

Bulgaria:For the Earth
CEIE**Czech Republic:**Hnutí Duha
Centrum pro dopravu a energetiku**Estonia:**

Estonian Green Movement – FoE

Georgia

Green Alternative

Hungary:ETK
National society of Conservationists**Lithuania:**

Atgaja

Macedonia

Eco-sens

Poland:Polish Green Network
Institute for Environmental
Economics**Romania:**

TERRA Mileniul III

Russia:

Sakhalin Environmental Watch

Slovakia:Center for Environmental Public
Advocacy - FoE**Ukraine:**National Ecological Centre of
Ukraine

Date 30.04.07

**To: Herman Wijffels,
World Bank Executive Director for
Netherlands, Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia,
Israel, Former Yugoslav Republic of Macedonia, Moldova, Romania, Ukraine****Alternate: Claudiu Doltu (Romania)****Via Fax: 202-522-1572**

Dear Mr. Wijffels,

We would like to raise our concerns regarding the Dniester Hydro Storage Plant Completion project. The project has several serious deficiencies and impacts on people and the environment. There are also serious doubts about its necessity for the Ukrainian energy sector. Furthermore it contradicts Ukrainian procedures for public participation and a number of international agreements, while the Ukrainian government is requesting from the World Bank around USD 200-250 million to ensure the project's completion.

Background

The Dniester Hydro Power Complex (DHPC) project was developed in the 1970s and included a number of power facilities: hydro power plants HPP-1 and HPP-2, a pump storage plant (PSP) and a nuclear power plant (NPP). The PSP had to serve as loads shifting capacity for the NPP. Subsequently the project of NPP construction was withdrawn from the plan of the hydro power complex; PSP construction was suspended in 1991 because of a lack of funding and was resumed only in 2001. According to the latest official information the construction is 67 percent complete. It is planned that the first unit of the plant will be put into operation in December 2007, the second in September 2009 and the third in September 2010. The plant will have seven blocks, with planned production capacity of 2268 megawatts. To put the first starting complex of the PSP into regulation around USD 500 million is needed.

However, due to the inefficiency of the PSP technology, it is envisaged that there will be large losses of electric power. PSP returns to the integrated power system about 70-75 percent of consumed electric power and 25-30 percent is used for its own needs. The overall power effectiveness of PSP will be even less if the power transmission losses are taken into account.

Project environmental and social impacts

The project threatens to reduce water flow that will have catastrophic consequences for the lower course of the Dniester, in particular for the wetlands system protected by the **Ramsar Convention** (the Dniester Liman and the Dniester-Turunchuk Crossrivers Areas are included on the Ramsar List of Wetlands of International Importance) and will **cause problems with the drinking water in the Odessa region**.

The seismic and geological risks of the project are also very high. The high seismic activity of the region has been evaluated to have a rating of 6-8 (Richter scale). Meanwhile the upper reservoir of the PSP (32.7 million cubic metres) is located in territory with very complicated geological conditions that creates serious risks. This includes caverns where cavern formation (karst type of caves) is still ongoing. The reliability of the clay-film

screen of the reservoir floor suggested by the authors of the PSP project also provokes doubts.

The risk of subsidence of the upper layers of ground on the Dniester and Sokiryanskiy slopes in the vicinity of the project construction has already resulted in cracks in all of the hydro constructions. This gives grounds to expect unpredictable consequences with possible large-scale, man-made catastrophe.

In addition, the implementation of the project will bring about negative consequences for local people. Putting the plant into operation requires the resettlement of the population from the territory which is included in the project's realisation. Moreover, the remainder of the local people will have their usual lifestyles changed as a result of the water-logging of agricultural lands, changes in the water level in drinking water wells, and so on.

Local people are already experiencing harm resulting from the process of the Dniester PSP construction, including the problems of:

- The disappearance of drinking water from their water wells,
- Devastation and destruction of households and farm buildings from blasting operations;
- Destruction of roads by trucks involved in the construction.

The affected people have thus far not succeeded to receive compensation for these impacts in spite of numerous appeals they claim to have made to different officials, including the president of Ukraine. There are doubts about the willingness of the project sponsor to carry out relevant compensations for the local people in future.

At the same time the creation of new jobs for local people is not expected because Ukrhydroenergo is even now resettling workers to Novodnistrivka from the Tashlik PSP. Further, the influence on the population in the lower course of the Dniester, where the worsening of the drinking water situation is expected, should be considered as a separate problem.

Violation of Ukrainian legislation and procedures and Aarhus Convention

Ukrhydroenergo continues to violate Ukrainian legislation on public access to information¹ by ignoring multiple requests for project documentation². The PSP project violates state EIA procedures, because the EIA was approved without the required public participation, specifically without proper public hearings; these processes and disclosure of information to the public were extremely unsatisfactory.

Local people already affected by the construction process will be affected by the project after its completion. Moreover local authorities were not provided with basic information about the project and its impacts and their opinions were not taken into account during public hearings which they were not informed about.

Violation of international conventions on transboundary environmental impact

There is significant transboundary impact from the PSP on the Dniester region. According to experts of the State Committee for Water Resources and Aqua Economy, significant negative impacts of the Dniester storage reservoir hydroelectric complex have already been observed on the environment surrounding the lower flows from the Dniester river; these impacts will increase once the PSP begins operations.

According to the Decision of Moldavian Parliament Committee for Environment (CAE No 159, from 20.03.2007) "About the environmental impact of the Dniester hydrotechnical Complex (Ukraine) on the Dniester river", "*the DPSP construction works and the putting into operation of the **hydrocomplex will considerably worsen the environmental condition of the Dniester, the entire hydrographic river basin and will make difficult the implementation of the National strategy for water supply and sewerage system in the Republic of Moldova***".

¹ Specifically art. 34 of Ukrainian Constitution, art. 9, 32, 47, of Ukrainian law on information, and the Aarhus Convention

² The National Ecological Centre of Ukraine has received no response to its letters²; this unresponsiveness is a violation of Ukrainian legislation² that requires responses to be given within 30 days.

One of the most serious impacts of the project is reduced water flow, which poses catastrophic consequences for the Dniester's lower course. As noted by the project EIA:³ *“One of the problems that will arise during Dniester PSP operation will be its influence on the lower basin [leading to] substantial impacts on water level regimes, and thus, on all hydrological processes in the reservoir... brinks reforming, influencing the conditions for fish spawning, etc... Water reservoirs are influencing practically all components of the lithosphere, hydrosphere and biosphere that are forming an environment of neighbouring areas – geodynamical conditions and terrain, groundwater regimes and climate, soils, flora, fauna and landscape.”*

Despite concerns on the Moldavian Party, the project sponsor denies the possibility of transboundary impacts: “There is no impact of Dniester PSP construction on the territory of Moldova.”⁴ Despite the clear requirements under the Espoo Convention on Environmental Impact Assessment (EIA) in a Transboundary Context⁵, intergovernmental agreement between Moldova and Ukraine on transboundary waters⁶, the UNECE Convention on the Protection and Use of Transboundary Watercourses and International Lakes⁷, the Ukrainian side has not even notified Moldova about the project decision prior to its authorisation to undertake activities on Dniester PSP, not mentioning that there is no consent from Moldova to continue the works on the Dniester PSP project as currently proposed.

The situation has already caused tensions in relations between Ukraine and Moldova. Tense discussions of the planning of the land use and distribution of profits took the form of territorial claims on the part of Moldova for a certain territory of the waterworks facility. In this context, the willingness of the Ukrainian government and the World Bank to invest in such a controversial project is alarming; the Ukrainian government should first settle the political uncertainties with Moldova.

Violation of recommendations developed under the World Commission on Dams are neglected

The activities undertaken by the project sponsor till now directly violate almost all the recommendations of the World Commission on Dams, including the non-existence of public participation or a proper consultation process with stakeholders during the Dniester PSP project, as well as the ‘Ukrainian energy strategy till the year 2003’ document preparation. This has brought about the situation where no comprehensive assessment of all scenarios for developing the Ukrainian energy sector has been conducted. The project sponsor is also neglecting the recommendation to introduce mechanisms that will ensure the fair and adequate compensation of affected communities.

PSP is part of a dubious strategy

Finally, we should underline that the PSP is part of a dubious strategy, approved in March 2006 by the Cabinet of Ministers of Ukraine “Energy Strategy of Ukraine for the period until the year 2030”. The Strategy foresees the growth of electric power generation mainly via the expensive development of nuclear energy. As nuclear power plants do not have loads shifting ability there is a problem of inconsistency between power generation and the demand for it.

However, instead of reducing the share of nuclear energy to a reasonable level, the authors of the Strategy proposed the installation of loads shifting capacities (PSP) inherited by Ukraine from the Soviet Union (Tashlik, Kaniv and Dniester PSP). The Strategy raises a number of concerns as it does not take waste management into account, overvalues the role of nuclear power engineering which completely depends on Russia and shows very low power effectiveness (by 2030 we have to reach the level at which neighbouring Poland is at now).

Dear Director,

We would like to underline that the proposed Dniester PSP Project is not sustainable and could lead Ukraine towards more trouble than solutions. At the same time there are much better alternatives for the project that can solve the lack of regulative capacities affecting the Ukrainian energy system. The World Bank should review all

3 Dniester PSP EIA, 732-1-T4-2005, pp.163

4 “Scientific-Environmental Expert Assessment of the Dniester PSP Completion Project documentation”, Ukrainian Institute of Environmental Geochemistry,

5 Paragraphs 3 and 6 of Provisions of The Espoo Convention on Environmental Impact Assessment (EIA) in a Transboundary Context

6 Article 2 of the “Intergovernmental agreement between Moldova and Ukraine on transboundary waters”

7 Article 2:(b, c), Articles 6, 10 and 14, of UNECE Convention on the Protection and Use of Transboundary Watercourses and International Lakes

existing sustainable alternatives rather than directly support a dubious energy project, from the economic as well as from the environmental-social point of view.

The Dniester project does have alternatives, which from the economic, energy, ecological and strategic points of view would be able to solve the problems of peak loads in the overall power networks of Ukraine in a more efficient way. This can be achieved through the combination of demand regulation measures and the creation of a system of power generation with a sufficient number of loads shifting capacities. Such an approach will also save fuel, which is in short supply in the country, generating power only in the case of demand for it without additional electricity loss for the storage of electricity⁸.

Thermal power plants make up 60 percent of the existing generating capacities in Ukraine and they can be operated in loads shifting mode; yet 80 percent of them stand idle. There is no need to build thermal power plants, but those existing ones need to be reconstructed on the basis of modern technologies, to operate with modern effectiveness.

Conclusion and demands

The World Bank continues to assert the need to create market relations in the Ukrainian power sector, to develop small hydropower energy, to modernise thermal power plants and to not support the unprofitable coal industry. This is why we are confused with the readiness of the World Bank to support a project which has so many weak points and is an integral part of the national Strategy that includes all the measures which were criticised by the World Bank's experts.

Therefore:

- The World Bank should make efforts to help the Ukrainian government to develop an energy strategy which is much more effective, as well as support projects that are aiming to increase energy efficiency and the independence of the Ukrainian economy;
- The World Bank should withdraw its financial consideration until the project is brought into compliance with Ukrainian and international legislation;
- The World Bank should conduct its own assessment of the project's compliance with relevant international and Ukrainian legislation and publicly disclose its findings;
- The World Bank should organise public meetings with relevant stakeholders to discuss the ongoing schedule of preparatory work and areas of concern, on account of the project sponsor's ignorance of public opinion during the project preparation thus far.

For further information, please find attached our study on the Dniester PSP project. We would appreciate your thorough consideration of the concerns expressed in this and the attached letter. A response from you on how these issues will be addressed by the World Bank would be greatly appreciated.

Yours sincerely,

Nadia Shevchenko,



National Coordinator for Ukraine
CEE Bankwatch Network/
National Ecological Centre of Ukraine (NECU)



Ilya Trombitsky
Executive Director
Eco-TIRAS International Environmental Association of River Keepers

⁸ An alternative strategy for energy strategy development in Ukraine "The Concept of Non-nuclear Development of the Power Industry of Ukraine" can be found at www.ch20.org/publications/nconcept_eng.pdf

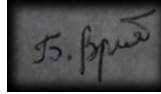
Str. Teatrala 11A
Chisinau MD-2012
Moldova
Tel./Fax: (+373 22) 225615, 550953
E-mail: ecotiras@mtc.md
www.eco-tiras.org

Berezhany Regional Branch of

Ukrainian Environmental League - Galina Prociw



Berezhany Ecological Club "Kray" Vridnyk Bogdana



Ukrainian Environmental League, Tetyana Tymochko



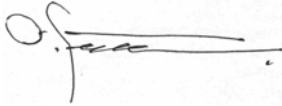
Ukrainian children's union "Environmental" Olena Pashenko



Western Centre of Ukrainian Branch of the World Lab, P.M.Gricishin



Chortkiv Environmental Public Organisation
"Zeleny Svit" Oleksandr Stepanenko



Environmental Group "Pechenegi", Sergey Shaparenko



Odessa Socio-Ecological Union, Alla Shevchuk

Information Centre of Ukrainian Environmental Association "Zeleny Svit"
Sergiy Fedorinchyk

Public movement "New left-wingers", Anton Fenko

Public initiative "Objective reality", Taras Ratushnyy

Network of public initiatives "BASTA", Andriy Kulik

Youth public initiative "Ukrainian vanguard" Sergiy Kovbasyuk

Centre for Civil Society Problems Studies, Igor Novikov