

To: The Board of Executive Directors of the European Bank for Reconstruction and Development

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CC: Mr. Alistair Clark, Corporate Director,
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Mr. Dariusz Prasek, Director, Project Appraisal,
Environment and Sustainability, EBRD;

Mr. Riccardo Puliti, Managing Director,
Head of Energy and Natural Resources, EBRD

28 October 2011

Dear Directors,

We would like to express our concerns regarding the **Boskov Most Hydro Power Plant** project in Macedonia and ask you not to support the project at this moment (November 8 is the board date according to the Project Summary Document).

Below we have listed our major concerns regarding the project.

The project's location in a National Park

More than 80% of the Boskov Most HPP project is located in the Mavrovo National park, in the zone of "active management". According to the current legislation in Macedonia, in the National Parks, no activity is permitted which could damage the unique nature¹. Even according IUCN categorization, a National park goal is to provide a combination of ecosystem protection and recreation activities.

Therefore, the proposed Boskov Most HPP project does not comply with these provisions as it is a large infrastructure project that does not fit any of the above mentioned goals of protection. Such a project would inevitably damage the important biodiversity in the National Park and compromise a future Natura 2000 site designation.

Incomplete ESIA report

The Environmental and Social Impact Assessment (ESIA) study for the Boskov Most HPP has many deficiencies. Our main concerns are connected to the following:

Impacts on mammals

The ESIA study for the Boskov Most HPP contains a poor 1 page chapter on the mammals in the project area. No lists of species are available in the study.

¹ Law on Nature of Republic of Macedonia, article 75.

The actual situation on the ground is as follows: The Mavrovo National Park is one of the richest in biodiversity areas in the country. It is home to 50 mammal species, out of which 11 species are listed in Appendix II of the Bern Convention, thus signifying the importance of the site for biodiversity protection. Moreover, the National Park is an Emerald site and a future Natura 2000 site.

The ESIA study indicates the presence of the Lynx in the area (according to the existing knowledge it is a separate subspecies – Balkan Lynx or *Lynx lynx martinoi*) but does not provide detailed information or assess the risks if the majority of the Lynx population is actually located in the project area. It has to be taken into account that the project area represents a very important part of the lynx range in the National Park due to the habitat quality and feeding sources. This is confirmed by recent research conducted by the Macedonian Ecological Society. In the past 5 years, the Macedonian Ecological Society² has been implementing a project for the monitoring and protection of the Balkan Lynx. The monitoring process (that consisted of a survey, placement of a GPS collar on one captured lynx and installment of camera-traps) proves frequent movement of the monitored Lynx in the project area³. The monitored Lynx has been feeding most frequently in this particular area. It is estimated that there are around 30-35 individuals of this species on the territory of Macedonia and that the largest portion is located in the territory of the Mavrovo National Park. The Balkan Lynx was extinct in Greece and Bulgaria and it is almost extinct in Albania, Kosovo and Montenegro. Thus, the small but stable sub-population in Mavrovo National Park (approximately 10 individuals, 7-12 according to different calculation methods, the result of the intensive camera-trap survey in 2009)⁴ must serve as a nucleus for the whole population. The existing literature states that the Lynx is “dominantly present in the western slopes of the Bistra Mountain, towards the gorge of the Radika River...”⁵ which coincides with the Boskov Most project area.

According to the Macedonian Ecological Society, additional zones of strict protection within the Mavrovo National Park need to be established, mainly for the protection of large carnivorous (bear, lynx) and other important species (Chamois - *Rupicapra rupicapra*). A map of the proposed areas can be seen in Annex 1 of this letter. The map illustrates the proposed zones and planned hydro power projects in the Mavrovo National Park. A map in Annex 2 provides clear indication of the movement and feeding ground of the Lynx, which overlaps with the Boskov Most HPP proposed location.

The ESIA study failed to analyse the current status of mammals in the project area and failed to provide suitable mitigation measures. Monitoring of biodiversity for a period of 12 months before the project construction starts, which was proposed in the ESIA study, cannot be considered as a mitigation measure because it does not guarantee that any follow-up measures will be taken.

Impacts on birds

Similarly to the chapter on mammals, the chapter on birds is a less than 1 page of description, with no lists of species available.

The ESIA study failed to analyse the current status with the bird species and identify key species or impacts to the birds in the project area and propose suitable mitigation measures.

² www.mes.org.mk

³ Reports from the monitoring and photos available from the MES office.

⁴ Macedonian Ecological Society – unpublished data

⁵ <http://www.npmavrovo.org.mk/index.php?id=32>

Impacts on landscapes

The landscape in the project area is predominantly pristine broadleaf forest landscape type. Even the previously rural landscape in the lower part of the project area (villages Rosoki, Sushica, Selce and Tresonche) was transformed into semi-natural landscape due to land abandonment (the villages were completely abandoned during the 1970s). The land around these villages is now used for recreation.

Introduction of an infrastructural object(s) of the proposed magnitude in this landscape will spoil its structural (forest habitat fragmentation) and functional (natural processes and support for the threatened mammal and bird species) characteristics.

The ESIA study failed to analyse these impacts on the landscape.

The effect on the climate and cumulative effects

The ESIA study for the Boskov Most HPP project does not provide a proper analysis of the effects on the climate. The calculation provided in the study simply takes into account the production of energy from fossil fuels versus hydro power and calculates a CO₂ reduction on this basis⁶. This is a deficient approach as the energy produced by Boskov Most HPP will be mainly used to stabilize the energy system and there will be no practical decrease of fossil fuel use in Macedonia. **The ESIA study for the Boskov Most HPP failed to provide proper analysis and calculation of the CO₂ emissions.**

Additionally, there is no proper analysis of the climate effects in terms of temperature and humidity increase due to the accumulation. The experience shows that in 50 years since the start of the "Spilje" HPP in the close area, the climate of the surrounding cities has drastically changed (the ESIA study in the chapter Climate conditions of the surroundings confirms this by stating that there has been an increase of humidity in the region⁷). **The ESIA study for the Boskov Most HPP failed to provide proper analysis and mitigation measures for climate protection.**

Regarding the cumulative effect of the hydro projects in the Mavrovo National Park, the ESIA study simply states that there will be other hydro projects in the area but concludes that there will be no cumulative effect of the various projects due to the fact that they will be located on different locations (and using different water sources)⁸. This is incorrect, as the cumulative effect does not only mean effect on the rivers in the park, but the overall effects the hydro plants can have on: biodiversity, climate, tourism and recreation, value of the Park etc. **The ESIA study for the Boskov Most HPP failed to provide proper analysis and mitigation measures for cumulative effects.**

Alternative renewable sources

One of the major concerns about the project is the lack of proper analysis of solar, wind, geothermal and other renewable alternatives to the central option. The analysis of alternatives

⁶ ESIA report for the Boskov Most HPP, page 177, Macedonian version.

⁷ ESIA report for the Boskov Most HPP, page 101, Macedonian version.

⁸ ESIA report for the Boskov Most HPP, page 219, Macedonian version.

derives from the Strategy for the development of the energy sector of the Republic of Macedonia⁹ where the focus is mainly on the development of hydro power plants as alternatives to fossil fuel plants. The alternatives analysed are only various technical options regarding the Boskov Most HPP and no other alternative sources.

A proper analysis of alternative renewable sources should be elaborated in the study and provide the information why the chosen alternative is absolutely the best one.

The ESIA study for the Boskov Most HPP failed to provide such analysis of the alternatives to the project.

Strategic environmental assessments on renewable energy strategy lacking

In 2010, the Macedonian Ministry of Economy adopted a Strategy for renewable use of energy sources till 2020¹⁰. Even though the Ministry was obliged by the national legislation to prepare a Strategic Environmental Assessment and in spite of pressure by environmental organisations, this did not happen.

The lack of this Strategic Assessment of the overall renewable energy strategy, and the lack of Strategic Environmental Assessment of the previously mentioned Management Plan of the Mavrovo National Park is creating a situation where:

- the cumulative effects can not be identified or analysed with certainty or accuracy,
- information is not available or is lacking,
- alternative solutions are not known,
- measures and methodologies for strengthening the protection of species for the entire National Park are not provided.

Under such circumstances, an ESIA study for any project planned in the territory of the National Park is bound to be deficient. A Governmental official document, the Strategic Assessment Report of the Strategy for development in the energy sector from 2008-2020 with a vision till 2030 clearly recommends “conducting a Strategic Environmental Assessment of all hydro projects in order to avoid negative environmental impacts”¹¹.

The review process of the Mavrovo National park

On June 14th 2011 the Eko-svest Center for Environmental Research and Information sent a letter to the EBRD informing the bank about the official boundaries of the Mavrovo National Park and the Boskov Most HPP. From the submitted maps, it was clear that more than 80% of the project will be located within the National Park.

In addition, the National Park is currently undergoing a review process. A Study on the review of the National Park's value has just been released for comments (October 2011). The

⁹ http://economy.gov.mk/WBStorage/Files/precisten_tekst_Strategija_za_energetika_na_RM.pdf

¹⁰ http://www.economy.gov.mk/Uploads/files/sektorskiDok/energetika/Strategija_OIE_final_mk.pdf

¹¹ Report on the Strategic Environmental Assessment of the Strategy for development of energy sector in the Republic of Macedonia from 2008-2020 with a vision till 2030, page 143.

process should continue with the preparation of a Management plan for the National Park and a Strategic Environmental Assessment (SEA) of the Management Plan.

The legal approach, deriving from our national legislation, would be to first finalise the Management plan of the NP Mavrovo and conduct a Strategic Environmental Assessment, and then to undergo the process of the Environmental Impact and Social Assessment (ESIA) for projects. The reasons for this are obvious:

- It is logical and also legally correct to first conduct a plan/programme of higher importance and then to initiate specific projects;
- The SEA will provide more information and data on the entire region, which is currently missing in the ESIA report; and
- The Management plan and SEA will provide a valuable analysis of the cumulative effects of planned projects (including transboundary effects), that can be specifically then analysed and mitigated within separate projects and ESIA reports.

In the absence of the above mentioned process (Plan> SEA> ESIA) the involvement of EBRD as an Investor is inappropriate. We are aware of the fact that the Macedonian institutions are responsible for carrying out such processes, but the involvement of the EBRD in the project without previously conducting the whole legal process can be viewed as confirmation that the absence of the process is acceptable. This is sending the wrong message to our institutions that investment could take place even if we do not follow our own internal procedures. This, in the frame of EBRD's mandate, to help Macedonia overcome institutional and economic pre-accession reform challenges, is obviously the wrong message to send. **We therefore expect the EBRD to truly assist Macedonia in our path towards the EU and support the processes which will result in real protection and preservation of our nature and biodiversity, an important EU goal for its member states.**

Deficiencies in the process and lack of communication

Availability of ESIA documentation in English

No English version of the ESIA of the project is available. This is worrying for two reasons: First, it is unclear how the EBRD made a quality assessment of the Macedonian ESIA of the project and second, a basic principle of the Public Information Policy of the EBRD is willingness to listen to third parties (including international NGOs) so as to benefit from their contributions to its work. The EBRD's PR 10 directly commits "to identify people or communities that are or could be affected by the project, as well as other interested parties". It is unclear how international experts can give their input if the ESIA is only in Macedonian.

Lack of communication and information

Although the Macedonian non-governmental organisations were involved at a very early stage in the process, which is a positive development, we cannot say that the process has been truly open for our involvement. For instance:

- The comments and questions to the ESIA study and the project which we submitted on August 5th, 2011 to the Ministry of environment, the Project Sponsor ELEM, the EBRD and EC Delegation in Macedonia have still not been answered by any of the authorities mentioned.
- A meeting was held (on September 28th 2011) in the premises of the Ministry of Environment (on our demand and pressure) where we were falsely informed that the ESIA study had been returned for revision and update.

- On two occasions, the Project Sponsor ELEM has stated that it will provide all documents related to comments and suggestions regarding the project, and at least the notes from the public hearings will be available on the website. To this day, only one report from one public hearing is available on the website of the Ministry of environment.
- In all the occasions when our questions have been directed to EBRD staff and forwarded to ELEM for response, we never received a response from ELEM.

All the above mentioned instances result in lack of trust among the institutions and citizens, which is not a good precondition for the realization of any project. We have stated on numerous occasions that proper and timely information is of utmost importance and we have notified the EBRD staff as well regarding these situations. However, we have not witnessed any positive change to date.

With the above indicated problems and deficiencies, we hereby urge the Board of Directors of the European Bank for Reconstruction and Development NOT to approve the Boskov Most HPP project at the moment. The EBRD should show willingness to support Macedonia in its path towards the European Union and commitment to protect its environment and biodiversity. In order to do this, the EBRD should first wait for the outcomes of the Management plan of the Mavrovo National Park and its Strategic Environmental Assessment, and then consider providing the loan for the Boskov Most HPP project.

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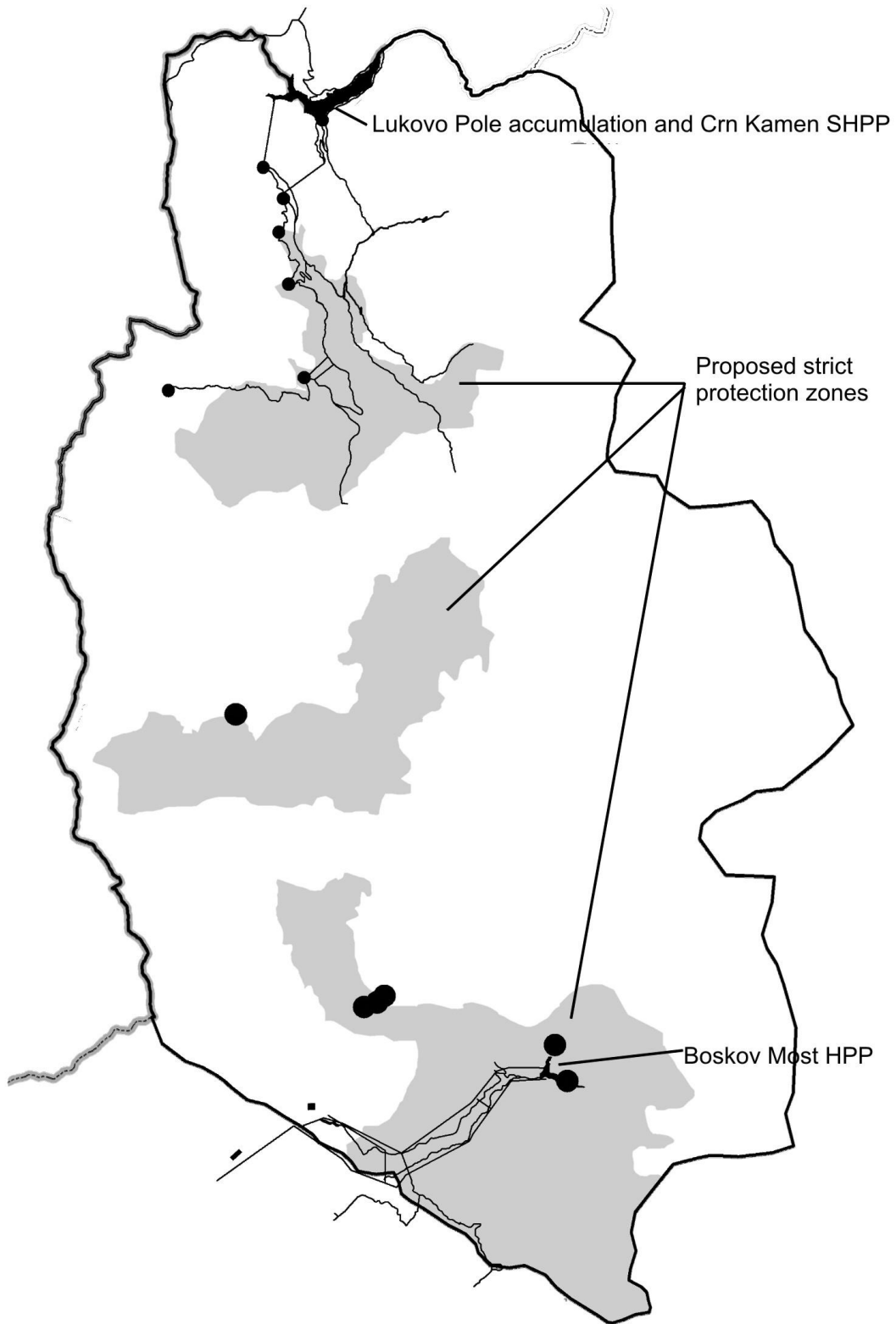
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Total signatories (NGOs)- 31

Annex 1.

Proposal for additional strict protection zones within the Mavrovo National Park (by the Macedonian Ecological Society) for large carnivorous (bear, lynx) and other important species (Chamois - *Rupicapra rupicapra*) and planned hydro power projects in the Mavrovo NP (small circles – water intakes; grey areas – newly proposed zones for strict protection)



Annex 2.

Map of movement and feeding ground of *Lynx lynx*, in the territory of the Mavrovo National Park, and proposed Boskov Most HPP location (blue triangle- positive camera traps- resulted in photos of the Lynx taken, Green plus- locations of various prey of the Lynx, red dots- locations of movement of the Lynx.)

