

Comments to draft EBRD Investment Strategy for Russia for 2009-2011

Energy efficiency: transparency of outcomes

We welcome the EBRD's decision to opt for energy efficiency as a cross priority for all investments, and do hope that the Bank's efforts here will result in a tangible reduction of energy consumption – both as a part of individual projects and in Russia in general.

But still, we call on the Bank to improve its transparency in this area and disclose (e.g. in projects summaries published on the Bank's website) the information demonstrating how energy consumption is expected to drop during the project completion and how much energy was saved due to the project.

Renewable energy

We also expect that in the nearest two years the Bank will actively contribute to making a good regulatory framework covering renewable energy aspects, and will seek for new projects to be financed in this area.

In the recent years, the EBRD has considered a possibility to finance large hydropower plants which raised protests of local people and environmental organizations. Russian environmentalists repeatedly asked the Bank not to finance large hydropower facilities planned as long ago as in the Soviet times (e.g. see application of participants of the Conference on Russian Green Initiatives and Environmental Challenges of March, 2009 <http://www.wwf.ru/resources/news/article/4772>, www.biodiversity.ru/news/forum/2009/.../Evenk_GES_final.doc)

Oil and gas: investment drop

Draft strategy envisages supporting oil and gas producers by financing projects aimed at the improvement of energy efficiency, good governance and leading environment protection practices.

In addition to the limitations already introduced by the Bank, we would like to see the reduction (down to the zero level) of any investments into the Russian oil and gas industry, and the increase of investments into energy efficiency and renewable energy sources. The reduction of investments into the oil and gas industry will be a logic step given the Bank's energy efficiency initiatives, and can become one more incentive to reduce CO₂ emissions.

Decentralization of energy supplies and termination of raw material development of economics will contribute to the sustainable development in Russia.

Municipal infrastructure and transport: transparent strategic planning

In respect of municipal infrastructure and transport, the Bank should pay special attention to strategic planning aspects.

Most investment projects in the infrastructure industry are stuck to large cities and the vicinities of mineral deposits, but the scale of these investment projects does not correspond to the infrastructure development level in the regions.

This misbalance is a result of the low-level municipal and transport planning and actual impossibility of the people to participate in the decision-making process. Decision-makers bear no responsibility for the decisions they make.

The Bank's experts analyzed road projects financed in 2002-2003, and noticed that low-level and non-transparent planning resulted in the infringement of public rights. In 2007-2009, the Bank

faced these problems while considering the Western High-Speed Diameter and Moscow-Saint-Petersburg Highway projects.

Lack of comprehensive and transparent strategic planning threatens any investments in the infrastructure and transport industry.

Therefore, we call on the Bank to discuss the infrastructure planning of the Russian cities with the Russian side to ensure the efficiency of further investments in this area.

Waste utilization: no waste incineration

Presently, there are big plans to build waste incinerators in many Russian cities. If these plans turn into a reality, it will threaten the health of millions of people. Maps of dangerous influence of the incinerators to be built in Moscow and Saint-Petersburg are found at the website of the Russian Greenpeace branch (http://www.greenpeace.org/russia/ru/1853813/map_moscow, http://www.greenpeace.org/russia/ru/1853813/msz_saint-petersburg).

We ask the Bank not to finance waste incinerators, since these are a dangerous means of waste utilization, and this should be clearly specified in the Bank's strategy.

We also hope that the Bank will contribute to the sustainable development of the Russian cities, and will increase its portfolio with the projects targeted at waste sorting and treatment and creating municipal waste management systems in large Russian cities.

Financing projects related to the Sochi 2014 Olympic Games

Russian environmental organizations have already asked the Bank not to finance the Sochi Olympic Games projects that may threaten the environment, such as construction of facilities and infrastructure objects in the Sochi National Park and the Imertin Lowland, and reconstruction of the Adler airport (<http://ewnc.org/node/223>).

The activists would recommend the Bank to support the investments aimed at the improvement of Sochi's suffering ecology. In particular, it is very important to invest in the re-vegetation of the horrible domestic waste site in Adler and construction and reconstruction of the treatment facilities the absence or bad condition of which causes large-scale pollution of coastal areas and sea, which negatively affects the city's resort potential.

The Bank's Country Investment Strategy must clearly define the Bank's position in respect of providing loans for the Sochi 2014 related projects.

Automotive industry loans

The Strategy provides no reasons to invest the taxpayers' dollars into the production of cars and spares. This industry has been successfully lobbying its interests worldwide, and, though it does not have a high social value, it enjoys the support of the Russian authorities. The development of the automotive industry without predicting its environmental and social impacts and without public transport development programmes will negatively affect the environment and life quality.

Public-private partnerships should not be a screen for socially dangerous projects

The public-private partnerships (PPPs) have been widely promoted in Russia in recent years. Authorities, experts and international financial institutions regard PPPs as an efficient tool to reconstruct and build infrastructure facilities, and to develop competition and fight the crisis.

PPPs are discussed in a narrow circle of officials and experts, and these discussions mostly cover technical project details.

However, people are concerned about a range of important issues related to the PPPs:

- public interests are not a priority in the implementation of PPPs;

- PPPs are not transparent (because of the complicated scheme and low-level decision-making transparency in Russia in general);
- PPPs may become an excessive budget burden.

The above aspects should be taken into account in the process of the PPPs preparation to ensure the transparency of information about the project's financial, environmental and social impacts, to protect public interests and define the responsibility.

Development of environmental laws

Improvement of environmental laws should become one of the Bank's priorities in its work with the Russian laws. According to the Strategy (p. 26), lack of the relevant environmental assessment mechanisms is one of the aspects which complicate making business in Russia.

We call on the EBRD to use its possibilities in its political dialogue with Russia to incite the formation of the environmental assessment system in Russia and to contribute to Russia's involvement in the international processes covered by Espo Convention signed by the Russian Federation.