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A fossil free EIB requires political will

The European Investment Bank must phase out all of its investments in fossil fuels by 2012. This is a key demand being brought by CEE Bankwatch Network within the UN's climate negotiations that will conclude in Copenhagen in December 2009.

The call comes as Bankwatch publishes a new startling map of fossil fuel projects that have been funded by the EIB – the EU's house bank and the world's biggest public bank in terms of lending volumes – since the adoption of the Kyoto protocol in 1997. Dubbing the EIB the "Extractive Industries Bank", the map presents the EIB's

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South east Europe's leaders to cling to carbon during COP 14

On 11 December, away from the media glare of the COP meeting in Poznan, energy ministers from countries in south east Europe (SEE) will meet in Tirana, Albania, under the auspices of the Energy Community of South East Europe (ECSEE). While delegates from around the world negotiate solutions to the alarming threats of climate change, SEE governments are expected to show their disregard for the problem by reaffirming an indicative list of 19 priority energy generation projects for the region worth more than EUR 8 billion, of which not a single one involves renewable energy.

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A FOSSIL FREE EIB REQUIRES POLITICAL WILL

fossil investments both in the EU and around the world: a total of 130 projects have received EUR 17 billion in EIB project finance since 1997, with the bank providing public subsidies totalling EUR 3 billion for the sector in 2007 alone.

Bankwatch, which has monitored the EIB's investments for the last 15 years and campaigned against the EIB's financing of major fossil fuel projects such as the devastating Chad-Cameroon pipeline, has identified a realistic framework that, if the political will emerges in the European Union, could see the EIB waving goodbye to fossil fuel projects by 2012 – thus allowing the bank to leverage major additional resources to ramp up its commitments to energy efficiency and renewable energy.

The EIB is being challenged to take the following three intermediate steps:

- Agree to a phase out of EIB lending for oil projects by the UN FCCC 15th Conference of the Parties in Denmark, December 2009.

- Put in place an immediate ban on EIB lending for any extractive projects situated in high conservation value zones, the territories of indigenous people and nations and areas where there is armed conflict.

- Disclose all direct as well as induced greenhouse gas emissions derived from the EIB's fossil fuel projects.

Positive signals that the political will exists to end public subsidies for carbon-heavy industry came to light one year ago, when the European Parliament passed an important resolution to end taxpayer support for fossil fuel projects. The resolution asks the European commission and EU governments for "discontinuation of public support [...] for fossil fuel projects" and to propose legislative instruments that would compel the EIB and other public finance bodies to "take account of the climate change implications of the funded projects...".

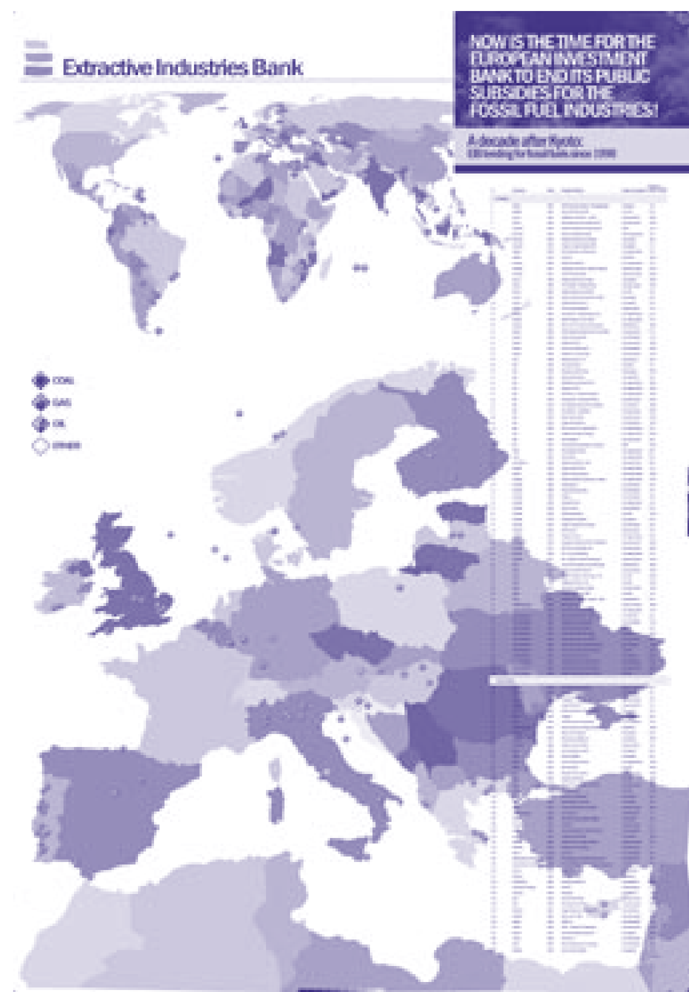
As reported in the Financial Times in early November, former BP boss Lord John Browne has also called for subsidies to fossil fuel companies to be "dismantled" in order to create a "level playing field" among energy companies that can bring about the urgently required shift to a low-carbon economy. And launching its World Energy Outlook 2008 just a few weeks ago, the International Energy Agency was bluntly unequivocal: current carbon-heavy energy trends are, the IEA stated, "patently unsustainable – socially, environmentally, economically."

The climate challenge is not so much technical as political, and with the EIB's rise to prominence in the economic crisis, EU politicians may have cause to scratch their heads when they learn of the striking cognitive dissonance at the heart of the EIB's multi-billion euro energy lending. While descriptive limitations on the projects section of the EIB's website make it difficult to determine precisely what the bank has been doing on energy efficiency, between 2002 and 2007 the EIB provided over EUR 1.5 billion to support wind projects, followed by EUR 280 million going to solar energy projects – mostly large scale projects.

Some signs of light, therefore, but a dark, perplexing shadow still dominates the EIB's energy portfolio. It's time for clean energy to be the dominant feature on the EIB energy map.

Check out the new Extractive Industries Bank map at: www.fossilfreeeib.org

For more information in Poznan on Bankwatch's "fossil free EIB" demands, contact: Petr Hlobil: Mobile: + 420 603 154 349; Email: energy@bankwatch.org



Counting down to Copenhagen – counting on public money to do more for climate-friendly investments

With only one year left before Copenhagen, the international climate negotiations are hotting up, though there is gathering impatience for the shift to the real negotiating mode to now take place. Let's hope that the Poznan meeting brings more proposals to the table and that the parties start moving towards a common understanding of what an environmentally sound, economically feasible and socially equitable global deal should look like.

CEE Bankwatch Network, one of central and eastern Europe's longest established NGO networks, comes to COP 14 in Poland with a clear aim: to check up on and assess how the international financial institutions (IFIs) are positioning themselves in the UN climate negotiations process. Topping our agenda are the following:

- The EU continues to tout its leadership aspirations in the international climate talks. In the last 12 months it has adopted legislation that supports efforts to cut carbon emissions in its member countries. Yet the EU's own house bank, the European Investment Bank, is still heavily subsidising fossil fuels from public budgets – 17 billion euros has been pumped into fossil fuel projects globally by the bank since the adoption of Kyoto in 1997. As Bankwatch research has also revealed, a paltry 2.4% of the EU's 177 billion euro regional spending in the new member states for the 2007-2013 budgetary period is being targeted at energy efficiency and renewable energy, while carbon-heavy development is being extensively backed. The EU clearly needs to put much more of its money where its mouth is.

- Another big player – the World Bank – is licking its lips at the prospect of snapping up parts of the financial assistance which will be generated under the UNFCCC. Mindful of the World Bank's role in developing and putting forward alternatives in its Climate Investment Funds, Bankwatch is highly concerned about the World Bank's ability to channel financial assistance effectively to those who really need it.

- Finally, much attention will be on the least developed countries. Their contribution to climate change is the smallest; yet climate change impacts are already hitting them hard and may deepen further. During the proceedings at Poznan we should have clearer answers on whether the talk from the major parties about "scaling up financial assistance" and "new and additional resources" is genuine or not.

Bankwatch invites all those who are concerned about the role of the IFIs in Poznan and beyond to visit the Bankwatch stand: along with information materials, there will be an opportunity to sign a postcard to the president of the EIB, Philippe Maystadt, urging a complete phase-out of the bank's lending for fossil fuels by 2012. Visitors can also take in the Extractive Industries Exhibition, and a side event on the World Bank and climate will be taking place on December 9 in Pavilion 11.

Bankwatch hopes that the Poznan meeting will see important pieces in the Copenhagen jigsaw puzzle falling into place and wishes all participants a cooperative and ultimately fruitful meeting.

SOUTH EAST EUROPE'S LEADERS TO CLING TO CARBON DURING COP 14

The ECSEE, also known as the Athens process, is a framework for regional co-operation in the spheres of electricity and gas that was initiated by the European Commission and established with the signing of the Athens Treaty by the countries of the region in October 2005.

One main requirement of the treaty is that signatory countries should implement the EU acquis communautaire in the fields of renewables, environment and competition. This set of legislation includes measures to promote renewable energy, prohibitions on state aid and anti-competitive agreements, as well as environmental safeguard measures such as environmental impact assessment, the reduction of sulphur content of certain liquid fuels, the limitation of emissions from large combustion plants and the protection of wild birds' migratory species as well as the Integrated pollution prevention and control (IPPC) Directive. Yet its implementation appears to be of secondary importance, even to the extent of being fully neglected when governments select projects of the highest priority for the region.

The indicative list of priority projects contains several highly controversial lignite, oil and gas-powered and large hydro power plants that have not been the subject of an open tender or adequate public consultation procedures. Some of these projects fail to abide by best practice and European legislation on competition, as is the case with

Bosnia and Herzegovina's Gacko II lignite power plant and the Stanari lignite power plant, the latter currently being eyed for investment by the European Bank for Reconstruction and Development.

Others pose threats to the environment, human health and local community's livelihoods, and include:

• Albania's Vlora oil and gas-powered power plant that threatens the country's top tourist resort, local fishing industry and valuable coastal eco-systems

• The Kosova C lignite power plant that would add to already extensive pollution in the Kastriot area caused by the heavy-polluting Kosova A and B plants

• Serbia's Kolubara lignite power plant, near Belgrade, where ash disposal and air pollution are expected to endanger public health

• Bosnia and Herzegovina's Buk Bijela hydropower plant that threatens the stunning Tara River Basin Biosphere Reserve and the Durmitor National Park World Heritage Site

• The Glavaticevo hydropower plant in Bosnia and Herzegovina that threatens the future Bjelasnica-Igman-Treskavica-Visocica-(Rakitnica) National Park

• Hydropower plants on the River Moraca in Montenegro that threaten its rich variety of endemic aquatic species, the spectacular Moraca Canyon and the water flow to the Skadar Lake National Park and RAMSAR Site.

In February this year, 18 non-governmental organisations from the region, including CEE Bankwatch Network, called for withdrawal of political support for these projects and received a reply from the ECSEE Secretariat that the list is "neither exhaustive, nor binding" and that "if a project appears on the list, it does not mean that compatibility with economic and environmental requirements have been checked yet ".

Question marks remain, however, about why the ECSEE is promoting projects whose compliance with EU environmental and competition legislation has yet to be examined, and as to who will be responsible for examining this mandatory compliance.

The Tirana meeting may also mark a milestone in the fossil-fuel peddling history of ECSEE, as the Ministerial Council is expected to discuss the addition of an "oil dimension" to the process. This would entail the creation of an oil forum that "should allow the discussing and promoting [of] regional oil infrastructure projects and the development of the oil markets in the region."

Plans are taking shape for three major oil pipelines that will cross the SEE region, connecting the resource rich Caspian region and Russia with consumers in the EU and the USA: the Pan European Oil Pipeline (PEOP, and also known as Constanta-Trieste), the Albania-Macedonia-Bulgaria Oil pipeline (AMBO, and also known as Bourgas-Vlora) and the Bourgas-Alexandroupolis oil pipeline. Although major doubts persist about how supply for all three pipeline projects canbe secured, if constructed any one of these pipelines will put at risk the Black, Aegean and Adriatic seas, and will damage an array of protected natural areas along the intended routes.

Environmental groups and local communities have strongly opposed the oil pipelines and have questioned the economic and social benefits that – so the official pledges go – they are supposed to bring.

Most recently, on November 12 in Bourgas, a presentation from the Trans Balkan Pipeline company established to carry out the implementation of the Bourgas-Alexandroupolis project met with such strong protest from local people that it ground to a halt. Shouting "Mafia", "We do not want you" and "Traitors", the protesting crowd made it impossible for Alexandrr Tarakanov, head of the company, to deliver his speech. The Bulgarian deputy development minister, Kalin Rogachev, was also interrupted by flying CD boxes. The event ended in a fight between the protesters and security guards.

For the first time Mr Rogachev declared that if public consultations fail the project will not progress. Although this statement is non-binding, it contrasts all previous statements from the government that the "national interest" will prevail in the event of any disagreement from local municipalities.

This is the first glimmer of hope for local people that in some cases they may yet succeed in stopping some of the most antediluvian of the proposed fossil fuel projects in south east Europe. Yet at the core of the problem are the designs, thus far elaborated, of the ECSEE: it must stop promoting fossil fuels and take serious action to reduce the region's still horrendous squandering of energy. It might also care to get out of conference halls and take a look around at the region's plentiful – yet largely untapped – renewable resources.

See: Real energy security is staring us in the face: Renewable energy case studies from south east Europe, available at: http://bankwatch.org/documents/real_energy_security.pdf

South east Europe Development Watch's recent position paper on energy futures in the region is available at: http://bankwatch.org/documents/seedw_energy_futures.pdf

No more excuses for IFI heel-dragging on renewables in emerging markets

Public lenders have the means – and the responsibility – to do more for clean sources of energy, writes Jérôme Guillet

It's long been a mystery why the international financial institutions (IFIs) have done so little to finance renewable energies in emerging markets. While it's understandable that the IFIs have not been really required in developed economies until the recent credit crunch, and that commercial banks have been willing and able to finance the sector, the IFIs would seem to be perfectly suited to support the sector in the rest of the world given that the main risk is political and regulatory – and this is where the IFIs have a clear edge.

The technical and operational risks attached to renewables projects are not very different in developed or emerging economies, and are a problem in neither case for commercial banks. What is considerably more difficult for banks to deal with in developing economies is the regulatory framework: conditions for access to the grid (in particular those dealing with the integration of structurally intermittent generation sources), the stability of permits, and the tariff applicable to electricity sales.

With high upfront investment costs, renewable energy requires fairly long-term financing to spread the repayment over a period long enough for the tariff to be reasonable for end users. Investors will naturally want reasonable comfort that they will keep the rights to the project, and the revenue stream, over that period without government meddling or confiscation. Once built, the operating costs of renewable energy producers are very low, but the requirement for stable prices to repay the debt, typically at levels that will be higher than existing base load sources (usually coal-fired), will generate large apparent cash flows that can become a source of temptation for local authorities.

An additional risk is that this income is very likely to be in local currency and, even if the tariff is expressed in euros (to compensate for the fact that the turbines are typically going to be bought from a European manufacturer and that the debt would come from an international bank), convertibility and devaluation are a problem, especially over long periods .

Thus renewable projects are fully subject to "pure" political risks: changes to the legal framework applicable to renewable energy and currency risks, precisely the kinds of risks which the IFIs are equipped to bear, and those for which they bring value added to a transaction compared to commercial banks acting alone. The problem lies – from the IFIs' perspective – in the fact that in many of these countries, such as in central and eastern Europe, there is rarely any such framework for renewables, and the IFIs cannot take a risk which is not even defined. This argument certainly has some validity but nevertheless does not quite stand up to closer scrutiny.

What the IFIs bring to the table is their ability to influence local governments and suggest rules or regulations that they can put in place, if necessary on an ad hoc basis. Most emerging markets have public utilities, to whom it can plausibly be suggested that they offer long term PPAs (power purchase agreements) to renewable energy producers at prices that make sense both to the producers and within the context of the local market – and the IFIs should then be able to take the revenue risk (including the currency risk if relevant) on the basis of such a PPA.

Similarly, the IFIs should be in a position to help renewable energy projects obtain the relevant permits – if there is no specific existing process for such projects – by joining the negotiations with the authorities and, if appropriate, by helping put in place procedures and by training the relevant public authorities on how to understand the industry. Basically, the IFIs should act not just as financiers to the industry, but as advisors to governments and local authorities. If ever there was a time for the IFIs to go beyond environmental mitigation and more into a pro-active "green energy promotion" mode, then it is now.

Furthermore in today's context, with the financial crisis severely limiting the ability of commercial banks to lend to renewable energy projects, the IFIs may also have an additional role to play in developed economies. With the cost of long term funding of commercial banks skyrocketing (when it is available at all), the ability of the IFIs to fund themselves cheaply – thanks to their "real" AAA ratings – gives them a real edge, in the short term at least, compared to the traditional project finance market.

So there certainly is a big opportunity right now for the IFIs to take over the ground abandoned by commercial banks and help renewable energy developers who are suddenly struggling to find funds to finalise their investments in new projects. This might be done in conjunction with the commercial banks (if they are still willing to take the underlying risks associate with the sector) by simply providing funding guaranteed by those banks, or even without them, with the IFIs taking the project risks.

The simplest way to do that is to replicate the time-tested structures that already exist in the project finance world – there is no need to reinvent the wheel or to come up with different requirements.

Some encouraging initial moves have been seen recently from the EBRD, with the inking of a deal this year for a 150 MW wind farm close to the Baltic Sea in Estonia, and EBRD board approval (pending contract signing) for a 156 MW wind farm in the Kavarna region of Bulgaria.

There is also an opportunity for the IFIs to participate in the development of the offshore wind sector, where the funding requirements are very high (each 400 MW German project will require close to EUR 1 billion in debt finance) and the banking market was only nascent before the credit crisis hit.

Supporting this particular sector now will help accelerate its ability to standardise and industrialise offshore work, and to lower overall costs – a public good which in itself should encourage the IFIs to jump in. But the IFIs have to be flexible enough to be attractive to the sector's sponsors (typically big, cash-rich utilities) by not imposing cumbersome bureaucratic approval processes or extra conditions to their loans, like yearly recalculations, or prepayment fees.

Overall, the case for the IFIs to go that extra mile to get renewable energy projects developing faster should be overwhelming – it accelerates the development of a relatively cheap, carbon free and job-rich technology that plays a major role in efforts to limit carbon emissions. The IFIs have value in helping the industry in countries where the commercial sector cannot make development happen on its own, as well as in OECD countries now that the credit crunch is threatening development. The enduring triple A status of these institutions can and should help lay the groundwork for an energy sector whose benefits will endure for generations to come.

Jérôme Guillet is a project financier for the energy sector and, as the editor of political website European Tribune (www.eurotrib.com), regularly writes on energy policy. This article is written in the latter capacity.

EBRD carbon factor: Readers decide

The European Bank for Reconstruction and Development's website (see screen grab below) recently presented a curious juxtaposition related to some of the bank's latest dealings in Mongolia. It seems that some within the EBRD don't take too kindly to occasional attempts at ironic commentary within the pages of this newsletter, so let's allow the salient points to do the talking on this occasion – and readers can make up their own minds about the EBRD's lending coherence.

Reducing air pollution in Mongolia

According to its website, "The EBRD is spearheading a project to help over 140,000 households in Ulaanbaatar switch from using the high polluting raw coal that swathes parts of the capital in smog for six months a year and which is a major health hazard in the capital."

The bank's Early Transition Countries Fund is behind this positive initiative, with the first phase of financing having raised **EUR 350,000**, and a further **EUR 250,000** has been pledged.

The EBRD signed off on a **USD 45 million** loan to the Mongolian coal mining company MAK at the end of 2007. The bank's website refers to an unspecified part of the financing going to the company's production of smoke-less coal

Mongolian petrol stations receive EBRD support

The EBRD's board agreed this September to a debt and equity financing deal of up to **USD 35 million** (total project cost: USD 35 million) for MT Petrol stations, that will support "the development of a medium sized domestic petrol retailer, funding the construction of new depot stores and gas filling stations in Mongolia."

WHO'S DOING THE CARBON MATHS? THE EBRD'S HOMEPAGE ON OCTOBER 24, 2008, DISPLAYING TO THE LEFT: A FEATURE ON AN EBRD SPONSORED 'CLEAN AIR' INITIATIVE IN ULAANBAATAR. AND ON THE RIGHT: A PRESS RELEASE ANNOUNCING A NEW EBRD LOAN AND EQUITY DEAL FOR MONGOLIAN PETROL STATIONS.

Many cooks stirring Albania's carbon soup

Relying on its developing country status under the Kyoto Protocol, in recent years the Albanian government has, in recent years, promoted a series of carbon-heavy power generation facilities. The checkered history of the Durrës coal-fired thermo-power plant, instigated by the Albanian Ministry of Economy, Trade and Energy and eyed by the Italian energy company Enel, illustrates how a country in transition has chosen to deal with the legacy of an obsolete energy strategy, a chaotic political culture and dominant foreign investors.

Roots of the problem

The history of the Durrës thermo-power plant is short, crooked and entangled with the development of energy and industry parks in Albania. In 2003, the Albanian Council of Territorial Adjustment approved the siting of an energy and industrial park in the vicinity of the town of Vlora on the Adriatic Sea. The 500 hectare Vlora energy and industry park was to host several thermo-power plants (TPPs), an oil terminal, the outpost of the AMBO trans-Balkan pipeline and other industrial facilities.

Of the original plans, only the combined cycle 97 MW TPP and the oil terminal received approval from the Albanian authorities; moreover the TPP received a credit from three international financial institutions. In subsequent years, both projects faced strong criticism from local people and environmentalists for alleged negative impacts on the Vlora Bay, harm to the local tourist- and agriculture-reliant economy and a lack of proper public consultations.

Amidst strenuous civil protests, the governing Democratic Party announced in March 2007 that it was no longer supporting the large scale energy zone in Vlora planned by the former Socialist government. Stating that it did not "intend to turn Vlora into an energy back yard for the Balkans", the government requested the National Council of Territorial Adjustment to review its approval for the Vlora energy and industry park. As a result, the status of the Vlora park was "modified" to "industrial" on May 22, 2007. The decision thus prevented any new investment in power generating capacities inside the park.

Long before the final decision was taken to not build any further power generating capacities in Vlora, the Albanian government had been looking for opportunities for building new TPPs elsewhere, in particular by pondering the idea to move the remaining energy components of the Vlora energy park up north near to the planned industrial zone at the Porto Romano area in Durrës, Albania's second largest town and home to 200,000 inhabitants. While Porto Romano has been notorious as one of the country's worst environmental hot spots as a consequence of toxic contamination from a former chemical plant, prime minister Sali Berisha publicly stated that the government considered moving the energy complex planned for Vlora to Porto Romano back in 2006.

Foreign manoeuvrings

On December 3, 2007, Enel's CEO Fulvio Conti and the Albanian Minister of Economy, Trade and Energy signed a memorandum of understanding for the development of the Albanian energy sector. Under the agreement the company committed to the development of a 1,300 MW coal-fired plant and the construction of a power inter-connection with Italy.

While the media were reporting on Enel's plans to enter the Albanian energy market, in April this year the joint Ministerial and Municipal committee approved a regional Master Plan produced by the British-based Landell Mills consultancy company in the Framework of the Sustainable and Integrated Development of the Tirana-Durrës region project. The master plan was "developed over two years of research and stakeholder consultation" and aimed to offer guidelines for the sound development of the area.

CONSTRUCTION OF THE OIL TERMINAL AT VLORA - A PROJECT DENIED EBRD FINANCING EARLIER THIS YEAR

On May 25, the same consultancy company launched the "Rapid Environmental Assessment for the Industrial and Energetic Park's at Porto Romano, Durrës, Albania", which was co-financed by UNDP Albania and the Delegation of the European Commission to Albania. The study provides an elementary environmental, social and economical assessment of the impacts of the Durrës energy and industry park promoted by the Ministry of Economy, Trade and Energy.

According to the authors, the park is envisioned to cover an area of 1,720 hectares and its energy zone is expected to host a TPP as well as oil and gas installations. The authors assess different scenarios depending on the type of TPP to be established in Durrës – thus indicating that a specific type has not been selected. The consultants

also recommend that “a thermal power plant should be constructed as oil or gas assisted multi-fuel installation, to resolve problems relating to municipal waste disposal and enable the use of renewable resources such as biomass for instance from the constructed wetland waste water treatment plant”.

The plot thickens

On June 24 this year, Enel’s CEO announced publicly that the company was planning to build a coal-fired power station in Albania, claiming to “have all the necessary guarantees to be able to increase our presence in that market”. On the same day, Enel organised the so-called “second” public consultations for the coal TPP in Durrës in the presence of a handful of NGOs, local community representatives and media.

While it remains unclear when and where the first public consultations over the project took place, the company presented Landel Mills’s Rapid Environmental Assessment and introduced a project consisting of: a two unit coal-fired TPP, each unit having generation capacity of 800 MW; a jetty for handling the imported coal; a 400 KV transmission line connecting the local substation to Tirana’s main substation; and a 210 km long undersea 500 KV transmission line connecting Porto Romano with Italy. Specifically, the underwater line “will export energy in Italy, but will also connect Albania with European Energy market creating the possibility of energy import too”.

According to Enel’s presenters in Durrës, the company would build and operate the plant under a 25-30 year concessionaire licence. While the electricity produced would be sold to Albania at cost price and an undetermined amount of energy would be exported to Italy at market price, Enel reassured the public that there would be more than enough energy to cover the national needs.

Meanwhile, Enel’s claim that a coal-based power plant similar to the one in Durrës is being built in Rome has not been thoroughly vetted by the Albanian government and press. Enel’s reticence in this respect remains puzzling – not even the exact location of this “similar power plant” has been made public in Albania. It appears that at its second public consultation meeting in Durrës, Enel was referring to the highly-contested Enel power plant in Torre Valdaliga Nord, which was recently the subject of a petition before the District Attorney in Civitavechia in order to investigate whether Enel violated any environmental laws during construction, concerning in particular the lack of an integrated environmental authorisation.

In spite of Enel’s public undertakings and statements, Albanian prime minister Berisha met in June 2008 with a German-Greek energy consortium comprised of RWE, PPC and Titan to discuss the “500-800 megawatt energy project” which is “envisaged to be constructed in Porto Romano, near Durrës city”. Berisha assured the potential investors that the government will “take into consideration both projects and evaluate them in full compliance with environmental and technological criteria”.

While the media reported in June on Albania’s upcoming choice between Enel and the German-Greek Consortium to build the Durrës TPP, no new information has subsequently emerged on how the Albanian government has been assessing the two projects and whether it has assessed more than one type of power generation facility for Durrës.

In October 2008, the Albanian media revealed that a Bosnian businessman, Damir Fazlic, bought the land where the Durrës thermal power plant was to be built. The finding was made in connection to a probe into money-laundering involving Fazlic’s business and Prime Minister Berisha and foreign minister Lulzim Basha.

During his visit to Albania on October 26, the Italian Minister of Foreign Affairs Gianfranco Frattini promised Albania faster EU and NATO integration and visa liberalisation while highlighting the interest in “the development of energetic projects that Italy needs”. Frattini was accused by the Albanian media of conditioning visa liberation for the electricity generation projects, including the Durrës TPP.

While Berisha has attempted to put pressure on the Prosecutor General who has been investigating the corruption allegations, Damir Fazlic’s property in Durrës has been frozen. On November 5, a court hearing involving Falzic took place and on November 7, the Ministry of Economy, Trade and Energy released a public notice, denying “false claims that have circulated recently in the Albanian media” about the corruption related to the Porto Romano property.

Just three days later, the Regional Council of the Territorial Adjustment in Durrës approved the construction of the 810 hectare energy park in Porto Romano promoted by the Albanian Ministry of Economy, Trade and Energy. The decisions of the National Council of the Territorial Adjustment and the Albanian government are still pending.

The devil is in the carbon details

Coal power plants are generally confirmed as having the highest emission factor per unit of energy generated on account of their low operational efficiency and the high carbon intensity of coal. Albania’s CO2 emissions totalled 3.6 million tonnes in 2003, and the enormous capacity of the Durrës plant will clearly contribute to a massive increase in the country’s carbon emissions. Yet in the context of the new global climate deal, which will replace the current Kyoto Protocol after 2012, there will be pressure just round the corner for Albania to adopt climate reduction policies and to offer a stable and stimulating investment environment for low carbon technologies.

The current decision to initiate a centralised coal power plant for the next thirty years will significantly influence Albania’s future carbon standing. Not only does coal power generation pose a concern for global carbon emissions, but it is also a source of significant local pollution. Among the associated emissions most detrimental to human health are the fine particles containing nitrogen oxide and sulphur dioxide.

Despite the fact that coal-fired TPP plants are widely recognised as the most climate-wrecking forms of electricity generation even for the environmentally-strict EU market, the governing elite in Albania is determined to have one in its own backyard. The question remains if this determination is based on a strategic assessment of energy generation and efficiency in the country, due consideration of TPP technologies and responsible deliberation on Albania’s long-term carbon emissions. The schizophrenic decision-making process on the 1600 MW Durrës coal-fired TPP conducted so far does not indicate so.

As for the Italian company Enel, with the prospect of coal power generation becoming prohibitively expensive under the reformed EU Emission Trading Scheme system, the shift of production to a neighbouring – but still non-EU – country is a profitable move. Enel will avoid the additional costs posed by the auctioning of carbon allowances and still secure domestic energy demand. The costs of local pollution will, however, not be borne by Italy.

As this article goes to print, it has emerged that Italian prime minister Silvio Berlusconi will visit Albania on December 2. Although press reports indicate that a nuclear power plant project will be the focus of the flying visit, it would not be surprising if Berlusconi exerts further pressure on the Albanian government to quickly approve the Enel project in Durrës.

This article was prepared in joint cooperation between EDEN Center, an Albanian NGO, and CEE Bankwatch Network.

Looking beyond nuke bickering in the Baltics

Deep cuts in fossil fuel reliance, 20 percent average improvements in energy efficiency, aggressive acceleration of latent renewable and biomass potential, and ZERO reliance on nuclear – this is the sunny prognosis for an achievable Baltic electricity scenario by 2020, as elaborated in the recently published Baltic Sustainable Energy Strategy. The strategy was developed by the Stockholm Environmental Institute’s Tallinn office in conjunction with environmental NGOs, and comes as public bickering between the three Baltic states over the proposed EUR 7.5 billion successor to the Ignalina NPP in Lithuania intensifies.

Estonia’s stake in the proposed new reactors at Visaginas is on a knife-edge, with both the prime minister and the head of the national energy company – Eesti Energia – expressing scepticism about the project’s reliability. Meanwhile in Lithuania, and following changes in the government after October’s elections, legal wranglings over the setting up of the company – Leo LT – to head the project and high profile resignations are besetting the Baltic nuke project.

Chief among these, last month Rymantas Juozaitis, the chairman of the board of governors of Leo LT, stepped down from his post, citing family reasons. Observers of the Lithuanian energy scene have been quick to point out a certain incongruity attached to the resignation – Juozaitis is widely credited to have been one of the key instigators of the Visaginas project and has been one of its most vocal advocates.

The Baltic Sustainable Energy Strategy is available at: www.bankwatch.org/files/baltic-energy-strategy.pdf

And a video clip put together by Bankwatch’s Baltic members urging greater attention to the region’s renewables potential can be seen at: www.youtube.com/watch?v=9FHZCZfTpnk

EU-Ukraine energy cooperation needs a rethink

If the EU is to continue to give energy assistance to Ukraine, it is crucial that it is targeted to measures that will increase energy efficiency and promote the development of renewable energy – this is the key ask from Bankwatch and other organisations in a paper submitted to the European Commission.

Energy makes up the largest part of EU-Ukraine cooperation, covering more than half of this budget line in 2007, approximately EUR 87 million. Yet the cooperation has scarcely addressed the sustainability of Ukrainian energy supply and consumption, as it puts little emphasis on energy efficiency and renewable energy. The cooperation in-

cludes an agreed target for Ukraine to reduce its energy intensity by three percent per year, but this figure is far lower than the current rate of economic growth (some 7.3 percent per year on average between 2000-2007). The result of this target, together with continued economic expansion, will be a significant increase rather than decrease in energy consumption as well as green house gas emissions.

At the same time, the cooperation is targeting a substantial increase in electricity exports from Ukraine to the EU. Such export will primarily be based on unsustainable electricity production and is neither of benefit to Ukraine or to the EU. Ukraine will have to produce more power with significant environmental impacts and low efficiencies, and the EU countries will have less incentives to develop their own sustainable power production and demand.

See the NGOs' submission at: www.bankwatch.org/documents/EU_Ukraine_policy_proposal.pdf

World Bank is accomplishing mission impossible in CEE, says the Bank

In its recently published report on transition and convergence in Eastern Europe and the former Soviet Union – snappily entitled Innovation, Inclusion and Integration – the World Bank is full of optimism. For readers from the region, these three catchy buzzwords may sound like aspirational goals as yet a bit remote from our collective grasp. Yet the general upbeat tenor of the report attempts to instil a distinct impression that the post-communist states are almost there or, at least, on a sound footing to achieving these three 'I's. The Bank may have succeeded in dotting the 'I's, but serious doubts remain over whether it adequately crosses the 'T' of transition by providing a far-reaching and objective enough analysis.

Innovation, Inclusion and Integration is not completely new – it is based on six regional studies produced by the World Bank in the past few years. The report, released in July 2008, aims to be a "synthesis and culmination" of these studies. Taken together, they cover a whole range of areas, such as productivity growth, enhancement of job opportunities, trade and integration, migration and remittances, poverty and inequality, and ageing populations. The imperative to investigate this report lies in its naked ambition to condense and sign off on one chapter of history – to make a dot after the transition from communism to capitalism.

As with most official World Bank publications, this reports contains a disclaimer that its content does not necessarily reflect the views of the institution. In the case of this particular report, however, the Bank's administration can sleep well.

The philosophy underpinning the report is eminently compatible with the Bank's long-standing activities. It is the philosophy of economic growth, first and foremost. To wit, we are confronted by one of many uncontested mantras: "productivity growth, the only viable route to lasting prosperity...". In this respect – and despite its development and poverty-reduction mission, despite some recent developments in transparency and rhetoric, and despite the elephant in the room (the prevailing global credit crunch, just about to explode at the time of the report's publication) – the Bank has not moved an inch forward and the authors of the study stick firmly to economic growth as an incontestable priority.

Even in achieving the Bank's alleged mission – a world free of poverty – the recipe prescribed by the authors of the paper is clear: unfettered economic growth. Indeed, productivity growth, the "main determinant of poverty reduction", together with the measurement of poverty only in terms of income, form the two axiomatic pillars of the World Bank's reductionist approach to poverty that have prevailed for decades. Having put them on the analytical pedestal in this report, the authors proudly assert that 50 million out of 400 million people in the region – over 12 percent – moved out of absolute poverty between 1999 and 2006.

The researchers' most interesting observation is that this achievement came about without notable gains in employment. How was this possible? The paper refers to the 'trickle-down' effect and its proponents' belief in the generosity of public and private transfers. In terms of the former, we read that "social transfers cover the poor quite well", the grounds for this statement being the fact that "almost all the poor receive some form of social transfer". Regarding the latter, i.e. private transfers, remittances are identified as a crucial tool of external financing and poverty reduction.

When it comes to social transfers, the description "quite well" is a useful euphemism – according to the EU's Statistics on Income and Living Conditions database, there are millions of people in the EU (not to mention the countries of the former Soviet Union), who would describe their social coverage as anything but "quite good". Counting remittances as positive flies equally in the face of reality. Large sums of money may be being sent back home from country nationals employed overseas – but these people are going in search of work abroad precisely because of limited opportunities in their homelands. The limits of the analytic model adopted in this report couldn't be clearer.

As evidenced by UNDP's International Poverty Centre's recent report The New Global Poverty Estimates – Digging Deeper into a Hole: http://www.undp-povertycentre.org/pub/IPCOnePager65.pdf], the World Bank's methodology of poverty assessment has been widely criticised for some time now on different grounds and from various angles. This report on central and eastern Europe does nothing to meet this crescendo of criticism, which includes the fixation on quantitative data, i.e. income, and the inadequacy and international incomparability of the World Bank's 'poverty line' constructions. The reluctance of the authors to engage relative indices of poverty, to use qualitative data from household surveys, to recognise the subjective aspect of poverty, leaves the Bank languishing – analytically – somewhere back in the 1980s. A couple of very generalised paragraphs on "well-being in transition" (page 96) fail to redress the gaps.

Moving from the Inclusion to the Integration part of the report, the same Panglossian atmosphere prevails. The report is rich in analysing and classifying the transition countries, for example, in terms of factor composition or the nature of their trade. The authors are highly impressed that the transition countries now resemble other countries in their relationship with the international trading system. We hear: "this reintegration into the world economy in barely a decade and a half since the beginning of the transition is worthy of note". It surely is.

Nevertheless, what is lacking is an analysis – or at least some statement – on the relationship between the transition countries and the rest of the world. To state that the transition countries are normally integrated, and to classify them according to selected criteria into groups among themselves, may be correct but cannot, on any rigorous terms, be enough. The missing, and at least equally important, part of the picture is the question: what is the nature of this integration?

Even the best performers among the transition countries are often in a dependent position vis-a-vis the more developed economies of the world. This reality is described by Joachim Becker, professor of economics at the University of Vienna's Economics and Business Administration, as the concept of 'passive extraversion', which refers to a dependence on imports of capital, goods, or technology. Unfortunately, this important concept – and its implications – goes overlooked by the World Bank authors.

Going beyond Innovation, Inclusion and Integration, the report concludes by shifting attention to demographic change or – in the jargon – The Third Transition. This brief addendum is interesting and important, not so much for what it says but for what it leaves out.

Although pensions and pension systems are addressed in this section, there is no mention of the fundamental pension reforms that many of the transition countries have enacted in recent years under policy guidance – and diktat – from the World Bank. The introduction of the private pre-funded pillar, in other words the partial privatisation of pensions that once upon a times was presented as a flagship of the Bank's policy advice package for the post-communist countries, receives no mention in this report. Nor,is there a reference to the seminal World Bank report in this field from 1994, Averting the Old Age Crisis.

Why is this the case? Is it because the Bank is too modest to mention something that was portrayed as a magic solution for demographic problems only a few years ago? Or do the authors of the report prefer to entirely gloss over something that is assessed not so eagerly anymore, since it has been put in practice?

Overall, despite a broad array of some complex analysis, Innovation, Inclusion and Integration falls down because it is not so much an assessment of the post-communist transition, but rather a mirror of the World Bank's ideas about it and its engagement in it since 1989.

The section on Innovation is in fact not too innovative – it merely refines and repeats the increasingly jaded "economic growth as panacea" argument. The section on Inclusion remains some way behind the Bank's purported mission of fighting poverty, and not only because it is methodologically questionable. The section on Integration is limited in its scope and neglects to deal with the relationship between the transition countries and the rest of the world. Finally, the section on The Third Transition on demographic change is strikingly amnesic and inconsistent with previous World Bank approaches to the issue.

An over-assured belief in prevailing economic models has – as recent events, including the IMF's return to central Europe, so strikingly demonstrate – never been a more precarious enterprise. The authors of this report would do well to look around for analytical ways of digging the World Bank out of this hole, rather than merrily digging the hole deeper.

The World Bank report Innovation, Inclusion and Integration: From transition to convergence in eastern Europe and the former Soviet Union is available in PDF at: http://tinyurl.com/6pjtzq

PPP's perils and pitfalls make it no panacea – new Bankwatch report

The IFIs have hardly been glowing in their praise of the controversial PPP (public-private partnership) approach to infrastructure and service provision financing:

• World Bank: "EU8 countries ... have only limited information on the risks involved in PPPs and limited understanding of the long-term fiscal cost of PPPs. Moreover, these countries make very little of such information publicly available.This makes it difficult for policy analysts to assess the long-term fiscal cost of PPPs – and for the public to exercise appropriate pressure on policymakers for fiscal prudence."

• EBRD: "Within the Bank's countries of operation, few countries met the above conditions [for financing PPPs], although the Bank has financed PPPs in 15 countries".

• EIB: There has been "a sometimes uncritical, if not ideological presumption that private sector participation in the provision of public services can do no harm".

Yet, with frequently alarming outcomes, the same banks have been engaged in the promotion and delivery of such schemes – and central and eastern Europe is now being viewed as a prime destination for more of what UK journalist George Monbiot has described as "an official licence to fleece the taxpayer".

Never mind the balance sheet: The dangers posed by public-private partnerships in central and eastern Europe is a timely new Bankwatch analysis of the widely discredited PPP model. As economic crisis grips the region, the report will serve as a wake-up call to national and regional purse-string holders, members of the public and hopefully the IFIs too that pinning hopes on PPP to facilitate major investment spending is more often than not eerily similar to buying into the delusions that have spawned the economic woes now circling the world.

The new report is available at: http://www.bankwatch.org/documents/never_mind_the_balance_sheet.pdf

Summary versions of the report in ten regional languages can be ordered by writing to: main@bankwatch.org

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