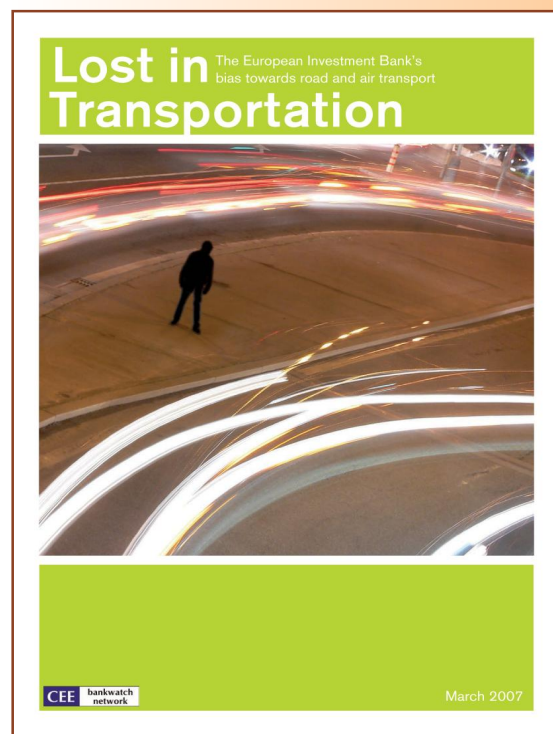
The report - "Lost in transportation: the European Investment Bank's bias towards road and air transport" [1] - analyses the EUR 112 billion that the EIB provided to transport projects globally in the period 1996-2005. The EIB's activities are supposed to promote the policies of the European Union, including the relatively progressive 2001 White Paper on transport.

However over half of the EIB's total transport investments in the ten-year period have gone to roads and air transport; in Central and Eastern Europe (CEE) this figure stands at 68%, and in some countries such as Macedonia, the EIB has invested only in road transport.

Support for the car manufacturing industry is also highest in CEE, where it makes up 63% of industry sector investments. The EIB has also supported some particularly controversial projects such as the Sofia airport expansion and the Trakia highway in Bulgaria.

Within the EU the most alarming trend is the EIB's huge support for the expansion of air transport. The total likely annual CO2 emissions from selected EIB-financed airport expansion projects such as Heathrow Terminal 5, Schiphol 5th runway and Madrid Bajas Terminal 4, if the new capacity is fully used (45.15 mt), are more than the individual total annual CO2 emissions of New Zealand, Switzerland, Ireland, Norway or Slovakia.

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The report includes recommendations for:

- A halt in EIB investments to the aviation sector, which is already heavily subsidised and is the fastest-growing source of CO2 emissions in the EU.
- Restricting EIB loans to the road sector and car industry to maintenance or safety improvements and for R&D aimed at delivering more efficient, cleaner and safer technologies.
- A requirement for increased EIB support for rail, urban public transport, inter-modal transport and particularly transport management.
- The EIB to set year-on-year limits and targets for its transport sector lending that will result in much-needed reductions in greenhouse gas emissions.
- A clearly defined EIB transport sector operational policy, which is currently lacking.

[1] "Lost in transportation: the European Investment Bank's bias towards road and air transport" is available at: [http://bankwatch.org/documents/lost\\_in\\_transport.pdf](http://bankwatch.org/documents/lost_in_transport.pdf)

Accompanying the report are three 4 page fact sheets available at:

[http://bankwatch.org/documents/eib\\_transport\\_lending\\_corporates.pdf](http://bankwatch.org/documents/eib_transport_lending_corporates.pdf)

[http://bankwatch.org/documents/eib\\_transport\\_lending\\_overview.pdf](http://bankwatch.org/documents/eib_transport_lending_overview.pdf)

[http://bankwatch.org/documents/eib\\_transport\\_lending\\_climate\\_impacts.pdf](http://bankwatch.org/documents/eib_transport_lending_climate_impacts.pdf)

## About Us

South East Europe Development Watch (SEEDW), formerly known as Stability Pact Watch, is a coalition of South East European environmental non-governmental organisations (NGOs) monitoring and campaigning on investments made by International Financial Institutions (IFIs) and the European Union (EU). SEEDW is a project within CEE Bankwatch Network and includes For The Earth (Bulgaria); Terra Milleniul III (Romania); Eco-Sense (Macedonia); CEKOR (Serbia) and Green Action (Croatia).

Formed in September 2002, the group's focus was originally on ensuring transparency and public participation during the reconstruction process led by the Stability Pact for South East Europe. One of the Stability Pact's main tasks has been to coordinate reconstruction, infrastructure development and structural reforms in the region. However, due to the lack of public participation, sectoral policies and environmental legislation within SEE countries, priority has often been given to large-scale prestige infrastructure and to privatisation projects, which too often cause negative environmental and social impacts, and benefit trans-national corporations more than the local population.

The Stability Pact is to be transformed into the Regional Co-operation Council (RCC) in 2008, and the main focus of development has shifted from post-war reconstruction to EU accession, but the need for scrutiny of IFI/EU investments in the SEE region is as great as ever.

SEEDW focuses on:

- monitoring and campaigning on IFI/EU-financed projects: Belgrade bypass, Cernavoda NPP, Chelopech gold mine, Zagreb municipal solid waste incinerator;
- monitoring the development of the TEN-T network to neighbouring countries and the Energy Community of SEE;
- ensuring that investments are oriented towards those with clear public and environmental benefits;
- ensuring the introduction and implementation of environmental legislation and public participation processes in SEE countries;
- and promoting sustainable energy and transport models in SEE countries.

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