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Race against time to salvage EU funding for sustainable energy in the new member states

As the countries of central and eastern European (CEE) look to capitalise on more than EUR 150 billion of EU regional aid in the 2007-2013 period, Bankwatch and Friends of the Earth have been examining their draft plans for spending these vast sums of European money in the energy sector. Our analysis has revealed that there are alarming discrepancies across the board, with a number of the CEE countries paying lip service to support for energy efficiency and increased renewable energy production. Yet the opportunities for significant improvements are staring the countries in the face.

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Bulgaria's nuclear dowry

Campaigners from around the world have been toasting last week's announcement from UniCredit Group and Deutsche Bank that they have withdrawn their interest in financing the proposed Belene nuclear power plant (NPP) in Bulgaria. Only the week before campaigners in 24 countries sent a clear message to the banks about the environmental and reputational risks connected with any future involvement with the highly controversial project slated for construction close to the Bulgarian-Romanian border.

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Race against time to salvage EU funding for sustainable energy in the new member states

In the 2007-2013 period the EU will distribute 308 billion euros in structural and cohesion funds (SF/CF). Approximately half of this amount will go to the new member states and acceding countries of CEE. In per capita terms, the CEE countries will receive significantly more than under the post World War II Marshall Plan.

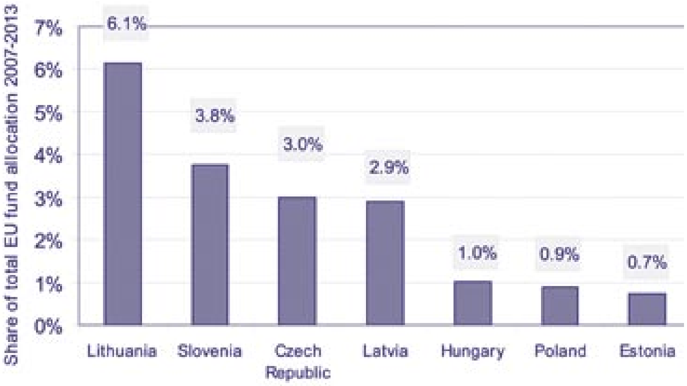
SF/CF have a central role to play in realising the EU's energy strategy and in promoting low energy intensity development models. Europe needs to fundamentally overhaul the way it produces and consumes energy in the upcoming years in order to address its growing dependency – with all the related security risks – on imports of fossil fuels, rising energy prices, and above all the threat of catastrophic climate change.

To this end the EU has already committed itself to:
• reduce greenhouse gas emissions by eight percent by 2008-2012, compared to 1990
• increase the share of renewable energy in overall energy consumption from 6 percent to 12 percent by 2010
• reduce energy consumption by 20 percent by 2020, which should save 60 billion euros a year and create one million jobs in Europe

The EU has also adopted a number of further specific directives and targets in areas such as energy performance of buildings, efficiency of appliances, biomass or cogeneration.

Yet, with the arrival of the draft spending plans – or "operational programmes" (OPs) – of the CEE countries in recent months, Bankwatch and FoE have found that with only a few exceptions the planned investments in the respective countries' energy sectors clearly fall short of the sort of action needed to realise the EU's energy objectives over the next seven years. Indeed if the EU wants to unlock the potential for energy savings and renewable energy in the CEE countries, the draft OPs will need to be revised and the support for EE/RE significantly strengthened in the coming few months ahead of the finalisation of the OPs.

Share of EE/RE allocations in total EU funding volumes in CEE countries for 2007-2013 (based on indicative allocations in draft OPs available as of 25 October 2006; only measures whose primary aim is explicitly energy efficiency or renewable energy are counted)



It should be noted that EE and RE are emphasised as one of the 12 priority areas for SF/CF investments by the Community Strategic Guidelines for Cohesion 2007-2013. Moreover, the new EU Action Plan for Energy Efficiency includes "Spurring energy efficiency in the new Member States" as one of the ten priority actions: "The Commission will encourage more intensive use of the Structural and Cohesion funds to improve energy efficiency in the new Member States, including in the multi-family and social housing sectors."

So, although there is no earmarking for the use of SF/CF, based on these statements of intent it could be theoretically expected that approximately one-twelfth, i.e. 8.5 percent, of total EU funding allocations would be invested into this priority area.

Yet how are things shaping up in the draft OPs in CEE, a region notorious for its economically debilitating energy intensity? So far only Lithuania, Slovenia and the Czech Republic can be said to be taking sustainable energy seriously in their draft plans, giving it a relatively broad support and allocating three percent or more of all their SF/CF money for it.

On the other side of the spectrum, Poland, Estonia and Hungary are planning to give only symbolic funding support for EE/RE by allocating very low amounts to it (one percent or less of all EU money) and, in the cases of Poland and Estonia, by proposing measures for only a few EE/RE areas. This is made all the more serious as Poland is the largest of the new member states, while Estonia is the one with the highest energy intensity. The energy allocations of Slovakia, Romania and Bulgaria are not clear yet, but the measures in the draft OPs do not look very promising.

Overall, it can be roughly estimated according to the draft plans that between EUR 2.4 and 3.4 billion of EU funds (without national co-financing) is on course to be invested in EE/RE in the CEE countries in 2007-2013. This amounts to a disappointing 1.5-2.1 percent of the overall allocation of SF/CF for these countries. These planned investments clearly do not stand up to the energy challenges facing Europe.

Swift action needed

Energy efficiency can be significantly improved by investing EU funds into the retro-fitting of public buildings (schools, hospitals, municipal buildings or libraries), the renovation of prefabricated housing estates that are commonly found in post-communist towns and cities, improvements in energy distribution networks or energy savings in enterprises. The modernisation of district heating installations can be particularly beneficial. District heating is commonplace in the new member states, with around 40 percent of households connected in comparison with 10 percent in the old member states. Old coal or oil boilers can be converted to modern, efficient gas or biomass boilers. Many district heating installations can also be redesigned for the combined generation of heat and electricity.

In 2007-2013, the funding support for RE such as biomass, wind, solar or geothermal sources should also be enhanced and improved. EU funds should be used to unlock the large but unused renewable energy potential of the CEE countries. All new member states have targets for increasing the share of RE in their national energy consumption.

And the arguments for such advances go beyond purely environmental reasons. Investments in EE and RE are particularly relevant for the EU regional policy, as they are especially beneficial for regional development and can provide a boost to local economies. It is at regional and local level that most of the gains in energy efficiency and renewable energy generation can be made.

Bankwatch and FoE will continue to call for at least 5 percent of all EU funds to be allocated for EE/RE measures in CEE. At the same time it is at least equally important that the EE/RE measures are thoughtfully prepared, well designed and carefully targeted in order to maximise the added value of the funding support and to avoid any negative side effects.

For instance, in the RE sector, the funding support needs to be focused on local, decentralised and environmentally friendly RE systems. Support for large-scale biomass projects (e.g. the mixing of biomass into the fuel of large fossil fuel power plants), which stimulate the overuse of natural resources and fuel price increases at the expense of small- and medium-scale biomass energy producers, should be avoided.

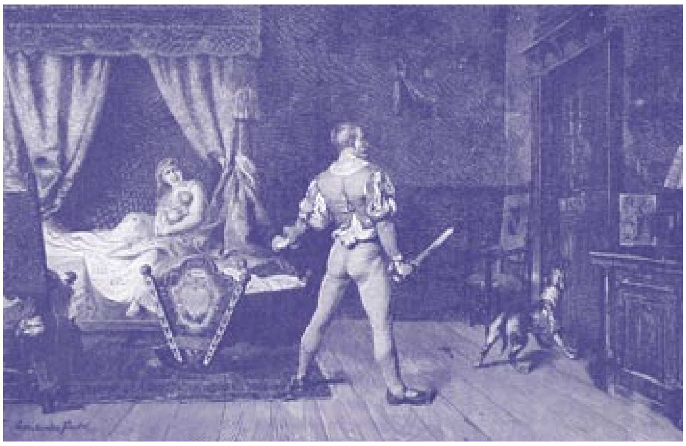
Above all, it is clear that the EU energy strategy will only be successful if there is a joint effort at all levels – from local through regional and national to European – and if it is backed up by adequate financial resources. SF/CF are the EU's main common financial muscle to promote its goals in the energy field. If the EU is really serious about achieving its energy goals, its funding through SF/CF must include robust, systematic and well-targeted support for EE/RE. Symbolic support here and there is simply not enough.

Bulgaria's nuclear dowry

Campaigners continue to scratch their heads about the Belene case. After all, the NPP – which is still seeking key funding from Euratom and various export credit agencies – would be sited in a highly seismic region, and what about the manifestly safer, less economically wasteful alternatives? Bulgaria has immense capacity to cut down its energy wastage which in a matter of years can free up more capacity than Belene would ever generate. On top of this it has huge untapped resources in renewable energies like wind, biomass, hydro and solar.

Some unfortunate yet salient details have, however, been emerging recently. Rumen Ovcharov, Bulgaria's economy and energy minister and one of Belene's main proponents within the Bulgarian government, receives handouts from four state companies linked to the nuclear industry (including a company involved in radioactive waste management) amounting to more than three times the amount he draws in monthly salary as a minister. Moreover, not only is Ovcharov to be the best man at the wedding of the recent head of the Kozloduy NPP (another Bulgarian nuclear facility), his own best man is the boss of the energy utility NEK which has a majority stake in Belene.

The Bulgarian government may have its heart set on wedding itself to a nuclear future – but a pre-nuptial arrangement in the form of international public and private support loans looks to be a proposition that any scrupulous lawyer would run a million miles from!



"Will the Bulgarian government continue to defend the honor of its fair maiden, Belene?"

Customer complaints hit EIB shopping centre loan in Hungary

In 2005 the European Investment Bank provided a loan of EUR 209.5 million to the German company ECE Projektmanagement G.m.b.H. & Co. KG for the construction of five shopping centres across central Europe, including one (where the EIB loan amount is EUR 40 million) in the city of Győr, Hungary. So why has Bankwatch's Hungarian member group, the National Society of Conservationists, just made a submission to the European Parliament's Petitions Committee calling on the parliament to investigate and seek to stop the EIB loan?

The location of the Árkád shopping centre project fully supports the aims of the project promoter but poses problems for local citizens. The shopping centre is under construction on a brownfield site close to the Rába river, in the vicinity of a closed factory and near the city centre's busiest traffic interchange. The city of Győr, together with the local university, is planning a sustainable, environmentally-friendly alternative district in this area. Instead of a huge shopping centre with negligible green areas, the original city programme planned office buildings and four storey houses with significant green areas. Several smaller retail shops would serve the needs of the residential area.

The ECE shopping centre project, with its considerable environmental and health problems, will undermine the city programme and prevent real sustainable development in the district.

According to Environmental Impact Assessment (EIA) regulations, the EIA for this project ought to clearly demonstrate the necessity of the project during the project authorisation process. However, this requirement has not been fulfilled – in fact, it was totally neglected by the planners – and the Environmental Protectorate did not miss it unduly. Why? It is highly likely that it would be next to impossible to prove the necessity of this shopping centre for Győr.

A study ordered by the municipality of Győr in 2003 found that the territory of shopping areas – with existing permits already – in the city (including Árkád) is four times higher than the Hungarian average. Noting this substantial number and the negative impacts of the project, the necessity of the project remains unclear and the need for a loan from a public bank like the EIB is dubious – especially as the EIB (according to its own statute) is only supposed to finance projects where "funds are not available from other sources on reasonable terms", which you would think might disqualify European market leader ECE that already has 89 shopping centres worldwide.

The project not only violates the EIB Statute then, but it also contradicts EU policies such as the 6th EU Environment Action Programme and the Thematic Strategy on the Urban Environment of the European Commission.

In the residential area closest to the project, noise pollution from massive traffic caused by the main road n. 14 is already higher than permissible under national regulations. When the Árkád shopping centre opens for business the situation will only worsen. The EIA did not handle the problem but merely suggested passive noise protection measures which will not solve the problem in the long-term.

Road n.14 is one of Győr's main transit roads, and the road junction where the shopping centre is under construction is already congested and cannot accommodate current transit. The surplus traffic generated by the project will have negative effects for the whole city centre of Győr, as was acknowledged by the Transport Inspectorate in its expert opinion during the project's planning period of the project: *"...the traffic growth impacts to the whole traffic system of Győr can not be counterbalanced by the actions at the site. The planning should focus on a wider area between road n.1., 14. and 81 and have to find alternative solutions..."*.

This did not happen, and the planning process itself did not reckon with the additional traffic caused by developing a new residential area (6 000 flats) near to the shopping centre in the near future.

A study which analysed the retail situation in Győr offered proposals for the development of the retail situation in the area: *"The concentration of big retail centres in Győr is definitely negative from the point of view of the local economy. In these retail centres the rate of local enterprises is significantly lower, so the profits do not stay here"*. However, the municipality could not use the proposals of the study because of pressure from multinational retail companies like Plaza Centers, Metro, Kika, Praktiker, Baumax and Bricostore.

Despite lodging appeals at the national level, local citizens and NGOs have been unable to stop the project or at least change the location of the construction. Following the recently submitted complaint petitions, it remains to be seen how the European Parliament will act on a case like this where a project is clearly not in line with either EU regulations or the EIB Statute.

Hot air could become hotter in Ukraine

When international states signed up to the first commitment period of the Kyoto protocol including a range of obligations to reduce green house gas emissions for the 2008-2012 period, not all of them took on obligations at a level which would actually stimulate them to reduce emissions. Thus, due to economic decline after 1990 and expected economic growth, Ukraine, like almost every country with an economy in transition, took on a target allowing it to emit more than it does or to sell the surplus.

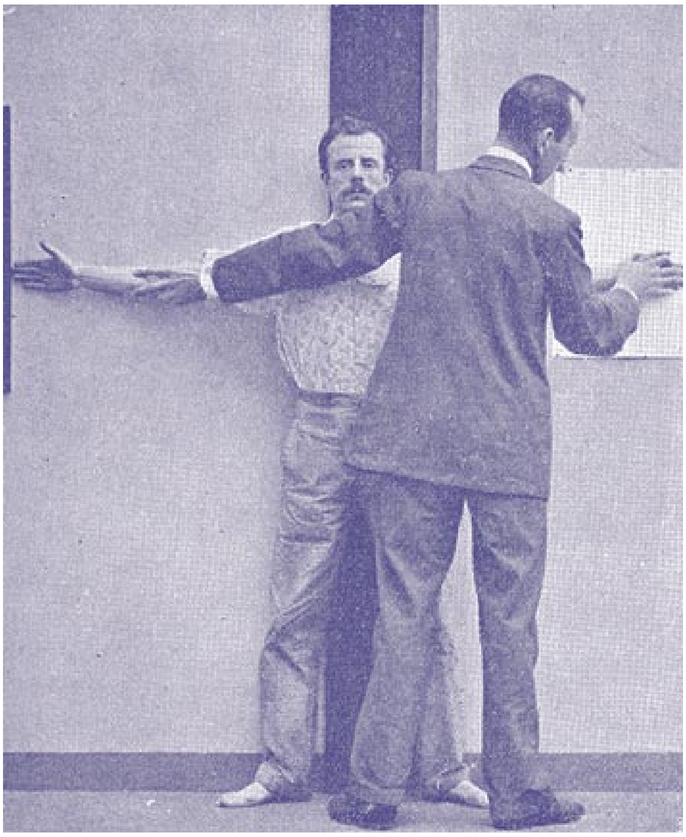
This surplus is called 'hot air' because it does not stem from policy measures aimed at reducing emissions but from countries' historical situations instead. There has been much debate in recent years concerning the trade of hot air emission credits. However, this year Ukraine has been creeping ever closer to conducting its first transactions with the help of the World Bank.

Ukraine is the second biggest supplier of hot air after Russia and has the opportunity to make between 9 and 17 billion dollars through international emissions trading. The prospective buyers are Canada, Japan and some EU countries experincing problems with reaching their Kyoto targets.

Ukrainian NGOs have been long-standing opponents to the trade of hot air both because of well-founded suspicions of the Ukrainian government's practices with money distribution, and hence its effective use, and because the countries taking reduction obligations would achieve their targets without actual reductions in their emissions. Although hot air has become an unavoidable reality, Ukrainian NGOs determined that it could only be acceptable if the money raised by Ukraine is used for emissions reduction projects and distributed in a credible and efficient way. A similar request for the establishment of such a credible scheme, usually referred to as the Green Investment Scheme (GIS), was clearly stated by potential buying countries.

At the request of the Ukrainian government, at the beginning of this year the World Bank initiated a study on the emissions trading options for Ukraine and the establishment of the GIS. The aim of the project is to analyse the provisions for Ukraine to participate in international emissions trading, suggest options for organisational, legal, technical and other aspects regarding management and monitoring of the emissions credits, ensure transparency and credibility issues, select potential investment sectors and help Ukraine to conduct its first sales transaction.

Ukrainian NGOs asked the World Bank for the right to participate at the first initial meeting related to the study and were subsequently informed about all developments; the NGOs were invited to provide their comments for the initial and final reports.



"Things just don't seem to measure up here"

Once the initial report was ready, the World Bank organised round tables with government, businesses and NGOs. NGOs concentrated on three main problematic issues present – or not – in the initial report:

• the need for including specific provisions to ensure the transparency of all relevant decisions taken at the government level, such as open access to information, reports on the projects which received financing, a supervisory board for the fund etc.
• GIS should not become a competitor for the better regulated joint implementation mechanism providing less stringent criteria;
• GIS should promote the phasing out of fossil fuel energy in Ukraine and not be supporting it.

Much to the alarm of NGOs, the suggested list of priority sectors in the initial report totally omitted the development of renewable energy sources such as biomass, windmills, solar energy, small hydro installations and instead recommended the funding of projects in the coal mining sector, local gas distribution improvements and gas transit.

The recently released final draft of the report shows that the comments put forward by NGOs have been taken into account. Various sectors have been analysed as being competitors to Joint Implementation schmes and therefore deemed very much in need of financial support.

However, the final report has surprisingly brought another issue onto the table – the proposal to include the nuclear sector in potential investment projects! Whether this idea originated solely as an initiative of the experts conducting the study or via strong lobbying from Ukrainian government is unclear, but following NGO discussions with World Bank representatives there have been pledges that nuclear will be removed from the list of possible investment sectors.

The final report and recommendations – including hopefully the bulk of the NGO recommendations – is expected for the beginning of the 12th Conference of the Parties to UNFCCC in early November. However the report itself is only the first step in the international emissions trading process. It remains to be seen how the Ukrainian government goes about implementing all of the very necessary provisions.

Iryna Stavchuk, National Ecological Centre of Ukraine

EBRD Environmental Policy Review is rolling

If you live in one of the 28 eastern European, Caucasian and Central Asian countries you are bound to have encountered a project financed by the European Bank for Reconstruction and Development (EBRD).

The Environmental Policy – a key document that defines the binding rules and procedures the EBRD must follow for all its operations, like lending to projects – is the backbone of the EBRD´s environmental mandate laid out in its founding charter. It establishes the necessary environmental standards for the assessment, preparation, implementation and evaluation phases of any EBRD backed project.

The Environmental Policy is now scheduled for significant review in the coming months, and people in countries where the EBRD operates have an important chance to make their voices heard. In November, the EBRD's Environment Department will release a public consultation and disclosure plan mapping out the process of the policy review, with the final aim of having a new policy in place ideally by the end of 2007. NGOs will be invited to provide feedback on the topics, meetings, participants, etc. proposed in the plan in order to help shape an inclusive and wide-ranging process.

At a recent meeting with representatives from the Environment Department, Bankwatch learned that the bank's environmental specialists are intent on plugging some well-known gaps in the existing Environmental Policy, in particular the lack of attention that social issues have received when preparing and evaluating EBRD projects. To this end significant attention during the review will be paid to the social dimensions of the Environmental Policy, including a plan to hold three social draft scoping meetings (two on vulnerable people planned for Belgrade and Tbilisi, and one on indigenous people in Moscow), the outcomes of which should feed into the new policy draft.

Overall, the stated intention is for a new Environmental Policy that would be overarching and include policy areas such as vulnerable groups, indigenous peoples and transboundary issues that could be reviewed separately in the future. Bankwatch hopes the new Policy goes beyond the IFC-led Equator Principles that guide the lending activities of international commercial banks. Significantly, the EBRD is advised not to repeat IFC's recent shift to non-mandatory performance standards and management system-based risk assessments. Instead, it should establish concrete and obligatory standards with an emphasis on implementation and monitoring.

Following the release of a draft policy document, the EBRD intends to organize seven consultation meetings in London, Moscow, Belgrade, Kiev, Bishkek, Baku and one further CEE capital – to be decided – all with open public attendance.

Bankwatch will be disseminating information about the process, attending the scoping meetings and submitting comments on the Policy draft. If you would like to receive informational updates about the review, provide us with recommendations for shaping the process, or share any additional suggestions, please contact: main@bankwatch.org

There is a great deal to be done, but the early signs are that the EBRD is very much alive to previous policy deficiencies.

More details at:

▶ **www.bankwatch.org/project/EP**

Short cuts over houses required for more growth in Slovakia

Slovakia – the Hong Kong of Central Europe – is building its economic success on car manufacturing and motorway construction. In the beginning of August, the newly appointed minister of transport visited Považská Bystrica for the first time in his new job. The message of the visit was clear: unanimous support for the speedy realisation of a controversial flyover bridge over the city. The European Investment Bank is to finance this project. By so doing the EIB is ignoring the voices of hundreds of affected citizens.

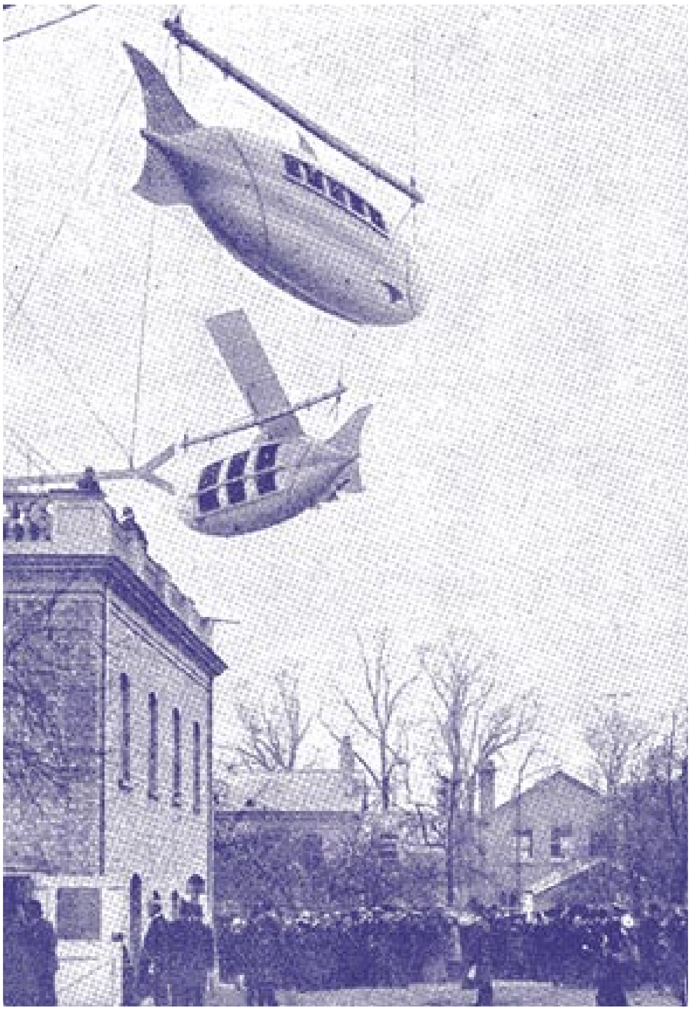
The project consists of the construction of a 9.6 kilometre new 2x2 motorway section, Sverepec-Vrtižer, on the D1 motorway, which forms part of Trans European Corridor V. The D1 motorway will connect Bratislava and Košice (a large city in eastern Slovakia) through the northern part of the country. The Slovak government's efforts to push for any variant of the motorway, at any cost and as soon as possible, stem from the promise given to the KIA car company to have the motorway section between Bratislava and Žilina (the city where the KIA plant is to be built) ready in autumn 2006.

However, for almost a decade, the whole project has been accompanied by protests of local citizens and NGOs. There are two major controversial issues, namely the project's negative future impact on the environment and living conditions, and an ongoing lawsuit against the authorities.

The motorway is to be built in the territorial variant V2a/I which was not one of the variants recommended in the twice repeated process of the Environmental Impact Assessment (EIA). The final position of the Slovak Ministry of Environment (the executor of the EIA) was that the final variant was to be chosen from three alternatives (V7a, V1a, V2a/II) ranked in terms of environmental suitability.

Representatives of the ministry of transport and the National Motorway Company (NMC) often argue that the EIA allows for choosing a modification of the recommended variant. They claim the projected variant V2a/I is a modification to the third recommended variant V2a/II.

However, it should be pointed out that this is just a formal juridical zigzag: the two variants have little in common. Variant V2a/I was assessed separately in the process of EIA and was not recommended. The report on assessment itself states that in many regards variant V2a/I is worse than the zero variant, i.e. the situation where no motorway-building activity is undertaken. In particular, the motorway feeder called Centrum is problematic: it will cause excessive noise and pollution levels.



▲ "The Slovak government and the EIB really got the idea wrong this time"

Juraj Smatana of the local NGO 'Motorway and Nature' explains: "The main difference between the third recommended variant and its 'modification' is thus just a 'little thing': a motorway feeder that will significantly worsen citizens' living environment and because of which some people's private property will be expropriated."

The planned expropriation is a particularly sensitive issue. The currently proposed variant of the motorway is projected in the area of residential houses. If the construction permit is issued, the people living in these houses will have to move out. However, they will not be the only ones harmed; no compensation has been offered to those residents living next to the proposed route who are likely to see the value of their properties plummet. Marcel Jánošík, spokesman for the NMC, is unapologetic: "We shall not comment on this, it is not our business."

If proper compensation was offered to those affected by the proposed flyover, however, it would no longer make financial sense and it would be cheaper and less damaging to dig a tunnel around the city. This would also be in line with the EIA recommendations.

The second concern is that the local community in the town of Považská Bystrica negatively affected by the project and represented by NGOs and civic lawyers is still involved in a lawsuit against the authorities engaged in the project. The lawsuit was brought because the land-use permit issued by the Municipality of Považská Bystrica, and confirmed by the Regional Building Office in Trenčín, was issued in contradiction with law. The reservations described above were not accepted by the Regional Building Office, which lead the local NGOs and citizens to take the Office to court. The Regional Court in Trenčín dismissed this petition. The local NGOs and citizens have appealed against this decision to the Supreme Court.

Negative environmental impacts, unsatisfactory compensation for those affected, and an ongoing legal action are serious and noteworthy problems in their own right. Nevertheless, the whole case has one more significant – international – aspect. In June 2006, the EIB established a EUR 50 million credit for the financing of the project. With another sum of EUR 130 million assigned for the motorway in its later phase, the EIB will be responsible for covering almost three quarters of the project's total costs.

However, how could the EIB agree to financing when the finance contract between the EIB and the Slovak government obliges in Article 8 (8.01, iii) the borrower to: "promptly inform the Bank of (a) any material litigation that is commenced or threatened against it with regard to environmental or other matters affecting the Project; and (b) any fact or event known to the Borrower, which may substantially prejudice or affect the conditions of execution or operation of the Project."

This and other discrepancies prompted Friends of the Earth-CEPA and CEE Bankwatch Network, supported by the local NGOs and local citizens from Považská Bystrica, to write an open letter to EIB president Philipp Maystadt in August. The EIB has responded, stating that it is cognisant of the litigation process and that it "does not intend to disburse the loan until the litigation issues have been resolved".

On the EIA issues, the EIB maintains that it "has verified compliance with relevant national and Community environmental legislation, including that for Environmental Impact Assessments (EIA)". Unfortunately, what this "verification" means in practice is that the EIB merely asked the Slovak government whether everything was in order, and the government had no reason to reply otherwise. Nevertheless, Slovak NGOs and affected citizens are mobilising energy for a reply to the EIB and, even more importantly, continuing the long and exhausting fight against the highway over their heads.

Toxic dump in a marine reserve?

This summer nineteen leading specialists in the field of biodiversity raised the alarm that the Earth is on the brink of a major biodiversity crisis as a result of the destruction of natural habitats and the effects of climate change. Writing in the journal Nature, they called for the urgent creation of a global body of scientists to offer advice and urge governments to halt what they describe as a potentially "catastrophic loss of species".

Among their number is Robert Watson, chief scientist at the World Bank. However shouldn't Watson be taking urgent steps to raise the alarm and effect change on his own turf first?

Not only is the World Bank yet to conduct a full assessment of the climate impact of all of its lending, the Institute for Policy Studies in Washington has found that the World Bank's oil, gas and coal projects financed since 1992 will release over 43 billion tonnes of carbon dioxide over their lifetimes. The World Bank remains a key driver of global climate change.

All of this, we are led to believe, could be about to change with the arrival at the international negotiating table of the World Bank's "Clean energy and development investment framework". This key initiative, a result of the G8 Gleneagles summit, has acute implications for biodiversity, climate change and international development.

Yet the framework's clean investment mandate includes dubious proposals such as untested carbon capture and storage technologies or both economically and environmentally risky nuclear energy schemes. Watson himself is on record as a proponent of prioritising so-called "clean coal" above renewable energies such as wind and solar.

Without a significant rethink at the World Bank about its future energy lending, its chief scientist's clarion call to set up a global biodiversity body is on course to be as beneficial as a toxic dump located in a marine reserve.

World Bank Group's renewable energy numbers exposed

The World Bank Group has recently trumpeted its commitments for renewable energy and energy efficiency for fiscal year 2006. But let's take a moment to put those numbers in perspective.

According to "New Renewable Energy & Energy Efficiency: World Bank Group Exceeds Previous Year's Commitments By 48 Percent," the World Bank says that it financed USD 871million in renewable energy and energy efficiency in fiscal year 2006, which runs from July 2005 to June 2006.

The World Bank continues to include large hydropower as part of their renewable energy projects, in spite of the serious, and often irreversible, environmental and social impacts from large hydropower projects. These projects often lead to the displacement of large numbers of people and vastly alter river systems and water cycles.

Removing large hydropower from the total amount leaves USD 680 million in renewable energy and energy efficiency under the definition of renewable energy agreed on at the Bonn Renewable Energy Conference of 2004, which includes wind, solar, geothermal, biomass, and hydropower with a capacity of less than 10 MW per facility.

The vast majority – USD 490 million – of the USD 680 million is for energy efficiency. This includes USD 364 million in energy efficiency financing from the International Finance Corporation, the private sector arm of the World Bank, which according to the World Bank's own reporting financed no energy efficiency projects in fiscal year 2005.

"Upon closer inspection, I'm actually not really that impressed"

The World Bank has not yet released the project list for this year's data, so it remains unclear whether the IFC projects have changed substantially from last year to this year – with solid gains in energy efficiency projects – or whether the Bank may be assessing its projects differently. Although energy efficiency is a great – and perhaps the best – way to save energy and combat climate change, rather than leading the pack the Bank is actually somewhat of a laggard when it comes to energy efficiency initiatives. For example, the European Bank for Reconstruction and Development screens every project for energy efficiency before it is ever approved. In this day and age, energy efficiency measures are something that should be expected in the operations of any international financial institution, not regarded as a novelty – they are a no-brainer, even for the least environmentally attuned banker.

That leaves USD 190 million in actual renewable energy investments at the World Bank Group in fiscal year 2006. This is down from USD 212 million in fiscal year 2005.

So, of the USD 4.4 billion that the Bank claims for all of its energy sector investments in fiscal year 2006, only four percent actually went to renewable energy projects like wind, solar, and geothermal production. And a preliminary analysis by Friends of the Earth shows that only some of these projects went to renewable energy for rural electrification that will directly benefit the rural poor in developing countries.

A further investigation into the USD 190 million for renewable energy, once the Bank releases its project list, will reveal that a number of projects come from the Global Environment Facility or carbon finance funds, which are technically separate pots of money from the World Bank. In fiscal year 2005, for example, according to the 2006 Update of the Renewables Global Status Report by the Renewable Energy Policy Network for the 21st Century (REN21), only USD 150 million of the USD 212 million the Bank claimed in renewable energy actually came directly from World Bank funds.

The same report states that the bilateral German development bank KfW committed USD 170 million for renewables and that the German government made further commitments of USD 210 million under the "Special Facility for Renewable Energies and Energy Efficiency." So the German government alone committed over two and a half times what the World Bank committed during the same period.

At the same time, USD 38 billion was invested worldwide in renewable energy capacity in 2005. Despite the hype, the World Bank's investments are a drop in the ocean compared to what is needed to promote renewable energy and energy efficiency in developing countries.

Elizabeth Bast, Friends of the Earth US

NGO energy report

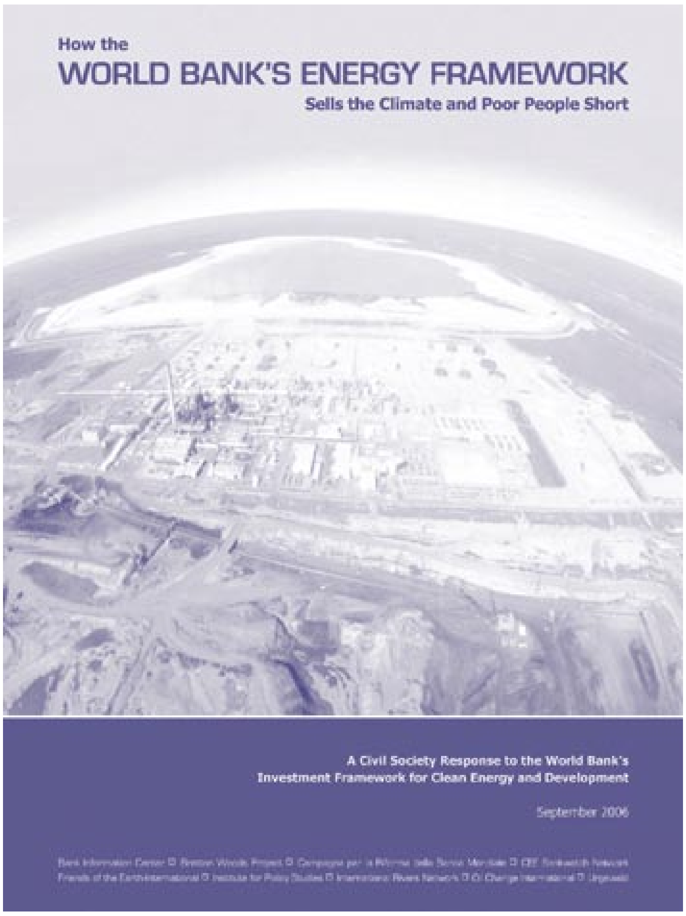
A new report from a group of international NGOs including Bankwatch has found that the widely trailed World Bank Investment Framework on Clean Energy and Development is on course to sell the climate and poor people short.

Instead of combating climate change, the World Bank Investment Framework is promoting coal-fired power, nuclear power and large hydropower projects.

The report's authors outline some urgent remedies for governments and financial institutions, including: the end of public subsidies for fossil fuel projects; increased efforts to meet the basic energy needs of the poor; and the redirecting of existing dirty energy financing to renewable technologies and energy efficiency projects via a new Renewable Energy for Development Agency.

The report can be downloaded at:

▶ **http://bankwatch.org/documents/Energy_report.pdf**



EBRD pigs to fly again?

In spite of the well-documented environmental problems caused in recent years by the operations of Smithfield/Animex in Poland, the EBRD is now apparently weighing up the possibility of supporting the notorious US meat giant once again, this time in Romania.

A pre-emptive Bankwatch report on the possible investment analyses the environmental impacts of industrial pig farms and exposes the dangers of Smithfield's expansion to Romania.

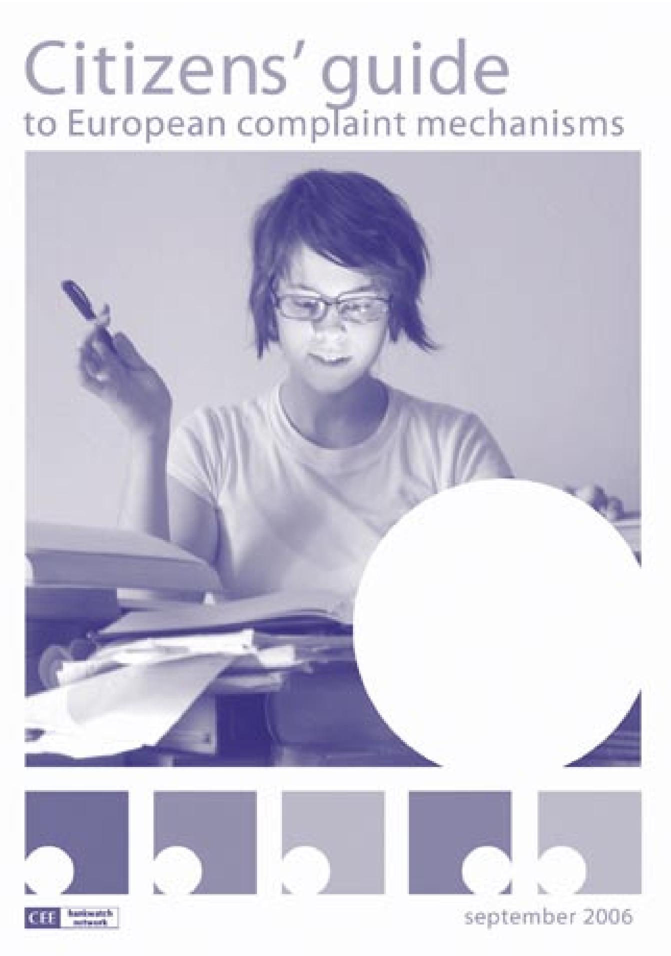
Smithfield has received an approval to construct 100 farms – with a capacity of 1 million pigs – in a single county from the local government. Yet Romanian laws do not appear to have much troubled the company so far, as demonstrated by the fines it has picked up from the Environmental Guard and by the fact that work on the access road to a Smithfield farm in Masloc, in the county of Timis, was commenced without a construction permit. Are there any better smoke signals to instruct the EBRD that a future loan application from Smithfield should be rejected?

The new report from Romania "Industrial pig farms and their environmental impact" is available in English at:

▶http://bankwatch.org/documents/smithfield_report_september2006.pdf

New Bankwatch guide helps bring Brussels closer to EU citizens

CEE Bankwatch Network recently launched its new Citizen's guide to European complaint mechanismsd in Brussels during the DG Regio Open Days to warm responses and endorsements from civil society and European institutions alike.



Marcin Libicki MEP, Chairman of the Committee on Petitions at the European Parliament, endorsed the guide, saying: "The publication of this most useful guide will, I hope, spread the message of Parliament's wish, and its responsibility, to promote and defend the rights of EU citizens and ensure the proper application of Community law."

The user-friendly guide introduces and explains the different redress mechanisms available to citizens at the European and international levels and guides readers step-by-step through the process of submitting complaints to these institutions. The guide is an ideal resource for NGOs and civil society groups seeking to ensure accountability and good practice from public institutions and development project sponsors and to enable citizens to have their voices heard when these bodies act irresponsibly towards people and nature.

Envisioned as a living document, Bankwatch welcomes feedback on the guide's content and encourages the sharing of experiences with the complaint mechanisms to ultimately improve their effectiveness. The guide is available for download at:

▶ http://www.bankwatch.org/guide/complaint_mechanisms.pdf

Can the Kaczynski brothers afford to duck the Via Baltica issue?

Thousands of Europeans have been contacting the president and prime minister of Poland – Lech and Jaroslaw Kaczynski – to request that Poland does not flaunt European environmental law by going ahead with the building of the Via Baltica expressway in north-east Poland without the proper environmental assessments.

An unprecedented 150,000 Poles signed an e-petition, administered by the main Polish newspaper Gazeta Wyborcza, to Lech Kaczynski in August.

Now more than 7000 petition signers from around the world have made their feelings known to Jaroslaw Kaczynski about the need to ensure the survival of the rich biodiversity of the Podlasie region, which is in fact protected within the EU's Natura 2000 network.

You can add your voice to theirs by visiting:

►http://www.viabalticainfo.org/spip.php?rubrique20

Local resistance sees off south Bohemian incinerator

Long-standing plans to build an incinerator in the Czech village of Mydlovary, with potential backing from the European Union's Structural Funds, were ditched earlier this month, according to an announcement from the energy group E.On.

Residents in the village of Mydlovary – population 280 – welcomed the news following years of resistance to a deeply unpopular project proposed for the region of south Bohemia, a region renowned for its splendid natural surroundings and landscape, and thus popular with tourists.

In an October 4 press statement, E.On explained its decision: "We have now publicly declared several times that we shall promote our interest in the construction of such a facility only in the case of political support at the relevant local and regional level, and in the case that the operation of this facility is economically viable. Following a detailed analysis we came to the decision that in the case of the Mydlovary project these conditions are not met. On the one hand it is not possible to make use of the heat produced directly on the site, whilst the operation of a facility of this size is not economically efficient, and on the other there is a lack of widespread political support for this project in south Bohemia".

The first speculation about the possible construction of a 100 thousand tonnes incinerator – with most recently estimated project costs of around EUR 70 million – on the site of a former heating plant in Mydlovary began in 1991. For fifteen years the local community, joined by local politicians, have been vocal in their opposition

In 1996 the project was positively assessed in terms of its impacts on the environment, in spite of the local opposition. In 1999 a territorial ruling on the location of the incinerator in Mydlovary was passed, which was extended for a further three years in 2003. Three different petitions were launched against the incinerator in 2005 and 2006 alone.

E.On's decision looks like the end for the Mydlovary incineration project, much to the relief of local people. Yet the company, with the backing of the regional authorities, appears intent on fulfilling a plan to build new incineration capacity in another location in South Bohemia.

However CEE Bankwatch Network member group Friends of the Earth-Czech Republic is calling for more shrewd use of European money to support prevention, reuse and better recycling services across the country's waste sector. Ultimately there is very little political and almost no public support for new incinerators in the Czech Republic.

Newsletter of the CEE Bankwatch Network on International Financial Flows
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