

Survey Regarding the process of identifying Projects of Energy Community Interest (PECl)
Respondents to the public consultation are kindly invited to provide their contribution by filling out this questionnaire.

General Comments

You are invited to provide your general comments in this section

Our main concern relates to the need to develop an energy sector in southeast and eastern Europe which is in line with EU environmental and climate policies and legislation, as well as one which addresses the increasing problem of energy poverty through sparing and efficient energy use.

We underline the need for the PECl's projects to be in line with current and forthcoming EU legislation and policies on climate, environment, renewable energy and energy efficiency for two reasons:

- 1) **EU accession and the need to catch up with EU climate and renewables commitments.** The Western Balkan countries all have aspirations to join the EU. The EU's long-term energy and climate policy – as well as climate science – demands cuts of 80-95% in greenhouse gas emissions by 2050 and almost total decarbonisation of the energy sector. In addition there are further discussions on 2030 targets ongoing on the EU level. The EU cannot afford to have newly acceding members holding up progress towards these goals or watering down future policy making, yet energy infrastructure planned and constructed now will mostly still be in operation when the countries accede. It is therefore of concern that several of the generation projects planned are coal or lignite-fired, which threaten to lock countries in to this type of production for decades to come. Slovenia realised this too late with its Sostanj 6 project, and other countries in the region should now learn from this mistake. **Thus it is crucial that infrastructure given the PECl label is in line with existing EU climate and renewables targets as well as targets which can be reasonably expected during the coming years.** Related to this is the point that the PECl projects can expect to receive backing from EU public financing institutions such as the EBRD and EIB. It is crucial that these banks, which should set the tone for investments rather than following existing markets, halt investments in fossil fuel projects of all kinds – which are effectively subsidies given that they confer a benefit on the recipient - and instead set the pace that is needed to improve the transmission network, energy efficiency and savings, and renewable energy projects.
- 2) **Avoiding 'energy grabbing' or 'carbon leakage'.** Although an increase in interconnections is a generally desirable trend in the move towards smart electricity networks, when such projects facilitate imports of electricity to the EU from countries with lower environmental and social standards or lower/no climate commitments, they can result in people and the environment in those countries bearing the negative impacts of the projects, and diminishing the effectiveness of the EU's own policies (especially on climate issues). While it may seem that importing electricity from renewable energy projects in accession and neighbourhood countries is less problematic in this respect, it is not necessarily the case. This is because enforcement of environmental legislation is less rigorous in the accession countries than in the EU and some aspects of the *acquis* have not been transposed or implemented (eg. the Birds and Habitats Directives and the definition of Natura 2000 sites). Thus many highly valuable sites are threatened by construction projects such as hydropower plants. Another issue is that if countries contractually commit themselves to export electricity from renewable energy to other countries, this diminishes the sites available for developing renewable energy for local use, thus making it harder to develop their own renewables industry and meet renewable energy targets.

In terms of the PECl's criteria, these issues have several implications:

- Several of the Energy Community parties, due to their small size, would find it impossible to make significant CO₂ emissions reductions during the coming decades if they now construct new coal/lignite plants. **Although 2050 targets are not yet binding, they are required by climate science, and new coal generation projects should not be selected as PECl's as they will prevent such targets from being met.**
- It is welcome that the CO₂ price is taken into account in the calculations, however the pricing used by the consultants goes only up to EUR 16.90 per tonne in 2022. Such a price will not lead to significant CO₂ reductions in the EU, and cannot ensure that PECl's will be in line with a trajectory of 80-95% GHG cuts by 2050. **Thus it is necessary to introduce additional elements into the calculation – either higher carbon prices and/or a shadow carbon price.**
- Projects aimed at diminishing the generation gap in the Energy Community countries must be prioritised over those aimed at export to the EU.
- It is welcome that qualitative information on the environmental and/or social impact of the projects

will be taken into consideration during the assessment, as outlined on the open day, and we include some project-specific details of such issues below.

It is also of concern that the **health costs of burning certain kinds of fuel (mainly coal) are NOT counted in the calculation**. (During the Open Day it was initially thought that health costs are included, however further communication with the consultant after the event revealed that this is in fact not the case). **These costs – which can be extremely significant and may change the whole economic picture of a project – must be included** in the cost-benefit analysis and/or the analysis of change in socio-economic welfare.

In addition, for future rounds of PECIs, **demand-side energy efficiency projects need to be made eligible in order to push forward investments into this crucial area**. The whole Energy Community region has vast needs in this area, given the increasing levels of energy poverty. In order to emphasise the regional aspect, projects which make use of economies of scale by being implemented in several areas at once need to be developed.

Comments about facilitation measures for PECIs

In your opinion what would be the most efficient regulatory, legal/policy and other measures that would help the implementation of priority projects?

We would add a word of caution here. There is a clear issue with the length of time taken to develop and implement infrastructure projects in the region, and it is quite popular to blame environmental permitting procedures for these delays. While it is true that some countries such as Croatia have complicated environmental permitting procedures for small installations, in many larger projects the delays come not from the existence of the environmental permitting procedures themselves but from other factors such as:

- poor quality of the project itself (ie. politically-driven not needs-driven; outdated concept etc) and persistence in pushing projects which have been around for decades but have too high environmental or social costs or are uneconomic
- poor quality project documentation that does not meet legal standards or enable widespread buy-in
- lack of investor interest due to corruption
- lack of consistent sectoral planning that could convince investors, other political and economic actors and the public that the project has widespread and long-term buy-in
- delays by public authorities unrelated to environmental legal requirements (eg. in preparing tender documentation).

Currently the track record of the Energy Community countries in the application of environmental, planning, and procurement processes is rather poor and we are concerned that fast-tracking may further weaken these processes if not very carefully targeted. It should not be assumed that the involvement of the European public banks would ensure against such flaws, as there are currently several on-going investigations by the EBRD's and EIB's complaint mechanisms regarding such issues in projects in the Energy Community region, as well as an on-going OLAF investigation against the EIB regarding Sostanj 6. Although the Energy Community parties have adopted EU Environmental Impact Assessment legislation, the legislation on nature protection (eg. the Bird and Habitats Directives, Water Framework Directive) is far behind in its implementation and is not required by the Energy Community. Yet energy infrastructure is being planned in areas which would have been better protected had they been in the EU, thus leading to double standards.

Therefore we propose that PECE fast-tracking must not lead to weakening of environmental standards, but that other problems in implementation should rather be addressed. This can be done through the selection of only the highest quality and best-planned projects, which have resulted from thorough and transparent planning processes in which a wide range of stakeholders has been included to ensure widespread buy-in. Insisting on the highest standards of transparency throughout projects eg. tender processes would also help to stop delays related to suspicions of irregularities.

Comments on LISTED Projects

EG001 WPP Dajc-Velipoje

Although we very much support the development in wind power when appropriately located, this project should not be prioritised because:

- a) it is planned to be sited in a Ramsar site, and has repeatedly been refused permission by the Albanian Environment Ministry. This implies a negative change in **socio-economic welfare** due to lost value of the Skadar lake area, but also slow **progress in implementation** or eventually a complete halt to the project.
- b) it is not designed to meet local needs but rather for export to Italy. Thus it should not be counted either as contributing to **security of supply** (because it is not contributing to Albania's security of supply – it may

contribute to Italy's but this should not be the topic of the Energy Community's strategy and priorities). Perhaps somewhat counterintuitively, we also suggest that it should not gain points under **facilitation of renewables**, because it does not contribute to developing renewables in Albania's or the Energy Community's electricity system, and indeed due to its location is likely to build up a negative picture of wind power and contribute to a backlash against this form of power generation.

EG002 Hydro Power System of Upper Drina - HPP Buk Bijela, HPP Foča, HPP Paunci, HPP Sutjeska
Project costs/Change in socio-economic welfare: The Upper Drina is an area of high natural value and beauty. Bosnia and Herzegovina has not completed a list of potential Natura 2000 areas, but a study on creating a Drina National Park Drina is being drafted. Thus several civil society organisations from BiH oppose the project, and any consideration of the project must be weighed against losses in actual and potential income from tourism as well as the loss of biodiversity, natural beauty and clean water. A Strategic Environmental Assessment, at the very least, would be of great importance here.

Progress in implementation: The planned HPPs on Drina River, including Lower Drina (EG005) and Middle Drina HPPs (EG006), are subject to a political dispute between state government and entity government of Republic of Srpska on the topic of whether Republic of Srpska can decide on the use of the Drina River, which forms both the state and entity border. Moreover, the Government of Republic of Srpska during EIA procedure did not inform the state government (responsible for ESPOO Convention) nor government of Montenegro, which is obligatory according to ESPOO Convention, considering that HPP Buk Bijela's reservoir would reach the border with Montenegro. On the Montenegro side of border begins Tara River with its canyon that is protected as a part of Durmitor National Park and a UNESCO MAB site, and is a tentative UNESCO World Heritage Site.

Even though these four HPPs are grouped in one hydro power system, there is no EIA for the whole power system, but each HPP is assessed separately without cross-references, thus avoiding an assessment of cumulative impacts.

Likewise there is no Strategic Environmental Assessment for all HPPs (planned and operating) on whole Drina River, including the Lower Drina (EG005) and Middle Drina HPPs (EG006).

So far, only EIAs for two HPPs (Buk Bijela and Foča) have been carried out. The responsible Ministry of Environment did not even publish information on the public consultation on its web site in spite of the project's controversial status.

EG003 Hydro Power Plant Dabar

The Dabar HPP is part of the larger Upper Horizons project which is to enable transfer of water from three periodically flooded karst fields (Nevesinjsko, Dabarsko and Fatnicko) through channels and tunnels into the Trebisnjica River. Before this project, waters from these fields flowed naturally underground into the Trebisnjica River, but also into the Neretva River. The Dabar HPP is a highly controversial project which should not be designated as a PECEI for the following reasons among others:

Project costs/change in socio-economic welfare: In addition to monetary costs, the enormous environmental costs of the project must be taken into account. The most severe potential environmental impact would be due to the changed distribution of water between the two river basins and decrease in underground water flow to the River Neretva. It would affect the Buna river springs (a tentative UNESCO site), Hutovo blato (a Ramsar site) and delta of Neretva River (important wetland ecosystem), and also other aquatic ecosystems in lower Neretva area.

HPP Dabar would also have a serious social impact, with its distortion of water supply in the Bregava River region, and threatening developed agriculture production in the Neretva River delta (in Croatia). Even though an impact on Neretva delta region is very likely, the provisions of ESPOO convention have not been applied.

Progress in implementation

No EIA has been carried out for the Upper Horizons project, in spite of the massive potential negative impact on the environment. For Dabar HPP, the EIA did not take into account the potential social and environment impacts of Upper Horizons as a whole (ie. the project was salami-sliced to make its impacts appear smaller). During public consultations on the EIA for HPP Dabar, residents and local NGOs, as well as international NGOs such as WWF, submitted numerous critical comments on the EIA, as did the Federal Ministry of Environment and Tourism. The most important comments were not considered and the EIA was not amended in response to them. In September 2012 the Federal Ministry initiated legal action against the Ministry for Spatial Planning, Civil Engineering and Ecology of Republic of Srpska, which is responsible for

the EIA procedure. A legal process is ongoing at the moment. Thus the project is not likely to be implemented swiftly, and may contribute to further exacerbating political tensions between the entity governments in Bosnia and Herzegovina.

In addition, it should be stressed that the promoter of Dabar HPP, the Government of Republic of Srpska and Power Company of the Republic of Srpska have not implemented any similar project for the last 30 years.

EG008 Hydro Power Plants on River Vardar - 12 HPPs – This project is of Macedonian interest only, **not of regional interest** and therefore should not be prioritised.

Project costs/Change in socio-economic welfare: The project is estimated to cost around EUR 1.2 million, although this may still rise as it is only at the pre-feasibility stage. Due to the large number of hydro-power plants involved it will cause significant disruption and require the reconstruction and relocation of existing infrastructure such as the railway in Veles, making it highly unlikely that it is economically feasible.

Progress in implementation: Despite the project being around since 1932, it is still currently at the stage of developing a pre-feasibility study. Chinese investors are said to be interested in the project but have made no clear commitments so far.

There is likely to be a serious impact on the Important Bird Area and Emerald Site in Demir-Kapija which may cause difficulties with permitting.

EG013 Kosova e Re power plant

This project fails to satisfy several of the criteria or scores poorly compared to other alternative options as follows:

- **Regional interest** – in the Energy Community list it is claimed that the project is of interest to Macedonia and Albania if the corresponding transmission lines are built. However this is somewhat stretching the situation as the lines can be built and connected to Kosovo B once refurbished if this is necessary for stabilization of the grid – there is no real reason why Kosova e Re is itself of regional interest as opposed to the construction of transmission lines to connect existing facilities.
- **Project costs** – stated at EUR 1.2 billion, it is questionable whether Kosovo can afford this investment, which does not represent the least cost option for covering Kosovo's needs. Daniel Kammen, Professor at the University of California in Berkeley and former World Bank 'Clean Energy Czar', has shown that Kosovo has renewable energy capacities that could deliver 34 percent of energy demand by 2025, while providing over 60 percent more jobs than a business as usual path, with estimated cost savings of 5-50% relative to a scenario that includes a new coal power plant. If energy efficiency programmes are put in place, losses are curbed, renewable energy is developed, and the existing Kosovo B plant is rehabilitated, the study finds, there is no need for a costly new plant. (See <http://coolclimate.berkeley.edu/sites/all/files/Kosovo20May2012.pdf>). Building Kosova e Re would require Kosovo consumers (or the government) to service over a billion euro in debt (http://action.sierraclub.org/site/DocServer/Reevaluating_Kosovo_s_Least_Cost_Options_for_Electricity.pdf?docID=8861) at a time when they are also servicing debt for improvements in the Sibovc mine, Kosovo's wasteful transmission and distribution systems, and refurbishment of Kosovo B.
- **Security of supply:** 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. 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). Thus, while the plant does use local sources, it is not the least cost option to achieve the goals of a) reducing energy waste and b) meeting the demand which remains.
- **CO2 emissions:** Kosovo currently produces 97-98 percent of its electricity from lignite but as it is aiming to join the EU, it will have to adhere to ever stricter CO2 reduction targets. However this one coal power plant alone will likely swallow up most of the country's carbon budget by 2050, leaving a choice between closing the plant earlier than planned or paying penalties.
- **Change in socio-economic welfare** - The government has already had to freeze price rises for electricity this year after protests, so it is questionable whether further rises to pay for the plant would be able to be implemented. The EUR 1.2 billion price tag for the plant also does not include the very high health costs of continued lignite use in Kosovo. Kosovo currently has 835 early deaths per year and estimated direct costs of around EUR 100 million annually due to air pollution, of which the lignite plants are responsible for a substantial proportion. (<http://siteresources.worldbank.org/INTKOSOVO/Resources/KosovoCEA.pdf>) However, far from solving this problem, a new lignite plant would perpetuate the health risks from coal for several more decades. Due to the location where the Kosova e Re plant would be built, it is likely that emissions will exceed EU ambient air quality standards, even if Kosovo B and Kosova e Re meet EU emission

standards. No reliable air quality monitoring is taking place, so it is difficult to prove that air quality would be acceptable with a new plant.

- **Progress in implementation:** While the project is being pushed by the World Bank and US government, it is still at a relatively early stage of implementation after being scaled down from a larger project after failing to attract investors. The tender process is not yet complete, and the EIA study is not yet completed. The EIA in particular looks set to bring up some difficult topics around water use (<http://www.bicusa.org/wp-content/uploads/2013/01/Kosovo+Water+Study.pdf>) and resettlement (<http://www.kosid.org/news/dr-ted-downing-president-of-the-indr-finds-the-preparations-for-resettlement-for-the-kosovo-c-and-new-mining-fields-area-to-be-noncompliant-with-international-standards>).
- **Facilitation of RES:** It hardly needs to be said that planning to build a new coal plant in a situation where 97-98 percent of electricity is already generated from lignite is not going to help to facilitate renewables. It is much more likely that it will hinder their development by crowding out funding and resources.

EG022 Kolubara B

This project has the following weaknesses in relation to the assessment criteria:

- **Regional interest** – claiming that the project is of regional interest is stretching the case somewhat. It is rather planned as a Serbian project, and thus should not receive the PECL label.
- **CO2 emissions** – constructing new lignite power plants will take Serbia in the opposite direction from EU energy and climate policy and make it difficult or impossible to meet GHG reduction targets for 2030 and 2050.
- **Change in socio-economic welfare** – expansion of coal mining in the Kolubara lignite mine is necessitating the resettlement of thousands of families, including 1180 households from the village of Vreoci. After years of struggle for respect of the decisions listed in the government resettlement programme (2007 to 2012), the inhabitants of Vreoci are now facing strong pressure from Kolubara mining company to take or leave whatever compensation the company offers. So far, only 200 households have been moved, and only 350 households got part of the money (about 30% of the whole price) in advance. In the meantime, corruption has been uncovered in the process, with an EPS board member receiving an inflated sum of compensation for a house in the vicinity of the mine. <http://bankwatch.org/bwmail/55/kolubara-mine-mired-crime-and-corruption>. Health problems and social costs also need to be taken into account for this project (see http://www.env-health.org/IMG/pdf/heal_report_the_unpaid_health_bill_-_how_coal_power_plants_make_us_sick_final.pdf for information on health costs of coal in Serbia).
- **Progress in implementation** – as this project was begun in the 1980s, it is unclear whether it really meets today's needs or standards such as Best Available Techniques. Even since it was announced in Spring 2012 that the EBRD was interested in financing the project, little progress appears to be taking place.
- **Facilitation of RES** – Far from facilitating the deployment of renewable energy, this investment would crowd out financing and other resources for the development of renewable energy, not to mention energy efficiency measures.

EG023 Kostolac B3

This project has the following weaknesses in relation to the assessment criteria:

- **Regional interest** – claiming that the project is of regional interest is stretching the case somewhat. It is rather planned as a Serbian project, and thus should not receive the PECL label.
- **CO2 emissions** – constructing new lignite power plants will take Serbia in the opposite direction from EU energy and climate policy and make it difficult or impossible to meet GHG reduction targets for 2030 and 2050.
- **Change in socio-economic welfare** – Health problems and social costs also need to be taken into account for this project (see http://www.env-health.org/IMG/pdf/heal_report_the_unpaid_health_bill_-_how_coal_power_plants_make_us_sick_final.pdf for information on health costs of coal in Serbia).
- **Facilitation of RES** – Far from facilitating the deployment of renewable energy, this investment would crowd out financing and other resources for the development of renewable energy, not to mention energy efficiency measures.

EG024 Nikola Tesla B3

This project has the following weaknesses in relation to the assessment criteria:

- **Regional interest** – claiming that the project is of regional interest is stretching the case somewhat.

It is rather planned as a Serbian project, and thus should not receive the PEI label.

- **CO2 emissions** – constructing new lignite power plants will take Serbia in the opposite direction from EU energy and climate policy and make it difficult or impossible to meet GHG reduction targets for 2030 and 2050.
- **Change in socio-economic welfare** – expansion of coal mining in the Kolubara lignite mine is necessitating the resettlement of thousands of families, including 1180 households from the village of Vreoci. After years of struggle for respect of the decisions listed in the government resettlement programme (2007 to 2012), the inhabitants of Vreoci are now facing strong pressure from Kolubara mining company to take or leave whatever compensation the company offers. So far, only 200 households have been moved, and only 350 households got part of the money (about 30% of the whole price) in advance. In the meantime, corruption has been uncovered in the process, with an EPS board member receiving an inflated sum of compensation for a house in the vicinity of the mine. <http://bankwatch.org/bwmail/55/kolubara-mine-mired-crime-and-corruption>
- **Facilitation of RES** – Far from facilitating the deployment of renewable energy, this investment would crowd out financing and other resources for the development of renewable energy, not to mention energy efficiency measures.

EG025 Burshtyn TPP new unit

The project fails to score on several of the criteria stated in Regional Energy Strategy of the Energy Community, specifically:

- **Security of supply:** While the project is a cross-border one, it is aimed at energy exports to the EU rather than satisfying Ukrainian needs. This is a clear case of carbon leakage, in which Ukraine emits the CO2 and bears the health and environmental costs of the project, while neighbouring EU members can more easily meet their GHG reduction targets by moving the emissions across the border.
- **Enhancement of competition:** Project promoter DTEK is the largest private energy company in Ukraine and it has the potential to become a private energy monopoly through privatization of all thermal power plants and some CHP plants. DTEK has already become a private monopoly in the electricity export from Ukraine as it bought 'Zakhidenergo'. DTEK is aiming to control the entire thermal energy sector, including coal mining and processing, electricity generation, transmission and distribution.
- **Project costs/change in socio-economic welfare:** This project has significant externalities, which do not appear to be taken into account by the proposed project assessment methodology – mainly air and water pollution and adverse health effects for the local population. As the CO2 price in the assessment methodology is low, it will also give an unrealistically positive picture of the project.
- **CO2 emissions:** The current national carbon target assumes a doubling of GHG emissions in 2020 compared to 2012. This target is a reflection of the national policy to increase the use of coal in the energy sector and runs contrary to the EU's attempts to reduce GHG emissions. Ukrainian environmental groups are calling on government to stabilize GHG emissions at the current level by 2020, while construction of new coal units will lead to a clear increase of GHG emissions.
- **Facilitation of RES:** Construction of the new coal powered units means locking electricity production into coal for another 30-40 years. Renewables face unfair competition due to significant subsidies currently going to coal mining in Ukraine (in 2010 EUR 730 million - around 2% of the state budget).
- **Progress in implementation:** the stated date of commissioning is 2019. This is questionable, considering that as far as we are aware, not even a feasibility study has yet been carried out. In addition, DTEK is a young company (established in 2002) and it has little to no experience in commissioning of new units. There has been hardly any positive experience of constructing new power plant units in Ukraine since its independence in 1991. Thus delays and complications seem highly likely.

EG026 Dobrotvir TPP new unit

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- **Security of supply:** While the project is a cross-border one, it is aimed at energy exports to the EU rather than satisfying Ukrainian needs. This is a clear case of carbon leakage, in which Ukraine emits the CO2 and bears the health and environmental costs of the project, while neighbouring EU members can more easily meet their GHG reduction targets by moving the emissions across the border.
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ET009 - Utilization of Albertirsa (HU) – Border (UA) 750 kV OHL on 400 kV and Cross-border HVDC Interconnector between Hungary and Ukraine.

The project consists of the ET009-2 and ET009-1 which together create a High Voltage DC electric line which will enable export from Ukraine to Hungary. Burshtyn coal-powered thermal power plant (TPP) is the main energy source of the DTEK Zakhidenergo company, that is going to be utilized with the construction of the proposed line. The 2000MW power plant is one of the biggest air polluters in Ukraine (it was ranked 3rd biggest polluter in 2009).

With hardly any other major energy source on the Ukrainian side and an energy deficit on Hungarian side, it is clearly a one way export line. It is part of the overall DTEK strategy to 'export coal with electric wires' publicly proclaimed by DTEK Director General Maksim Timchenko.

The planned reconstruction of the Burshtyn TPP assumes construction of a new coal-powered unit. This construction is proposed as another project (EG025) on which we have commented above. Completing both the TPP upgrade and transition line would mean locking consumption of the EU region into coal as an energy source for another 40-50 years. Such a decision will contradict the sustainable development/CO₂ criteria for the Energy Community priority projects, as well as that of facilitation of RES, and will contribute to global climate change.

ET017 400 kV OHL Pljevlja – Lastva

This project is associated with the undersea cable project which is primarily aimed at exporting electricity from Montenegro and other Balkan countries to Italy.

- **Project costs/Change in socio-economic welfare:** The costs in terms of damage to biodiversity, areas of outstanding natural beauty and tourism are likely to be significant from this project. This is partly because of the project itself and partly because of the generation capacity it is designed to support. The planned transmission cable will go through Durmitor and Lovcen national parks (I zone of Durmitor NP and II zone of Lovcen NP). The planned route of the transmission line passes through the protection zone of Durmitor NP – a UNESCO World Heritage Site -, which requires strict protection under the Law for Nature Protection (Article 54). The same law states that in a national park activities that threaten the authenticity of the park are prohibited (Article 39). The Management Plan for Durmitor National Park, states that "Preservation, promotion and protection of nature, particular values and immovable cultural assets in the protection zone defines the mode and degree of protection in which these objects according to the Law for nature protection are strictly protected areas earmarked for scientific research organized, controlled education, more strictly controlled public presentation, no activities that would in any way disturb the original environment and immovable cultural property ". One of the categories under which the Durmitor and Tara have been protected by UNESCO is their important visual and landscape impact. Landscape can be classified as highly sensitive non tolerant to changes and is evaluated on the International level. The proposed

route through the Durmitor and Tara River canyon according to the ESIA will use the existing route of the 110 kV Zabljak - Pljevlja. However, the pillars of the existing 110 kV transmission line are approximately 20 and 25 metres high. To carry both lines (the existing 110 kV and the proposed 400 kV) pylons of 40 to 50 metres height are planned. The height of trees in this area range from 12 to 15 meters and therefore the transmission line will be visually obscured by trees from below, but will be very visible in the surrounding landscape. In this way, it threatens one of the important criteria for which this area was declared as a highly important at the international level.

According to the ESIA the transmission line will pass through four Emerald areas and future Natura 2000 zones (Lovćen, Durmitor, rivers Komarnica and Tara). As well as the visual impact these will be subject to serious disturbance during construction works. The planned route of the transmission line would also pass close to Lakes Slano and Krupac – Important Bird Areas which will also be Natura 2000 areas in the future.

The territory on which it is planned to build a substation and a converter plant is a habitat (*Juncetalia maritima*) which is found in Annex 1 of the European Directive on Habitats, which indicates its vulnerability not only in Montenegro but in all of Europe.

Alternative routings: The envisaged transmission line pathway does not make use of existing and envisaged infrastructure corridors: The DSP provides unconvincing arguments in favour of the corridor path (the Bar – Boljare motorway corridor is not used because it crosses the Skadar Lake National Park, but the proposed corridor - that crosses both Lovćen and the Durmitor and the Tara River gorge was chosen instead). Moreover, the Risan – Žabljak highway corridor is ruled out because “400 kV transmission may not follow a highway corridor because it is conditioned by the location of the converter facility and the targeted point of Cevo defined by the ToR and the needs of the transmission grid”. This is unacceptable since it practically puts the terms of reference for the DSP above the Spatial Plan of Montenegro.

In addition, there would be severe impacts from the associated generation facilities if they are ever built. The DSP lists the future power sources in Montenegro that this transmission line would serve: Moraca HPPs, Komarnica HPP, Berane TPP, a wind power plant at Krnovo, as well as a group of small hydros in the municipality of Šavnik. It also mentions Buk Bijela HPP on the River Drina, an older version of which has already been halted once on the Montenegro level.

Regarding economic benefits, according to preliminary studies it is expected that the revenues of EPCG, the Montenegrin electricity company, would increase in the first year by EUR 5 to 6 million, and during full use by EUR 10 to 11 million, promising that this revenue would be used to offset transmission costs payable by Montenegrin consumers. However, there is no mention that this revenue is accrued by a company in mixed ownership which at some point may become a fully private one, and that there is thus no guarantee at all that there will be public benefits from this additional income.

- **Security of supply:** It appears that this project will benefit Italy's security of supply more than Montenegro's, if indeed the associated generation infrastructure is constructed. Problems may be caused by contracts requiring the Italian market to be supplied with electricity even at times when that electricity may be needed in the Balkan region. The Detailed Spatial Plan for the project leaves open the issue whether the future power line will be part of the Montenegrin transmission system: Apart from not being aligned with the power and transmission grid facilities envisaged by the Spatial Plan of Montenegro, for the whole length of the transmission line there is only one substation foreseen where power would be transferred to the domestic 220 kV, 110 kV or 35 kV grid. This could lead to the conclusion that the whole transmission line is envisaged only for the transit of power from Montenegro, Serbia and Bosnia and Herzegovina to Italy, in which case it does not constitute an improvement of the domestic transmission grid. The documents that exist so far for this project, including the Detailed Spatial Plan (DSP) for the transmission line and related undersea cable and the associated Strategic Environmental Assessment, fail to address the question of whether and why, energy and economy wise, Montenegro needs the envisaged transmission line. A serious analysis of alternative solutions is hindered by the lack of clear analysis of Montenegro's needs and the extent to which Montenegro does or does not have an energy deficit or surplus. The Draft DSP for the transmission and the undersea line fail to refer to the excerpt from the Energy Strategy of Montenegro that there is “a gap of many years in developing the country's own energy sources, a highly pronounced import dependence for more than 1/3 of energy needs, a large share of untapped and energy quality potential” and explain why building an undersea cable is considered a priority to

contribute to solving these issues. It also fails to consider different scenarios regarding the Kombinat Aluminijuma Podgorica (KAP), which had privileged power delivery of around 1/3 of Montenegro's total energy generation until 2012. As of this year the plant owner is obliged to procure the power in the open market, and its future is highly uncertain, so Montenegro may not have a large energy deficit issue for domestic consumption in the medium term. These questions need to be cleared up before deciding on whether export is feasible and/or desirable.

- **Enhancement of competition:** This project does not contribute to competition, and indeed perpetuates the provision of large swathes of the energy system to single operators without competition or even in this case a tender process. The project promoter is Crnogorski Elektroprenosni Sistem (CGES), the electricity transmission system operator of Montenegro, which is partly owned by Italian company Terna. Terna was able to gain shares in transmission company Crnogorski elektroprenos (CGES), without a tender at all, due to a law passed especially for the undersea cable. An agreement between the Montenegrin Ministry of economy, CGES and Terna was signed in November 2010. The Montenegrin public waited for seven months for the publication of the non-confidential parts of the contract, however, this did not include any sections about the right to termination of the contract and paying damages, nor about the deadlines for the adoption of planning decisions, obtaining building permits and the purchase of equipment.
- **Progress in implementation:** While the transmission line project itself is proceeding, it should be borne in mind that its main use derives from the generation capacity whose electricity it will transmit. Of the projects mentioned above, at least some are highly likely not to go ahead, especially the Moraca HPPs, while others such as the Komarnica and Buk Bijela HPPs should not be built due to their serious impacts on areas of biodiversity and outstanding natural beauty.
- **Facilitation of RES:** While it will certainly be argued by the project promoter that this project promotes renewable energy, the fact that the project is primarily export-oriented means that in fact it will diminish Montenegro and other countries' potential for developing their own RES and meeting EU targets because of certain sites already having been developed and being contractually obliged to export the energy.

ET023 - Cross-border HVDC Interconnector between Poland and Ukraine

The project description of DTEK Zakhidenergo's plan to complete the High Voltage DC transmission line from Ukraine to Poland clearly states that it will allow 'all capacities of Dobrotvir Thermal Power Plant (TPP) to be exported'. Dobrotvir TPP is a coal-powered 600MW power plant. Completion of the transmission line is related to the EG026 project to complete new units at Dobrotvir TPP. Construction of the line and new coal-powered units is a part of the overall DTEK strategy to 'export coal with electric wires' publicly proclaimed by DTEK Director General Maksim Timchenko.

Completing both the TPP upgrade and transition line would mean locking consumption of the EU region to coal as an energy source for another 40-50 years. Such a decision will contradict the sustainable development/CO2/facilitation of renewables criteria for the Energy Community priority projects, and will contribute to global climate change.