

# Odessa High Voltage Grid Upgrade (Adjalyk–Usatove 330 kV overhead transmission line), Ukraine



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.

EBRD AGM Issue Paper, Zagreb, May 2010

## Background

In December 2005 the European Bank for Reconstruction and Development (EBRD) approved a EUR 25.8 million loan for the Odessa High Voltage Grid Upgrade project for the state-owned company Ukrenergo. The project, that foresaw construction of a 124 kilometre long 330 kV transmission line between the Adjalyk and Usatove substations in the Odessa region and modernisation of the substations, was Ukrenergo's first experience with the international financial institutions, and inaugurated a series of further such investments. The project was screened as category A, requiring an environmental impact assessment (EIA) of the transmission line. Along with the EBRD loan the company received a EUR 115 000 technical cooperation grant provided by the German Government and a EUR 100 000 grant for project preparation provided by USAID.

## Problems with implementation

Despite the loan agreement being ratified by Ukraine's parliament in 2006, the project implementation started only in late 2008. According to the contract, the completion of the project was expected no later than May 31, 2009. Unofficially, Ukrenergo set December 2009 as the deadline for the project's completion.

According to the EIA, the designated route for the transmission line would bypass settled areas and protected natural areas, and avoid as far as possible any property conflicts (by routing along roads and land boundaries). Such considerations expanded the new transmission line to a length of 124 kilometres, while the shortest distance between two substations is about 40 kilometres.

Such an expansion brings a substantial benefit to the project sponsor – it enables further linkage of this line with the major Prymorska substation, planned to be built later and designated to form an element of the so-called “750 kV South Ring”, connecting Ukrainian nuclear power plants. It is unclear how sincerely Ukrenergo addressed the social and environmental issues in the early design stage or whether it just employed a pragmatic approach. The conflict that later erupted in the village of Usatove seems to confirm such suspicions.

## Usatove: never mind the people

The initial project design put the transmission line outside of the villages of Usatove and Nerubayske, therefore people living in these villages were neither consulted nor informed during the EIA process in 2005. In August 2009 workers arrived in these villages and started dismantling poles belonging to the old 330 kV line that had been crossing the villages since the Communist era. Soon new pylons were brought to the site and people learnt that they would carry two line circuits instead of the previous one, and that one of the circuits would be part of the new Adjalyk – Usatove line. Inhabitants opposed the works by both blocking the construction at the site and questioning it at the local court. The company did not inform the EBRD about the change in the project, undermining thus the loan conditions as well as the bank's policy requirements for public consultation.

The conflict evolved in November 2009 when Ukrenergo made renewed attempts to install the pylons, backed by police and actively supported by the Odessa Region State Administration, which is directly subordinate to the Ukrainian government. This led to clashes between local people and hefty police forces mobilised against the peaceful protesters.

The EBRD's reaction, involving several site visits and close examination of the situation, is unprecedented in the bank's history. According to a press release issued on November 20, 2009, the EBRD urged Ukrenergo under the threat of suspension of the project financing "to halt immediately further construction work and to take measures aimed at defusing the tense situation in the area, as well as to drop any civil or legal proceedings against the affected residents". However, the company continued installing the pylons even after the statement had been published and mounted one out of the two circuits.

Only in January 2010 did Ukrenergo start to implement part of the EBRD's demand – it published on its website an amendment to the EIA, and a study of the electromagnetic impact of the transmission lines under the new design and a Stakeholder Engagement Plan. No action was taken to move the transmission lines outside of the villages concerned at all. Furthermore, Ukrenergo has displayed a rather formalistic approach to the EBRD's requirements. The study assesses only Usatove village while ignoring Nerubayske, which is also affected; and consultations with impacted villagers have involved informing them of the plans without any space for dialogue or negotiations.

In addition to negative health impact concerns, the villagers are concerned about safety issues. During the installation there were accidents when wires and even part of the pylon broke and fell down on village streets or plots. A major accident occurred on 6 April 2010 – as a result of a short circuit, high voltage wires fell down on plots and greenhouses causing a fire.

## Recommendations

- The EBRD should use its political and financial leverage to influence Ukrenergo and the new Government of Ukraine to move the new transmission line outside of Usatove and Nerubayske. The fact that in Communist times such lines were laid through settled areas cannot justify doing so now and imposing risks on the inhabitants. Moving the transmission lines outside of the villages would significantly improve the lives of local people. Ukrenergo would also benefit from the move by bringing its activities into line with current sanitary and safety norms and improving the public image of the company.
- The EBRD is advised to thoroughly study the property issues that are used by Ukrenergo to justify the rerouting of the project. The potential to apply the new land acquisition law approved by the parliament of Ukraine right at the time of the clashes in Usatove needs to be considered.
- We highly appreciate the EBRD's reaction to the misconduct in the project and recommend that further potential financial support to Ukrenergo is strictly conditioned on a real U-turn in the company's behaviour.
- In terms of new projects submitted by Ukrenergo we advise the EBRD to obtain documentary proof of land acquisition for each project component as well as other required permits prior to any project approval by the board.

### For more information

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