

Progress on the EPS Resettlement Framework and the Resettlement Action Plans for communities impacted by EPS operations

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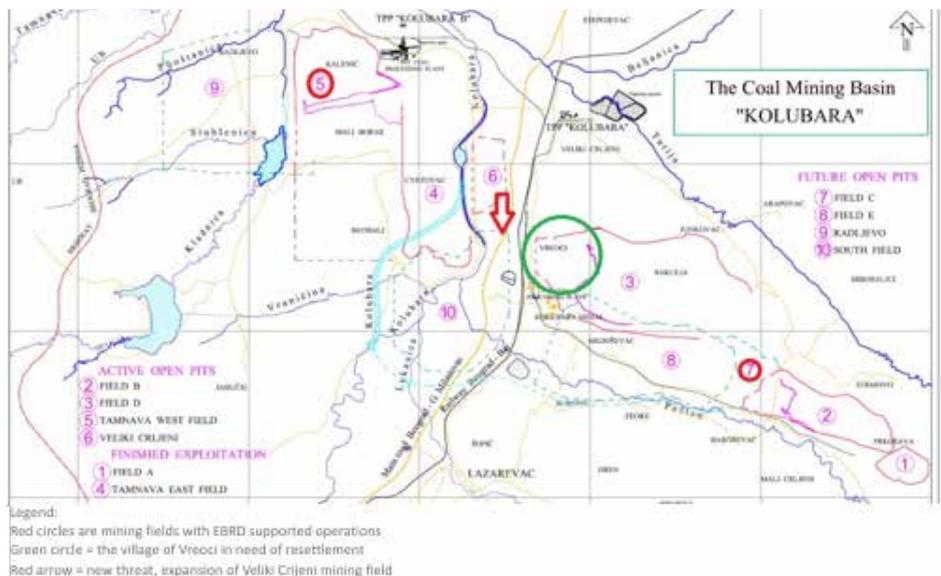
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Over 3000 people still live their lives in harsh conditions, with restricted access to running water, noise, vibrations, air pollution and fear of what the next day will bring, as a result of extensive mining in the Kolubara region supported by, among others, several loans from the EBRD. Communities located in other locations where EPS operates, such as the Drmno lignite mine, suffer similar problems. This issue paper identifies the current concerns of the communities affected and makes recommendations to the EBRD based on the bank's recent commitments in both the Management Action Plan for the Kolubara Environmental Improvement Project and in the client's Environmental and Social Action Plan and Corporate Stakeholder Engagement Plan, elaborated as per the most recent EBRD restructuring loan from October 2015 for EPS.

Introduction

In October 2015 the EBRD's independent Project Complaint Mechanism (PCM) published its compliance review after an investigation into a series of EBRD loans to EPS, including a 2011 loan for new mining equipment for the controversial Kolubara lignite mine. The PCM found that the Bank breached its environmental and social policy with regards to safeguarding the rights of mine-impacted communities and the appraisal of project's climate impact.

The EBRD's Management has responded to the PCM report by requiring EPS to develop "an overall Resettlement Framework which will apply to all of its activities, including across the Kolubara mining basin". It also committed the EBRD to monitor the implementation of the plan.



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.

In addition to the inhabitants of Vreoci, whose case was examined by the PCM review, several other communities suffer from unbearable living conditions and are stuck in limbo, not being resettled but unable to invest in their own development.

News from the ground

Vreoci

The community council has held a series of meetings with the EPS mine manager, during which resettlement for the period 2016-2018 was discussed. EPS is showing willingness to discuss with the local community, but there are still a number of outstanding issues related to property rights: a) no clear criteria for resettlement; b) no clear criteria for the level of compensation (which leads to court cases extending over many years) c) some households owners - like many in Serbia - are missing construction and usage permits for their houses and are being forcibly evicted, d) the new location for collective resettlement is still not known, e) potable water is not being provided in spite of the Kolubara mining company's promise.

It is unclear what is the legal status of such meetings between EPS and the local municipal council, since for years the community has been informed about them, and a number of promises have been made but almost never kept; therefore we see this as a weak mechanism that yields few results, until proven otherwise.

Veliki Crljeni

More than 100 families living within 50 to 200 metres from the current and planned mining operations have demanded resettlement through a petition to EPS, the Ministry of Energy and Mining, and the EBRD. During the EIA consultations for the extension of the Veliki Crljeni Field, held on 1 April 2016, local people presented their unbearable living conditions and demanded that the mining field not be extended unless properties are resettled. Just a few days after the EIA consultation, EPS brought one of its largest excavators very close to households (about 100 metres) and started preparations for lignite excavation in the existing part of the Veliki Crljeni field by removing upper layers of overburden. This showed residents what they can expect in the future, with all the vibrations, dust and constant roar of machines increasing their determination to be resettled prior to any

further mining operations.

Barosevac

Approximately fifty families living less than 200 metres from the open-pit mine are asking for resettlement, and some have approached CEKOR in the last few months after failed attempts to persuade the Kolubara mining company to resettle the parts of the Barosevac village that are closest to the mine. They are asking CEKOR to help persuade EPS to start the process of resettlement.

Drmno

CEKOR has conducted a survey in Drmno, collecting evidence from people who are asking to be resettled before the Drmno mine expands its operations. The data collected includes information on property damage due to mining (especially cracks), income, health conditions, social and other status, and their experiences with EPS operations. In this particular case, EPS refuses to communicate with representatives of the group of people who are demanding resettlement, although they represent almost 75 per cent of the population. Instead, the company discusses with the self-proclaimed 'leadership' of the village, one based on private interest and political affinity, who believe that Drmno can stay where it is.

Since representatives from the Drmno village council are not willing to confront the ruling party in Serbia, which appears to still be appointing top managers of EPS based on their political affiliation, as with the present temporary General Manager of EPS Mr Grcic, local people have organized themselves in order to bypass this conflict of interest of the self-proclaimed village leadership. It is important that they are consulted formally on the resettlement framework that EPS is preparing.

Stari Kostolac

EPS is not considering the resettlement of this village even though it lies within the vicinity of one of the biggest ash deposits in Serbia. The residents are suffering from dust pollution, leading to health conditions and damaging agricultural production. A number of inhabitants have demanded resettlement, collecting signatures, and arranging meetings with EPS and CEKOR. However the leaders of the village (who are affiliated with the ruling party) had meetings

with EPS managers who promised to implement environmental measures, in order to avoid what they perceived as a political confrontation.

This, along with mounting pressure by EPS to sacrifice their rights for the sake of economic activity and a fear of losing their jobs if they do not do so, has now made them hesitate to officially demand resettlement. Similarly to residents of Barosevac, they are expecting some help, but due to legal insecurity and the political situation they are not hopeful that their case will be resolved (since in this situation any demand for the protection of rights is inflated and labeled by the media as a 'political confrontation'). However they are prepared to join the consultations with EPS and EBRD during preparation of an overall resettlement plan for EPS.

In addition to the lagging resettlement for affected communities, EPS is also facing a series of challenges in bringing its operations into compliance with national and international standards. The most recent example relates to potential illegal state aid in the form of state guarantees for the two loans that EPS received from the EBRD:

1. "Procurement of the ECS System", which includes purchasing a coal excavator, a conveyor and a spreader system for the Tamnava West field; and
2. Kolubara Environmental Improvement project related to, among other things, the procurement of specific equipment including an excavator, a conveyor, a spreader system and the power supply for Field C of the Kolubara Mining Basin.

The Energy Community Secretariat is currently examining allegations of illegal state aid granted to EPS.

Conclusions and recommendations for the EBRD

- Publish the EBRD's consultant report on Vreoci, as committed to in the Management Action Plan, already due at the end of 2015
- Initiate without delay the EPS Framework Resettlement and consequently site-specific action plans, with the consultation of all interested CSOs and affected communities living less than 500 metres from mining operations, including but not limited to Vreoci, Veliki Crljeni, Barosevac and Drmno.
- Speed up the revision of EPS' Corporate Stakeholder Engagement Plan and Green Book in a participatory manner and ensure that the Green Book is in line with the EU's 2050 climate change goals, and lays out a path for decarbonisation of the energy sector.