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Zagreb, 18.09.2013.

Dear Mr. Kakinoki,

In November 2012 Zelena akcija/Friends of the Earth Croatia wrote to you regarding the issues around the Plomin C coal thermal power plant in Croatia. Following this letter, we would like to address you once again on this topic to update you on the situation and to ask you to examine whether it is really in Marubeni's interest to be involved in such a high-risk project.

As we indicated in our previous letter, Zelena akcija/Friends of the Earth Croatia, Zelena Istra and several local inhabitants of the Labin area have submitted a court complaint challenging the issuing of the environmental permit. The County Prefect of Istria County has also filed a similar complaint.

The complaint by civil society organisations focuses on two issues: First, the project is in conflict with the Istria County Spatial Plan, which clearly allows for only a 125 MW gas-powered plant at the site, not a 500 MW coal plant. This has led HEP, the Croatian state electricity company which is sponsoring the Plomin C project, and the Croatian government to try to claim that Plomin C is merely a reconstruction of the 120 MW Plomin 1, not a new plant, which is clearly not true. In trying to further this claim, the Croatian Ministry for the Protection of the Environment and Nature has issued a joint environmental and Integrated Pollution Prevention and Control permit for an existing installation, not a new one. According to EU legislation¹, existing installations are allowed to emit more pollutants than new-build ones, thus classifying Plomin C as an existing installation is an attempt to bend the law and expose people to higher than allowed pollution levels. This is the second main aspect of the environmental permit which is being challenged.

The first hearing in the case took place on 19 June. Our complaint was recognised as a serious challenge to the project and HEP's request to conclude the process immediately was rejected. The next hearing will take place on 11 October 2013. We are confident that the court will recognise that HEP's attempt to manipulate the permitting process in order to realise the project cannot be legally justified, and as such we believe that this issue represents a significant risk for the project.

We believe that the project presents a high risk for potential investors, as well as a high cost for the Croatian public in both monetary and health terms. This latter point was confirmed this spring in a study by Greenpeace² using European Environmental Agency methodology which estimated 17

¹ Formerly the Integrated Pollution Prevention and Control Directive, now the Industrial Emissions Directive

² <http://s3-eu-west-1.amazonaws.com/zelena->

premature deaths along with other serious health impacts and external costs that would result from this coal project.

Other risks for the project include the fact that EU climate legislation is becoming progressively tighter, with policy goals of greenhouse gas emissions reductions of 80-95 percent by 2050 now in place, and binding targets for 2030 now under discussion. Although the EU Emissions Trading Scheme is in crisis, and it is not currently sending clear signals to the market, the medium- to long-term trend of EU policy is towards decarbonisation and a transformation to an energy efficient, renewables-based economy. This means that in a small economy such as Croatia, there is a high risk of a comparatively large, inflexible coal plant such as Plomin C having to be switched off before the end of its economic lifetime to meet climate targets and accommodate increasing proportions of renewable energy in the energy mix.

In spite of the unclear market signals currently being sent by the Emissions Trading Scheme, in the last few years there has been a virtual stand-still in launching new coal power plant projects. In the UK this is due to government policy stipulating that any new plant must include carbon capture and storage, which is not currently commercially or technically viable, but even in countries where no special restrictions are in place, investing into coal plants is increasingly seen as too risky.

In April 2013 research undertaken by Poyry consultants for the UK government, concluded that it is highly unlikely that new coal power plants will be built in the Netherlands, Germany or Spain in the foreseeable future.³ The reasons given for Germany having abandoned 22 coal and lignite projects since 2007 and postponing four more are *“steeply rising capital costs, fierce local and environmental opposition, the priority dispatch for renewables, the economic downturn, falling demand, low wholesale electricity prices and the expectation of high carbon prices in the future”*.

The majority of these risks are also relevant for Plomin C, and some investors already appear to have recognised them. RWE, which was originally cited by the Croatian government as the most likely strategic investor in Plomin C, has already indicated that it is not interested, and KOSEP has also recently confirmed that it is also no longer planning to bid for the project. We believe other potential investors would be wise to follow RWE and KOSEP's example.

According to Marubeni's own materials, Plomin C does not seem to be part of any obvious wider company strategy, but rather a stand-alone project. Thus we invite you to examine whether such high risks are justified for a project which does not appear to bring commensurate benefits for the company. We would like to invite Marubeni to choose other – sustainable renewable - technologies in which to invest in Croatia and to discontinue its interest in the Plomin C project.

Thank you in advance for your response,

Yours sincerely,

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akcija.production/zelena_akcija/document_translations/893/doc_files/original/greenpeace-report-plomin-c_final.pdf?1367580688

3 Poyry Management Consulting: Outlook for new coal-fired power stations in Germany, the Netherlands and Spain, a report to DECC, April 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/194335/Poyry_Report_-_Coal_fired_power_generation_in_Germany.pdf