

19 May 2007.
Kazan, Russian Federation

President Jean Lemierre, European Bank for
Reconstruction and Development

EBRD, One Exchange Square,
London, EC2A 2JN
Fax: 44 (0)207 338 6102

Dear Mr. Lemierre

Since 1 January 2007, the institutions responsible for state and public environmental impact assessment in Russia have been abolished resulting in a situation in which Russia currently has no legally endorsed mechanisms for preventive assessment of environmental safety of any project. The Russian people have been deprived of the right to participate in environmentally important decision making. This is a violation of basic human rights.

The limitations on economic activity in national parks and other specially protected natural territories were removed. There are widespread attempts to attract intensive economic activity to these territories, which are covered by international conventions and treaties.

The Russian Federation's Energy Strategy does not meet contemporary international standards and trends and does not correspond to the criteria for sustainable development.

All this leads to an increase in environmental risks for investment projects, complicates stakeholder engagement in decision making processes, increases social conflict, and violates Russian law.

Some examples include: 1) the attempted construction of the East Siberia Pacific Ocean pipeline along the coast of Lake Baikal, prevented only after widespread public protests in many regions; 2) the current Gazprom proposal to build the Altai Gas Pipeline through the Ukok Plateau Natural Park, which is part of the Golden Altai Mountains UNESCO World Heritage Site; 3) the planned construction of a sport and tourist complex and associated infrastructure in the territory of the Sochi National Park, a buffer zone of the Western Caucasus World Heritage Site, in preparation for the possible holding of the 2014 Winter Olympic Games in Sochi (Please see Annex 1).

Based on the information presented above, we ask you, acting on behalf of the EBRD, to:

1. To refuse to finance construction projects of any new industrial, energy, oil and gas complexes, including transport or public infrastructure projects until such time as state institutions and public environmental expertise and environmental impact assessments are created in Russia.
2. For all projects which EBRD has already decided to finance, conduct monitoring of impacts on the environment and local communities, through utilization of independent experts engagement of all stakeholders.
3. Promote the most rapid ratification of the Espoo Convention by Russia to evaluate transboundary environmental impacts.
4. Refuse to finance projects in ecologically sensitive, key natural habitats and their buffer zones (IUCN Protected Area Categories I and II, World Heritage Sites, Ramsar Convention Sites and areas of high biodiversity), including infrastructure projects within the boundaries of Sochi National Park and the buffer zone of the World Heritage Site Western Caucasus.
5. Include the position of Russian ecological NGOs (see Annex II) in your appraisal of large hydroelectric dam projects on rivers, including Boguchansk HTP on the Angara River..
6. Refrain from financing projects to improve atomic energy safety if they lack a confirmed plan and resources for final decommission.
7. Consult with other financial institutions about proposals to consider the positions discussed above of Russian NGOs.

We hope that EBRD will respond to our proposals with understanding and approval, reaffirming its own reputation as an environmentally responsible financial institution.

For the EBRD response please send it to Greenpeace Russia, GSP-4, Moscow, Russia

Sincerely,

Greenpeace Russia

Alexey Kiselev

Greenpeace Russia

Vladimir Chouprov

Baikal Environmental Wave

Marina Rikhvanova

Green World

Oleg Bodrov

WWF-Russia

Evgueny Shvartz

Green Committee

Valentin Dombrovsky

Assessment Center "Ecom"

Dmitry Afinogenov

Save Yuntolovo

Vera Ponomareva

L.Blinov Tomsk Student Environmental
Inspection

Tatiana Oreshkina

BRO on Baikal

Vladimir Belogolovov

Save Pechora Committee

Valentina Semyashkina

Sakhalin Environmental Watch

Dmitry Lisytsin

Phoenix Fund

Sergey Bereznyuk

Ecodal

Irina Bogdan

Kamchatka League of Independent
Experts

Olga Chernyagina

Northern Caucasus Environmental
Watch

Dmitry Koptsov

Presidential Council Member on civil society development and human rights, Svyatoslav Zabelin

Wildlife Protection Center, Alexey Zimenko

Green Dubna, Anatoly Sumbaev

Zelenaya Vety, I. Shkraduk

International Social Ecological Union, Andrey Zatoka

Maikop City Council on Environmental Protection, Valeriy Brinich

Friends of Siberian Forests, Andrey Laletin

Regarding possible funding of projects related to Olympics-2014 in Sochi by the European Bank for Reconstruction and Development.

As it follows from the country strategy for the Russian Federation, the EBRD is considering the possibility to take part in funding of projects related to the preparation of Olympics-2014 in the city of Sochi.

Construction of various facilities in the buffer zone of a World Heritage property will unavoidably cause damage to the property's natural complexes and will entail transferring this particular property into the List of World Heritage in Danger, which, in turn, will mean that Russia has failed to deliver on its pledges under the UNESCO Convention for protection of World Cultural and Natural Heritage. Besides, the construction process in the Sochi National Park will destroy key habitats of globally endangered and endemic species of flora and fauna, which constitutes violation by Russia of the Convention on Biological Diversity.

Given all of the above, we consider it absolutely important to point out that under the EBRD Environmental Policy (Section 21), the Bank does not fund projects that violate commitments of a country under corresponding international treaties and agreements in the field of environmental protection.

Thus, funding projects implemented as part of preparation for Olympics-2014 in Sochi in their present state will be a violation of the Bank's Environmental Policy.

Besides, the inadmissibility of funding projects related to Olympics-2014 in Sochi arises out of the decisions of the July 2006 Summit of the Civil 8 in Saint Petersburg where a resolution was adopted demanding a ban on implementation of large-scale economic projects (including trans-boundary and those of international significance) in high biodiversity conservation value areas.

The European Bank for Reconstruction and Development whose policies are determined by the Big 8 states in the first place, should take into consideration these demands of non-governmental organizations.

Substantiation of a set of paragraphs outlined in the letter of NGO to HydroOGK under the date of April 23, 2007.

1. Substantiation of p. 1.

The danger of the chain of HPP construction on the main channel of Amur still remains unchanged, particularly in connection with the course towards accelerated integration of south Far East of Russia into the Asia-Pacific Region economics. Probability of further substantiation for construction of «Amur» HPP including as a part of the designed «Arrangement of integrated utilization and conservation of water bodies of Amur basin» remains high against the background of the high interest from the Chinese side in solution to social-and-ecological and economic problems of the North-East PRC (People's Republic of China) by taking the part of Amur river flow and its feeders.

The conserved «non-transparency» of plans for the integrated development of region provides the ecological society to be disquieted by conservation of the unique Amur ecosystems. In connection with this the coalition of ecological NGO has included the «Amur» range of problems into «List of topics and problems for further joint consideration within framework of negotiation process of «RAO «UES of Russia» - NGO». Public discussion concerning outlook of development of the Amur basin hydroelectric potential in spirit of social-and-ecological partnership between JSC «RAO «UES of Russia» and ecological society will help to remove possible tension and potential conflicts in this problem.

2. Substantiation of p. 2.

History of construction project of Boguchanskaya HPP

Boguchanskaya HPP – is the plain HPP, the fourth on Angara which is the only river that flows from Lake Baikal and debouches into Yenisei. HPP is already under construction near to Kodinsk town of Kezhemsky region of the Krasnoyarsk Territory in 455 km over Angara mouth and in 380 km below Ust-Ilimskaya HPP as per the original project of 40-year limitation with impounded water level of 208 m. In answer of RosPrirodNadzor to the Irkutsk regional trade union amalgamation and Krasnoyarsk ecology movement it is said that BoHPP project has not been received for expert examination.

Construction project of Boguchanskaya HPP was developed in 1976, was examined by the joint expert commission of Gosstroy USSR, State Planning Committee of USSR and was approved by regulation of USSR Council of Ministers dated 08.12.1979 № 2699 with the following basic indicators:

- mark of reservoir NWL - 208 m;
- installed capacity - 3000 MW;
- average long-term electric-power generation – 17.6 bln. kWh annually.

Construction of HPP began in 1980 and in accordance with the abovementioned regulation of USSR Council of Ministers starting of the first plants was scheduled in 1988 and commissioning of the whole unit - in 1992. However late in the 1980s after closure of Angara bed by concrete dam the construction was stopped as industrial energy consumption in the country halved.

On the initiative of RAO «UES of Russia» the expert study for starting of the first order of Boguchanskaya HPP under decreased water mark of reservoir were implemented. The starting marks of reservoir level within the interval of 154-185 meters were considered in the studies.

After consideration of studies by the expert commission of STC (Scientific and Technical Council) RAO «UES of Russia» arrived at decision (Order № 326 dated November 10, 1996) on completion of Boguchanskaya HPP and its commissioning upon mark of reservoir level (NWL) 185 m. In this connection the earlier technical project of HPP (1976) with NWL of 208m was subject to adjustment. Technical project of Boguchanskaya HPP with reservoir NWL of 185 m was executed by "Institute Hydroproject" in 2004 with the following indicators:

- impounded water level - 185 m;

- installed capacity 1620 thous. kW (9 plants for 180 thous. kW кВт. each);
- average long-term electric-power generation 11.5 bln. kWh annually.

On May 31, 2006 JSC "Federal hydro-generating company" (JSC "HydroOGK") and JSC "RUSAL" signed the cooperation agreement for joint implementation of project concerning creation of Boguchansky energy-metallurgical union (BEMU), which is the largest in history of the world aluminium industry. BEMU project includes completion of Boguchanskaya HPP with mark of reservoir NWL of 208 m and installed capacity of 3000 MW on Angara and construction of aluminium plant with power of 600 000 tons annually, which will be one of the primary consumers of electric energy generated at HPP. It is anticipated that starting of the first HPP order will take place in 2009.

Construction of HPP with NWL of 208 m is conducted though with this mark the Boguchansky reservoir will immediately come to dam of Ust-Ilimskaya HPP in the boundaries of Ust-Ilimsk of the Irkutsk Region (in case of NWL 185 m 100-120 km of Angara flow would remain unutilized). Citizens of Ust-Ilimsk, where the social committee «Angara - 185» that insist upon holding of the local referendum of Ust-Ilimsk for decision making on construction of BoHPP with NWL 185m, are especially disquieted by this fact.

The public environmental expert review of BoHPP construction project was implemented in 2000, we have Conclusion of the independent environmental public evaluation for Boguchanskaya HPP it says «By this means the abovementioned violations give us grounds to deduce that construction of Boguchanskaya HPP according to documents presented for public environmental expert review is unauthorized».

The following claims should be distinguished among claims of commission and its members:

- (1) Absence of clear project description which would provide implementation of careful and comprehensive economic and environmental analysis.
- (2) There are serious technical questions that concern safety in design and construction of the project.
- (3) Economic assessment and financial feasibility of this project are unfounded, premature and baseless.
- (4) There was practically no environmental impact analysis but nevertheless construction is conducted on basis that impacts of unit under construction are assessed as insignificant.
- (5) It is uncomprehended how the project fits into the more large-scale development plan of the Krasnoyarsk Territory (carrying out of SEA - strategic environmental assessment).
- (6) The manner in which the new generating capacity will facilitate the development of local economy is uncertain.
- (7) Project of Boguchanskaya HPP does not comply with international norms for migration, carrying out of environmental assessment and financial feasibility. Civil rights in the course of migration are infringed (land is not registered as property).

In 2006 with a view to substantiate the bank feasibility study under order of HydroOGK" and "RUSAL", the Centre for environmental assessment «Ecoline» and SE Solution (South Africa) implemented «Preliminary social and environmental assessment within framework of preparation of the bank feasibility study» of BoHPP construction project 3000 MW (NWL 208 m).

What is left out of consideration in this assessment:

1. Change of climatic conditions and allowability of environmental conditions change in Ust-Ilimsk for citizens' health where in case of NWL 208 m the Boguchansky reservoir will make worse the ecological situation due to precipitation of Ust-Ilimsk industrial enterprises waste in reservoir, creation of atmospheric conditions for accumulation of aerial effluents. «Current state of water quality in the Lower Angara according to hydrochemical and hydrobiological indicators in whole does not meet requirements of fish and household water use. State of the Lower Angara ecosystem is evaluated at ecological retrogress level and we can talk about its gradual degradation. Angara assimilative capability is outspent. Excess of antipollution standards for biochemical and chemical oxygen demand, suspended matters, ammonium

nitrogen, phenols, oil products and other substances in the average exceeds in 2-3.5 times» - document quoted in press, which is addressed to deputy governor of the Krasnoyarsk Territory A.A. Gnezdilov. From the official data of health authorities:

The overall incidence of disease of children – is one of the high in region, and incidence of disease of adult population – exceeds the average in region, respiratory diseases prevail. Upon infilling of Boguchansky reservoir floor in connection with occurred changes in environment it is possible with high confidence to expect the further growth of overall incidence of disease among all age categories of citizens and in first instance for those classes of diseases which at present already take the most specific gravity in the illness patterns: respiratory diseases, diseases of musculoskeletal system, digestion, genitourinary and endocrine system and primarily of children and teenagers. Moreover it is possible to expect the increase of disease incidence by parasitogenic and infectious diseases (enteric infection, hepatitis).

2. Substantiation of construction of new aluminium plant remains beyond the framework of the considered project and demand for BoHPP itself continues to be unclear.

3. Combined action of HPP, new aluminium plant and woodusing complex is not assessed.

4. There is a lack of analysis of alternative power supply for the new aluminium plant at the expense of:

- other sources of energy
- BoHPP with level of 185 m
- BoHPP with level of 185 m and other sources of energy

5. In the Irkutsk Region there is the largest natural gas field which also can be partially used as a supplementary power source, because predominance of HPP in generating mix is accompanied by possible crisis situations upon long-run decline of inflow in rivers because of rainfall decrease. It already happened in the late 1970s – beginning of 1980s when the long-term lack of water occurred on the Eastern Siberia rivers, and conservation storage capacities of Angara-Yenisei chain came into action including cyclic storage over dam of Bratsk HPP. There are forecasts of Hydrometeoservice on rise of droughtiness in the Irkutsk Region.

6. Influence of seismicity is not reviewed – if structures of BoHPP would stand the possible earthquakes, in what manner the new reservoir would impact on seismicity.

7. Impact on water quality and self-cleaning processes of floating peat-bogs and flooding of shoreland.

8. Ablation of karst on the right bank of Angara, use of unrevised decisions for their reinforcement.

9. Upon NWL of 208 m islands with Siberian plague disposal will be drowned, re-disposal is not provided that is why burst of Siberian plague is possible.

10. Damage caused to the Irkutsk Region is not assessed and it is unknown in what manner and who will indemnify it.

Comparison of 208 and 185m:

Following are comparison of natural and social impact of Boguchanskaya HPP construction mentioned in the newspaper «Istok» by employees of Institute of geography of the Siberian Branch of the Russian Academy of Science and L.A. BEZRUKOV. In case of maximum variant

1. current speed in tail-bay of Ust-Ilimskaya HPP will be reduced in 6-8 times,
2. approximately 9 thous. ha of lands including 700 ha of farmland (500 ha of agricultural land) will be drowned,
3. 8.2 thous. ha of lands where there are 1.5 mln. cubic meters of wood are subject to forest report,
4. 6 localities (580 dwellers, 110 houses) will be partially removed,
5. ectogenous geological processes will be activated,
6. climatic conditions will change.

Upon NWL of 185 m reservoir surface area will reduce in 2.2 times, its length – in 1.4 times; area of inundated lands - in 2.5 times including agricultural lands – 1.6 times and forest area – in 3.1 times; size of resettled population – in 1.1 times; river flowing section of Angara that is lower than Ust-Ilimsk in length about 100 km will be preserved.

BoHPP reservoir will be located in 100 - 120 km lower than Ust-Ilimskaya HPP. Support-free section of Angara lower than Ust-Ilimskaya HPP in general will preserve the natural river features and will be useful in self-cleaning of its water mass that come from Ust-Ilimsky reservoir and discharged water of Ust-Ilimsky woodusing complex.

Upon NWL of 185 m the fundamental problems concerning loss of land and forest resources as well as flooding and underflooding of localities (village Keul, Nevon and etc.), economic entities lower than Ust-Ilimskaya HPP within the Irkutsk Region will be erased. Support of Ust-Ilimskaya HPP dam will be removed.

Hence construction of Boguchanskaya HPP is executed in absence of favourable decision of the state environmental expertise and in absence of EIA.

3. Substantiation of p. 3.

NGO consider construction of any energy units, construction and operation of which may lead to elimination or degradation natural complexes of specially protected natural areas, as well as large mass of natural system, natural complexes and natural landscapes that did not suffer human intervention, sites of wetlands that have international importance mainly as home of waterbirds (including Ramsar lands that are included into "shadow list") to be absolutely inadmissible. These actions will be taken as gross violation of the Federal laws "On Protection of Environment", "On specially protected natural areas", as well as international obligations of Russia that appear from Convention of Biological Diversity, Ramsar Convention. In this connection we insist upon exclusion of chain of HPP on Mzymta river in the territory of Sochi national park (the same requirement is contained in recommendations of expert commission of the state environmental expertise of the Federal target program project "Development of Sochi as mountain climatic health resort (2006-2014)"), chain of HPP on Olekma river in Yakutia the territory of Olekminsky state natural park will be drowned as a result of their construction, from the Investment program of RAO UES up to 2010 and other plans and programs concerning construction of energy units.

4. Substantiation of p.4 has already been represented by NERA to HydroOGK