

Issue paper

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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.

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Vlora Thermo Power Plant, Albania – where is the electricity?

In February 2003 the Albanian Council of Territorial Adjustment approved the construction of an Energy and Industrial Park in the coastal city of Vlora, in southern Albania. The park was to consist of a 97MW oil and gas-fired combined cycle thermo-power plant, a hydrocarbon terminal and the outflow for the Albanian Macedonian Bulgarian oil (AMBO) pipeline.

The TPP, promoted by the Albanian Energy Corporation (KESH), was financed by the EBRD - (40 million EUR), the European Investment Bank (EIB - 40 million EUR) and the World Bank (20.5 million EUR).

The construction of a fossil-fuelled TPP built in a tourism-dependent city and only 100 metres from the protected Narta lagoon, compounded by a lack of proper public consultation, attracted strong opposition.

Several complaints were filed to international institutions by a group of Albanian environmentalists and intellectuals - the Civic Alliance for the Protection of Vlora Bay. In 2007 the Aarhus Convention Compliance Committee found that indeed the public participation for the environmental impact assessment did not offer sufficient opportunities for the public of Vlora to participate¹.

In April 2008 the EBRD's Independent Recourse Mechanism concluded that the bank had failed to ensure full compliance with its obligations on public consultations related to the location of the Vlora thermo-power plant, and that it warranted remedial changes to the Bank's practices and procedures².

These findings were backed up in August 2009 by a report from the World Bank's Inspection Panel concluding that the Bank did not comply with several provisions of its policies on Project Appraisal, Environmental Assessment, Management of Cultural Property, and Economic Assessment. The Panel also found significant shortcomings in compliance with the Bank's consultation policy requirements³.

Yet after all these problems, the plant is not actually working - two years after it was supposed to have been completed – and it is increasingly doubtful whether it will start to produce electricity any time soon. A recent World Bank document says that even though the project is delayed, it will be ready for operation in November 2011⁴. Nevertheless there is considerable confusion about this: statements from the Albanian Ministry of Energy, Trade and Economy officials suggest that the high price for electricity generation by the plant as well as increased oil prices will mean that the plant is kept for reserve purposes only. In November 2009 it was made public by Mr. Dritan Prifti, the former Albanian Minister of Economy, Trade and Energy that the price for the cost of the energy generated by the plant will be 2.5 times higher than imported electricity⁵.

Furthermore, in February 2011 the Albanian Energy Regulation Organ (ERE), stated that it is more economically feasible to run the TPP on natural gas rather than oil. ERE suggests also the construction of a new terminal in the Vlora gulf which would supply the TPP with natural gas⁶.

With frequent increases of prices for oil and gas, in addition to sporadic changes of plans for the development of the industrial zone in the Vlora gulf, it is questionable whether the plant will ever start operating. Have Albanian decision-makers, backed by IFIs, indebted the state by EUR 100 million and overridden public opinion all for nothing?

Notes

1. Addendum to the report (ECE/MP.PP/C.1/2007/4/Add.1): Findings and recommendations with regards to communication ACCC/C/2006/12 (Albania). UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters Compliance Committee. 31 July 2007
2. The Independent Recourse Mechanism Annual Report for 2008
3. The Inspection Panel Investigative Report Power Sector Generation and Restructuring Project (IDA Credit No. 3872-ALB) August 7,
4. Implementation Status & Results Albania Power Sector Generation & Restructuring Project (P077526), http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/ECA/2011/04/27/989E77433A5EB5F28525787F0062552B/1_0/Rendered/PDF/P0775260ISR0Di027201101303926843279.pdf
5. TEC i Vlorës, energji me kosto të lartë, November 29th, 2009, <http://lajmesot.com/61-tec-i-vlores-energji-me-kosto-te-larte-.html>
6. ERE: Kosto e lartë, TEC i Vlorës të punojë me gaz, February 21st, 2011, <http://lajme.shqiperia.com/lajme/artikull/iden/1046998433/titulli/ERE-Kosto-e-larte-TEC-i-Vlores-te-punoje-me-gaz>