

To: Board of Directors

European Bank for Reconstruction and Development

19 July 2011

An open call from international civil society

**to the Executive Directors of the European Bank for Reconstruction and Development to
reject the EPS Kolubara environmental improvement project (project # 41923) for
indirectly supporting human rights violations and furthering coal dependency in the
Serbian energy sector**

Dear Madam, Sir,

We, representatives of the undersigned civil society organisations, are concerned about the proposed EPS Kolubara environmental improvement project in Serbia (project # 41923) to purchase new equipment for the state-owned Elektroprivreda Srbije (EPS) company and its Kolubara coal mine.

While it may result in some efficiency improvements and emissions reductions, the project will support the dominant position and possibly the expansion of coal power in the power generation mix of Serbia. At the same time the project will indirectly limit investment opportunities in more sustainable and climate-friendly energy developments. Furthermore the EPS company has failed to receive consent and demonstrate responsible corporate behaviour in resettling communities affected by the expansion of the Kolubara mine, despite previous engagement with the EBRD¹ and as well Serbia's aspirations for accession to the European Union.

Burning coal currently produces 70 percent of Serbia's electricity. The Kolubara basin provides 75 percent of Serbia's lignite, and more than 50 percent of Serbian electricity is produced by power plants within the Kolubara complex. Plans to expand lignite production and coal-powered electricity generation are driven by ambitions to export electricity² and will preclude the utilisation of Serbia's renewables potential (eg. biomass, solar or wind). Additionally, given the close connections between several of Serbia's ruling parties and EPS management – as evident in the composition of the company's board – it comes as no surprise that the interests of EPS to perpetuate lignite production and power generation form an integral part of the Strategy for the development of the energy sector in Serbia until 2015. Public financial institutions, such as the EBRD and KfW³, should not be used to lock Serbia into carbon-intensive and coal-dependent development.

¹ Project Summary Document: <http://www.ebrd.com/english/pages/project/psd/2002/27005.shtml>

² The Financial Times reported in June the plans of Italian company Edison and EPS to build a new thermal power plant at a cost of EUR 1.5 billion intended to provide electricity for export to Italy: <http://blogs.ft.com/beyond-brics/2011/06/22/serbia-a-e1-5bn-italian-power-plant-with-environmental-costs/#axzz1SAJ6AheK>

³ Both the EBRD and German development Bank KfW are considering loans for the Kolubara mine of EUR 80 and EUR 60 million respectively, of project costs totaling EUR 165 million.

Moreover the EPS company is currently under investigation for corruption, as allegedly Kolubara management has been implicated in a number of different schemes involving equipment procurement and leasing and the sale of coal and so forth⁴. A recent internal audit at EPS revealed that serious irregularities committed by company management led to unjustified increases in EPS expenditures to the benefit of private companies⁵. While such processes are underway, the EBRD Board should not approve a loan to EPS before the official investigation is completed.

Lastly, the EPS company has for years mistreated the communities directly affected by the Kolubara mine's expansion. Most recently clashes erupted when the company attempted to exhume the graveyard of the Vreoci community, further demonstrating that the EPS company has not adopted a more socially-responsible approach in spite of its expectations for EBRD financing. At the moment a number of communities are subject to unscrupulous media pressure and forced into resettlement at new locations that they have not consented to, since these locations fail to provide living conditions equal to those at present.

In light of the above, we reiterate our call to the EBRD Board of Directors to reject this loan for the EPS company and its Kolubara mine operations. This loan will send the wrong message of support for a company whose integrity and corporate social responsibility are questionable at best. The EBRD should instead finance sustainable energy projects and at the same time phase out support for lignite production and related lignite power generation in order to develop renewable energy and energy efficiency projects.

Sincerely,

1. Zvezdan Kalmar for CEKOR, Serbia
2. Piotr Trzaskowski for CEE Bankwatch Network
3. Miodrag Dakic for Center for Environment, Bosnia and Herzegovina
4. Lavdosh Feruni for Organica Agriculture Association, Albania
5. Elona Saro for EDEN Center, Albania,
6. Justin Guay for Sierra Club, USA,
7. Edvin Pacara for Institute for Environmental Policy, Albania,
8. Inga Zarafyan for EcoLur, Armenia,
9. Bojana Tesovic, NGO Greens of Montenegro
10. Andrey Aranbaev, CATENA, Turkmenistan
11. Milka Grozdenovic, Young Researchers of Serbia
12. Filip Milošević for KRIO / Kolektiv za razvoj i održivost, Serbia
13. Aleksandra Velimanović for NGO "NIMBUS" LOZNICA, Serbia
14. Lidija Trandafilović, for Zvezdara Forest Protection Association, Serbia
15. Bernard Ivcic for Green Action-Zelena Akcija, Croatia
16. Aleksandra Asprovaska for NGO Centar za razvoj gradjanskog drustva PROTECTA, Serbia
17. Regine Richter, urgewald, Germany

⁴ National television channel B92 aired a series of documentary films exploring the nature and extent of the misuse of financial and other resources at the Kolubara complex and the financial and political repercussions

⁵ http://www.b92.net/eng/news/politics-article.php?yyyy=2011&mm=02&dd=02&nav_id=72487

18. Tatyana Skrodenis for Save Yuntolovo environmental movement, Russia
19. Mel Denes for BankTrack, Belgium
20. Henrike Wegener for Deutsche Umwelthilfe e.V., Germany
21. Doug Norlen for Pacific Environment, USA
22. Kate Watters for Crude Accountability, USA
23. Garret Tankosic-Kelly for SEE Change Net
24. Nicholas Hildyard for The Corner House, UK
25. Lidija Žižič for Focus association for sustainable development, Slovenia
26. Jaswinder Kler for Green SURF (Sabah Unite to Re-Power the Future), Malaysia
27. Pieter Jansen for Both ENDS, Netherlands
28. Kimbat Abylgazieva, Human Rights Center "Citizens against Corruption", Kyrgyzstan
29. Sunita Dubey, GroundWork, South Africa
30. Antonio Tricarico, Campania per la Riforma della Banca Mondiale, Italy