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

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## EBRD financing new small hydro power projects in Ukraine: off on the wrong foot

In 2009 the EBRD established the EUR 50 million Ukraine Renewable Energy Direct Landing Facility (later renamed the Ukraine Sustainable Energy Landing Facility) to support the development of small-scale projects in all renewable energy generation sectors, including hydro, wind, biomass and solar power. While the initiative is welcomed and timely, the first projects to be developed were not transparent practices in the project development, jeopardising the whole notion of renewable energy as sustainable and socially-acceptable.

When launching the facility, the EBRD commissioned a strategic environmental review of renewable energy technologies with the purpose "to identify the optimal areas of Ukraine for the development of renewable energy generation facilities"<sup>1</sup> and "to identify key environmental issues associated with renewable energy projects and provide a source of environmental and social data relevant to guide and inform later environmental reviews of specific projects."<sup>2</sup>

The review identified the Carpathian mountain region as an area sensitive to the development of small hydropower projects due its the region's high ecological value. During consultations however the EBRD made it clear that the review is not a full strategic environmental assessment (SEA), thus for example it did not provide information about the potential cumulative effects from multiple small hydropower plants (SHPP) on one river or in one river basin. Additionally the small HPP "Carpathian screening tool" and "process flow chart" were developed to focus discussions and planning of small HPPs and demonstrate "how interactions between small HPP developers, stream/river stakeholders, NGOs and interested parties lead to acceptable small HPP operations".

The Carpathian Mountains appear to be the most attractive area for small HPP development in Ukraine from a commercial point of view. The hydroelectric potential of Carpathian rivers assessed is among the highest in Ukraine. Small HPP regional programmes<sup>3</sup> are mushrooming in the region, triggered in part by a feed-in tariff law. Yet such programmes

1 Non-technical summary of Environmental Report of USELF SER, December 2011;

2 <http://www.uself.com.ua/index.php?id=33&L=2>

3 336 SHPPs siting scheme for Zakarpatska oblast (2009–2010), 45 SHPPs siting places within state programs of flood protection measures, including in Ivano-Frankivska and Zakarpatska oblasts,

are being developed without a strategic environmental assessment, and some projects, mostly the derivative type of small HPPs, violate the law, neglect local people's concerns, and destroy rivers and landscapes. In 2011 strong public resistance to this boom of small HPP construction in the region began to unite local activists, environmental groups and tourism associations.

In this context the EBRD's proposal to work with developers on "acceptable small HPP operations" is timely and welcomed as a benchmark for sustainable small hydro and best practice for public involvement.

## Case study: the Goloshyno small HPPs

In September 2012 the first small HPP project under the facility was announced near Goloshyno (two small HPPs), on the White Cheremosh River in the Carpathians. While the proposed construction sites are not in a protected area, they are located along a stretch of river with a high ecological value, home to a number of protected fish species.

The project promoter LLC Hydropower company posted a non-technical project summary to its and the facility's websites and the USELF website<sup>4</sup> in September 2012 assured that:

*"Comments can also be made at the public meeting which will be announced at the project website late September 2012. The date, time and location of public meeting will be announced two weeks before the event, and advertised in local mass media."*

LLC Hydropower replied to an official request for more information about the project on 25 December, one day before the final decision of the EBRD about the project<sup>5</sup>, indicating that the public consultation

meeting had already taken place on 25 November.

According to local activists, the public meeting was announced in only one village of Goloshyno and just two days before the meeting, with no notification posted on the company's website. Information about the potentially adverse environmental and social impacts of the projects was not sufficiently disclosed to local communities. According to local activists, during the public meeting these communities did not receive information *"on risks to and potential impacts with regards to environment ... and proposed mitigations plans"*<sup>6</sup>. As such the developer's actions were not fully in line with the provisions of the EBRD Environmental and Social Policy.

In spite of the EBRD's promises, NGOs and other interested parties such as tourist associations were excluded from the project preparations.

In its reply<sup>7</sup> to an open NGO letter, the EBRD acknowledges certain failures in providing for public engagement however leaves all responsibility to the Ukrainian authorities and the company and does not consider those failures significant enough to require rectification. The gaps in the environmental impact assessment (EIA) were revealed only after the project was approved by the bank as EIA materials were not available to the public before 25 December. These gaps<sup>8</sup> include an analysis of seismic activity and its impacts on the safety of a 4,5 meter high dam, analysis of impacts by the water reservoir on the river ecosystem, etc. During a dedicated meeting requested by Ukrainian NGOs on 15 February 2013<sup>9</sup>, bank staff, the company and a consultant were promoting various improvements to the initial project design which were done on the basis of additional studies that should have covered the gaps of an EIA.

4 [http://www.uself.com.ua/fileadmin/documents/Visum%20NTS%20developer%20agreed\\_Eng\\_120907.pdf](http://www.uself.com.ua/fileadmin/documents/Visum%20NTS%20developer%20agreed_Eng_120907.pdf)

5 <http://gazeta.ua/articles/business/ebrr-vidilit-2-miljoni-evro-na-budivnictvo-malih-ges-v-ukrajini/485003>

6 EBRD Environmental and Social Policy, 2008, p. 70

7 Letter from Mr Alistair Clark, Managing Director, Environment and Sustainability Department of the EBRD to Ukrainian NGOs from 29 April 2013;

8 See the letter to Executive Committee of the EBRD from Ukrainian environmental groups for more details: [http://necu.org.ua/wp-content/uploads/NGO-Letter-EBRD-Goloshyno-SHPP\\_1.13.13.pdf](http://necu.org.ua/wp-content/uploads/NGO-Letter-EBRD-Goloshyno-SHPP_1.13.13.pdf)

9 Letter of EIB # 204/01-13 from 24.01.2013

But the text of the key study on fish species and the Environmental and Social Action Plan (ESAP) were refused to be disclosed at that time. Civil society members therefore did not have any additional information besides the faulty EIA to rely on. The chance to allow for good dialogue and understanding with the public were poor.

This example can hardly be regarded as European 'best practice', nor does it help build trust and dialogue between the bank and concerned stakeholders. On the contrary it has provoked active opposition to small hydro developments in the Carpathians from the side of environmental groups and eco-tourists. On 14 March 2013, public actions were held in Kiev and six towns in western Ukraine, including a street action in front of the EBRD's office in Kiev<sup>10</sup>, demanding that small HPPs both mainstream environmental and social issues and adhere to national laws, and some protests called for scrapping small hydro developments in the Carpathians altogether.

## Conclusions and recommendations

The case of Goloshyno small HPPs sets a negative precedent and positions the public against EBRD-financed small hydropower projects. The EBRD must ensure that future renewable energy projects financed with the Ukraine Sustainable Energy Lending Facility are developed in a transparent and inclusive manner and prove to be environmentally acceptable.

For this, we recommend the bank to ensure the adequate due diligence for any small hydropower project, including preparation of an environmental impact assessment and effective public participation. Small HPPs should usually be regarded as Category A projects as per criteria 26 and 27 on Category A projects in the EBRD's Environmental and Social Policy.

For the Carpathians, the development of small hydropower should be put on hold until a comprehensive strategic environmental assessment is prepared to avoid destruction of river ecosystems by cascades of small hydropower plants and discreditation of small hydropower as sustainable energy source.

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<sup>10</sup> <http://necu.org.ua/ukrayintsi-ryatuyut-karpaty-vid-ebrr/>