



**Oil Workers Rights Protection
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CEE bankwatch
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CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

Azeri iodine plant – is this local development?

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Background

In 2008 the European Bank for Reconstruction and Development (EBRD) approved a USD 15 million senior loan for the USD 17 million Azer-Yod LLC iodine manufacturing project in Azerbaijan. The loan has been used for the purchase and installation of a new industrial line and acquisition of additional equipment which is to help increase the enterprise's output and capacity. The majority of the plant's products will be exported. The EBRD specifies that the project will contribute to development of the local private sector as well as regional economic diversification.¹

The plant is located near Hasanabad, in the Neftchala district, 175 kilometres from the capital of Azerbaijan, Baku. The Neftchala district has been experiencing frequent disruptions of water and electricity supplies. The gas supply has also been unreliable, especially in winter, due to low gas pressure. As a result of these complications inhabitants are abandoning the countryside and moving to the city in pursuit of better living conditions. However, the lives of locals are made even worse because of environmental problems caused by the iodine plant.

Environmental problems and community health implications

The EBRD's Project Summary Document claims that "the overall environmental impacts of construction and operation of the project will not be significant". However, the iodine factory is located just a few kilometres from the town of Hasanabad and it has for a long time impacted its population and nearby villages. As recorded by the Civil Society Control non-profit organisation, based in Neftchala and Salyany, which monitors the activities of the iodine factory, local residents claim they have been exposed to:

- dust containing iodine particles. The dust occurs particularly in the villages in the summer period. At times visibility decreases down to five metres due to the dust;
- leakage of iodine into the water and soil due to the continued use of outdated equipment;

¹ <http://www.ebrd.com/projects/psd/psd2008/38339.htm>

- iodine contamination of the Caspian Sea. Since the factory treatment facilities do not work properly, the factory drainage flows directly to the sea. The iodine-coloured water causes a constant noxious smell that reaches the surrounding villages.

In March 2010 the Civil Society Control NGO met twice with the company's executive director and raised the burning issues of the environmental pollution and employment opportunities for the local population. To date, however, these queries have not been dealt with successfully.

Another outstanding environmental problem connected with the iodine production is the contamination of the Caspian Sea. National and international laws on water resources are being breached. In 2009 the iodine plant was fined three times by the Ministry of Environment and Natural Resources on account of environmental contamination.

Insufficient information regarding the project's environmental assessment and performance is being released to the public. The EBRD website provides only general information about the project. An Environmental Analysis and Environmental Action Plan for the project do exist, yet they are not publicly accessible.

Upon a request made during a meeting at the local EBRD office in Baku in August 2009, neither the Head of Office, an Environmental Specialist, nor the Senior Adviser were able to provide the Oil Workers Rights Protection Organization Public Union with documentation on the given project.

At the meeting it became clear that all discharge is supposed to go into the Caspian Sea. It was also mentioned that the Institute of Radiology at the National Academy of Sciences provided an assessment and stated there was no radiation in the waste water, but no documents that would support this claim have been made publicly available. This is rather worrying in the light of experience from other plants in Baku and Sarukhany using the same technology, where a governmental programme showed that there were high levels of radon in the discharge waters and high radiation levels in the surroundings, and has allocated funds for mitigation measures on these territories.

There are also questions regarding the project's environmental categorization. The project was classified as a category B project due to "limited environmental and social impacts". This has caused criticism from civil society organisations that point to high environmental risks involved with the iodine production during which toxic sulphuric and nitric acids and chlorine are used. Environmental risks involve the pollution of transboundary waters as a result of discharges to the Caspian Sea, leakages, release of radioactive waste, and risks involved with the storage of dangerous wastes.

Monitoring results

As evidenced in the images below, the factory premises are highly polluted. Wastewater is dumped into a channel which runs into the Caspian Sea. Poor functioning of the wastewater system at the

plant has led to the contamination of adjacent lands. As a result of the presence of iodine the soil has taken on a reddish colour. The contamination is likely to spread through the food chain as livestock grazes on the contaminated fields. Moreover, two fish breeding plants are located in the same area as the iodine plant. And a public beach is located just 200 metres from the plant.

All in all, serious damage to the environment, in particular the sensitive and already severely harmed Caspian Sea water and the local communities, has been caused.



Image 1: Waste from the iodine factory



Image 2: Rusted pipes



Image 3: The wastewater channel



Image 4: A sign pointing to the public beach



Image 5: Livestock on the polluted land



Image 6: Flooded land

Recommendations

- Given the high environmental and community health risks, the EBRD's categorisation of the project should be changed from B to A
- Public access to project-related information should be improved both by the EBRD and the client. As a first step to enhanced project transparency, the Environmental Analysis, Environmental Action Plan, a report from the EBRD's site visit in 2007 and the client's annual environmental and social report should be released
- Project documents should be made available in the national language to allow public acquaintance with the project and to permit participation in decision-making
- Civil society organisations should be invited as partners to participate in project monitoring alongside the local authorities, company, bank and other institutions. The joint monitoring would involve, among other things, full public access to the project documentation concerning environmental and social impacts, community health, and safety.

For more information

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