CEE bankwatch network

EBRD Media Brief

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The Western Balkans: EBRD's public money to finance coal plants that threaten EU's long-term climate targets?

- According to the EC-backed Energy Community Regional Energy Strategy, by 2020 the Western Balkans and Moldova will spend **EUR 28.8 billion** on new electricity generation capacity.
- **43.5%** of the new Western Balkan capacity (6195 MW of a total new 14 234 MW) is planned to run **on coal or lignite**. Per capita that is more than is planned by Poland, a country notorious in the EU for its reliance on coal and unwillingness to take action on climate change.
- **European public money (mainly from the EBRD)** may finance several of these projects, including **Kolubara B** in Serbia, **Plomin C** in Croatia, **New Kosovo** in Kosovo and a new plant in Macedonia whose location has not yet been defined but is most likely to be at Mariovo. The EBRD and EIB have already effectively locked Slovenia into a lignite-fired future by approving financing for the heavily controversial **Sostanj 6** power plant.
- The Regional Energy Strategy foresees **greenhouse gas *increases*** for all Energy Community countries (Western Balkans, Ukraine and Moldova) **until at least 2030**, even in the so-called 'Sustainable Scenario'.
- Yet the Western Balkans countries all plan on joining the EU. Being locked in to lignite infrastructure will cause **enormous costs** for implementing the EU's **2050 decarbonisation goals.**
- **Why** are the EC and EU public banks backing projects that conflict with EU goals?

New planned coal and lignite plants in the Western Balkans

For more information

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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.

Climate science is indicating that we are on track for a 4 degree Celsius global warming over this century and world leaders and international institutions are warning against the 'carbon lock-in' that will be caused by constructing more fossil fuel infrastructure today.

Despite this, **6195 MW** of new coal and lignite plants are planned to be built in the Western Balkans[1], and the European Bank for Reconstruction and Development (the EBRD, created after the fall of Communism to promote democracy and market economies in Central and Eastern Europe and majority owned by the EU and its member states) is planning to support some of them via its loans. Lignite is the dirtiest of fossil fuels.

The Western Balkans countries are aspiring to become members of the European Union. Yet the energy infrastructure they build today will still be operating by 2050, therefore constituting a serious threat to these countries' ability to comply with EU long-term decarbonisation objectives.

Similar problems have already arisen in Slovenia, where both the EBRD and the European Investment Bank (the EU house bank, created to further EU objectives) are due to finance the highly controversial 600 MW Sostanj 6 lignite power plant.

Slovenian experts have calculated that the new plant would take up almost all of Slovenia's emissions allocation were it to reduce greenhouse gas emissions in line with EU 2050 targets. There has been significant opposition to this project in Slovenia. The economic viability of the project has been questioned by Slovenian ministers and several expert studies. Finally, the project has been marred with corruption allegations: last year, the Slovenian State Commission for the Prevention of Corruption declared that conditions of corruption were created in the awarding of the construction contract to French company Alstom; since then, local police, the Slovenian national prosecutor, the European Anti-Fraud Office (OLAF) and the EBRD and EIB have opened investigations into these allegations.

Despite the controversy around the project, the EBRD has so far stuck to its plans to loan 100 million euros (together with an additional 100 million euros syndicated to commercial banks) for the new plant. The approval of this loan took place in 2010 and no news about a reassessment has surfaced. The European Investment Bank has in its turn committed to giving 550 million euros to TES6; a fifth of this money has been disbursed already, while the remaining four fifths are awaiting a final decision on the acceptability of the state guarantee.

New lignite projects in the Western Balkans under consideration for financing by the EBRD

1. Kolubara B, Serbia:

A new 750 MW coal plant is planned to be built at Kolubara, in western Serbia, in order to exploit the resources in the Kolubara coal basin. The Kolubara basin has been exploited for decades but significant resources remain. In 2011, the EBRD approved a loan of 80 million euros to state-owned energy company EPS (a long-term business partner of the EBRD in Serbia) and owner of Kolubara, for so-called "efficiency improvements" at the mine. In reality, though, the loan is likely to simply assist EPS in expanding its mining operations. While the EBRD claims that an estimated 200,000 tonnes of CO_2 emissions could be saved as a result of efficiency improvements such as the ones it is financing, just the burning of lignite in the EBRD-financed portion of the mine would result in an estimated 500,000,000 tonnes of CO_2, making a mockery of the savings claim.

In April 2012, the EBRD also announced its interest in providing a 400 million euros loan for the new 750 MW coal plant to be built at the site by EPS and Italian firm Edison.

1 According to the EC-backed Energy Community Regional Energy Strategy, approved in October 2012

All the while, the Kolubara management has been haunted by allegations of corruption and mis-management: in late 2011, 16 employees of EPS, the project sponsor, were arrested on suspicion of corruption offences involving, among other things, the fictitious hiring of mining equipment over several years (the trials have not yet taken place); in January 2013, the Serbian Energy Minister announced a thorough investigation of management practices at Kolubara, which she called "mired in crime and corruption". The EBRD has not announced any change in its decision to finance the coal mine and or plans to finance the new plant despite all these developments.

2. New Kosovo (Kosovo e Re), Kosovo:

The plan to build a new coal plant close to the capital Prishtina has been around for over a decade, starting out as a planned 2000 MW unit that would turn the country into an energy exporter. Yet lack of investors and resistance to a massive lignite project in a country that already has the highest single point-source of carbon emissions in Europe have gradually diminished ambitions. Today, New Kosovo is planned to have a capacity of 600 MW and it has been heavily promoted by the US government, notably through the World Bank, which is interested in supporting the project. In January, just a few weeks after Kosovo became a member of the EBRD in December 2012, the bank expressed an interest in financially supporting the new plant (as declared by Kosovar Prime Minister Hashim Thaci following a meeting with the EBRD).

While the plant is being depicted as necessary to ensure the country's energy security, up to 30 percent of available electricity in Kosovo today is wasted according to official data, because of lack of energy efficiency programmes in place. This adds to the 37 percent of electricity losses (of which around 17 percent are technical and a result of an old grid and the other are commercial losses, i.e. theft). Daniel Kammen, Professor at the University of California in Berkeley, has shown that Kosovo has renewable energy capacities that could deliver 34 percent of energy demand by 2025, while at the same time providing more jobs than coal.

Today, Kosovo produces its energy almost entirely, up to 98 percent, from fossil fuel sources, largely from lignite. Recent research shows that, largely because of this over-reliance on coal and other fossil fuels, air pollution in Kosovo is responsible for 22,900 children with pulmonary diseases and 100,000,000 euros in medical expenses annually.

3. New lignite power plant, Macedonia:

The EBRD has not publicly expressed its intention to support a lignite plant expansion in Macedonia, but in January 2012 issued a procurement notice calling for consultants to carry out a *Technical and Economic Review of Lower Carbon Alternatives for Power Capacity Increase*. Bankwatch has been advised by sources close to the bank that this should be seen as an indication that the EBRD plans to finance a lignite unit but wants to be seen to have explored the alternatives first.Macedonian electricity company ELEM has also stated that it is examining the feasibility of a new 300 MW plant at Mariovo, a new unit at Bitola, or an alternative solution[2].

2 ELEM: TPP Mariovo, Skopje, 2012