



Centar za ekologiju i održivi razvoj (CEKOR)

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Subject: LETTER OF INFORMATION REQUEST REGARDING KOLUBARA MINING

Dear Ms. Lacorzana, Mr. Brown and Mr. McKee,

Following recent developments in settlements affected by the Kolubara mine operations last week we visited the villages of Vreoci, Merosina, Veliki Crljeni, Berosevac. We gathered a lot of testimonies from local community representatives on problems concerning predominantly very high level of environmental pollution and resettlement, including illegal, partially legal and forced resettlements of individual houses and properties. This approach of the Kolubara basin exploitation by the EPS company has resulted in a number of villages practically "living" surrounded by mining activities and activities of supporting industries and transport infrastructure.

Therefore we have the following questions regarding the environmental and social appraisal and the due diligence carried out by the EBRD – in accordance with the Performance Requirements - before the project was brought for approval before the EBRD Board of Directors:

1) How has the EBRD assessed the corporate behavior of the Kolubara and EPS companies towards affected communities in the area of extension of mining operations?

We have witnessed that Kolubara is not strictly following advised distance¹ from open pit mining operations, therefore subjecting affected people by air, drinking water and high levels of noise pollution. Furthermore, there are significant violations of the rights of affected communities that need to be resettled. The management of Kolubara and EPS with assistance of the Ministry for internal affairs and other line ministries (Energy and mining and environment) are trying to forcibly - and using enormous media and other forms of pressure - remove people of Vreoci onto new locations that they do not want to accept, without being provided with all the preconditions for life equal to those existing now in Vreoci.

EPS has been EBRD's client for several years now, including for a project for Tamnava West modernisation in 2003², so it can be expected that the above described problems are not

¹ In case of EIA for "SUPPLEMENTARY MINING DESIGN "TAMNAVA WEST FIELD" the minimum distance of 500m has been determined in function of protection from air pollution

For example, in Europe, the Governments of Wales and Scotland decided to impose a 500-metre buffer zone as minimum distance between open-cast coal mines and people's homes,
<http://services.parliament.uk/hansard/Commons/ByDate/20110211/mainchamberdebates/part004.html>.

² PSD URL: <http://www.ebrd.com/english/pages/project/psd/2002/27005.shtml>

unknown to the bank's staff. Therefore it is questionable to what extent has the bank's involvement with the company so far contributed to the improvement of the corporate social responsibility practices employed by EPS. Additionally, the aggression that the company is demonstrating against people affected by its operations - at the very time when the EBRD EDs are supposed to approve an "environmental improvement" project – is shocking and clearly shows the lack of leverage that EBRD investment can have in the case.

2) How has the EBRD defined the project's area of influence in the Kolubara basin?

We understand that the production and usage of coal from field "C" and "Tamnava West" fields, where EBRD plans to invest, is mixed (due its lower level of quality) with coal from other fields especially from field "D" that is of highest quality. Apparently this process of homogenization (making it uniform) will utilise equipment that is due to be purchased thanks to EBRD's involvement. According to our inside information from Kolubara, there is no physical or chemical reason to prevent it and there is only one way of mixing coals to improve mixture for usage in thermal blocks of "Kolubara" and "Nikola Tesla" power plants, and that is to mix lower level coals from C, E, B with coal originating from D field (the one directly encroaching over Vreoci village).

Additionally experts from the mine believe that there will be no practical reason to prevent the utilisation of excavators that will be purchased for "C" field in other fields in the basin, as it is the usual practice now with other older excavators to be moved from one field to the next, depending on the current need.

Therefore we believe that this is another reason for the EBRD to make due diligence and to assess the impacts of the complete operation of Kolubara and EPS companies and their management of resettlements, and to check on allegations and investigation of corruption and misuse of money³ that already have started in Serbian justice institutions.

3) Can EBRD staff present as a justification for this investment any studies or numbers showing convincingly that Serbia does need further growth of coal production and more electricity from coal power plants?

According to us this growth is exclusively driven by export demand of "cheap" electricity - 4.2EURcents/kWh⁴ for large buyers who are exporting that in significant quantities to western buyers for not reported difference in price. Serbia is exporting more than billion kWh/y as a result of a drop in industrial consumption, but also due to a significant over capacity of Serbian Electricity Company mostly in form of over capacity of coal powered plants. A drop of domestic consumption⁵ is leading to the question why the EBRD wants to support Serbian mining and production of electricity from coal.

From the broader point of view it is highly cynical to describe the project in question as an "environmental improvement". There are serious concerns among large number of Serbian

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http://www.pressonline.rs/sr/vesti/vesti_dana/story/162105/Sne%C5%BEana+Malovi%C4%87%3A+Re%C5%A1i%C4%87emo+afere+u+%E2%80%9EKolubari%22+i+%E2%80%9EGalenici%22.html

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<http://www.naslovi.net/2009-07-16/beta/eps-izvezao-milijardu-kilovata-struje/1240746>

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<http://www.naslovi.net/2009-07-16/beta/eps-izvezao-milijardu-kilovata-struje/1240746>

NGOs and Experts that this project is due to considerably limit any investment opportunities for renewable energy and energy efficiency in Serbia and to lock Serbia in an unsustainable development patterns. Serbia is already producing 70% of its electricity by burning 38 million tones of coal produced in Kolubara mining basin. Serbia is using during summer time additional 300 MW block for air conditioning in housing sector. Unfortunately, this means burning 11000 tonnes of coal daily just for that use.⁶ We want to hear from the EBRD what is being done to tackle such enormous wastage of energy in Serbia to try to avoid the need for development of new capacities before all potentials for Energy Efficiency are explored and utilized?

Sincerely,

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⁶ <http://www.kurir-info.rs/vesti/drustvo/rekordna-letnja-potrosnja-stuje-zbog-klima-uredjaja-101585.php>