

# EBRD support for Kolubara paving the “ash way” for development of Serbia

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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.

On July 27th, 2011 the EBRD signed a loan agreement with the Serbian Electricity Company (EPS) with the aim to help EPS in reducing a number of environmental problems in the Kolubara mine area, by providing the company with equipment that will enable coal supply of a uniform quality to the thermal power plants.<sup>1</sup> In one of its autumn session of 2011 Serbian Parliament is about to vote on the state guarantee for this loan.

It is evident that this investment will strengthen the already dominant market position of state-owned Serbian EPS – a vertically integrated power company with a monopoly in lignite mining, generation and distribution of electricity throughout the country.<sup>2</sup> As a dominant player in the sector EPS is influencing deeply the decision making in the energy sector, thus undermining the efforts needed for significant utilization of energy efficiency measures and further exploration of renewable energy resources in Serbia<sup>3</sup>, and solidifying the country's dependency on lignite – the dirtiest of fossil fuels.<sup>4</sup> Independent analysis of RWE is showing that priority in investment should not be in direction of new lignite based TPPs construction in Serbia<sup>5</sup> and with ageing thermal generation capacity, the country should look for ways to decrease the dependency on coal, thus starting to phase out lignite mining, not expand it.

## Environmental and social impacts of the EBRD project – minimal gains with enormous costs

Lignite production of 30 million tons/year from the Kolubara mining complex, used for around 50% of electricity production in Serbia, results in more than 33 million tons/year of CO2 emissions

<sup>1</sup> EBRD PSD: <http://www.ebrd.com/english/pages/project/psd/2011/41923.shtml>

<sup>2</sup> EPS, Kolubara, EBRD board of directors report

<sup>3</sup> University of Belgrade research paper: [http://simterm.masfak.ni.ac.rs/proceedings/14-2009/PAPERS\\_AND\\_SESSIONS/1ENERGY\\_SOURCES\\_AND\\_POTENTIALS/I.1.MilisavljevicV.pdf](http://simterm.masfak.ni.ac.rs/proceedings/14-2009/PAPERS_AND_SESSIONS/1ENERGY_SOURCES_AND_POTENTIALS/I.1.MilisavljevicV.pdf), page 4

<sup>4</sup> According to more strict sustainability criteria, Serbia is practically having less than 1% of electricity produced from new RES. Law on efficient use of energy, prepared in accordance with Serbian obligations in the framework of the Energy Community for Southeast Europe, is delayed for few years with small prospect of being actually accepted soon.

<sup>5</sup> RWE study: <http://www.rwe.com/web/cms/mediablob/en/217656/data/227088/2/rwe-power-international/our-experience/power-generation/RWE-identified-potential-improvements-in-Serbian-electricity-supply.pdf>

and 361.000 tons of SO<sub>2</sub> emissions.<sup>6</sup> The EBRD-supported fields in the Kolubara basin have together 540 million tonnes of estimated lignite reserves<sup>7</sup>, which, when burnt, will emit around 500 million tonnes of CO<sub>2</sub>.

It is very hard to support that the estimated 200,000 tons of CO<sub>2</sub> emissions reductions<sup>8</sup> due to EBRDs investment are a real “value for money” – if achieved, this will equal 0.6% reduction of the total present CO<sub>2</sub> emissions of the Obrenovac TPP. The proposed reduction of about 6.600 tons of SO<sub>2</sub> emissions, if achieved, will represent only 1.5% of the totally emitted SO<sub>2</sub> of all power plants in Serbia.

The Serbian electricity sector has huge problems, firstly because of disastrous structure of energy consumption. Currently Serbian state monopoly (EPS) and private gas monopoly (Russian owned “Srbijagas/ Gasprom”, also an EBRD client) are not able to recover their costs of supply<sup>9</sup> as energy poverty among households is growing and industry is struggling in the time of crisis, thus the two companies are unable to collect their bills, according to information in Serbian media. This shows that the intrinsic structural problems of the Serbian energy sector are not tackled, despite the huge subsidies from state and IFIs support received by these companies.

Therefore reforming the structure of energy consumption in Serbia should be the first priority on the investment agenda for the energy sector. The existence of an independent agency for setting energy prices in Serbia is not enough to move this sector in positive directions until extensive demand-side energy efficiency measures are implemented.

## Resettlements related to EBRD investment

**EPS has a long and not so shiny history of forced evictions of villages and households.** According to research on the topic<sup>10</sup> in the period 1950–2005 Kolubara has already moved (voluntarily and not voluntarily) hundreds of households, two complete villages and partially 10 villages.

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<sup>6</sup> <http://www.drustvo-termicara.com/resources/files/153a90d.pdf>, page 6

<sup>7</sup> EIA studies for the fields Tamnava west and Kolubara C.

<sup>8</sup> EPS, Kolubara, EBRD board of directors report, page 3

<sup>9</sup> [http://www.b92.net/biz/vesti/srbija.php?yyyy=2011&mm=07&dd=11&nav\\_id=524559](http://www.b92.net/biz/vesti/srbija.php?yyyy=2011&mm=07&dd=11&nav_id=524559), in July 2011 Srbija Gas was allowed to take 210 million EUR to cover liquidity problems, in same moment industry and households owed to Srbijagas 680 million EUR, for EPS data are even worst in September households owed to EPS EUR 580million and industry additionally 420 million EUR <http://www.kurir-info.rs/vesti/drustvo/dugovanja-za-struju-dostigla-100-milijardi-dinara-128790.php>

<sup>10</sup> Environment for Europe paper: [http://sewa.sewa-weather.com/~ambassadors/new\\_site/srp/images/stories/Papers/05-05.pdf](http://sewa.sewa-weather.com/~ambassadors/new_site/srp/images/stories/Papers/05-05.pdf)

## Vreoci community

For the last 8 years Kolubara is actively attempting to remove Vreoci settlement which is located directly on „top“ of the most important deposit of the best quality lignite in the whole basin.<sup>11</sup> Already in 2003 the local community protested with roads and rail blockades, staged in Vreoci and on major transport corridors passing near by. However, Vreoci resettlement case can be considered to be one of the biggest achievements in the modern history of Serbia as the community gained the right to have a special governmental program for resettlement. The reason for such advance is that the local community elected representatives with full legitimacy to represent all inhabitants. Therefore the arguments of EBRD staff questioning the legitimacy of local representatives in Barosevac and especially in Vreoci is thus outraging.<sup>12</sup>

Therefore the current approach to resettlement of Vreoci community is one of the weakest point of the whole Kolubara company operation. According to the “Programmatic principles for resettlement of Vreoci community” from 2007, the **whole** Vreoci community should be resettled collectively, including exact number of 1180 households.

After years of struggle for respect of decisions listed in the government resettlement program, inhabitants of Vreoci are now facing strong pressure from Kolubara mining company (supported by responsible ministries, including one for internal affairs) to take or leave whatever compensation amounts that the company decides. Up to this moment only about 200 families have accepted these conditions and level of compensation, and actually moved out of Vreoci.

**The EBRD should respect the demand of the Vreoci community for collective resettlement, in line with the principles aligned and agreed in 2007 government program, as the community is now not willing to compromise with lesser proposals.**

## Barosevac community

In the PSD EBRD states that „*land acquisition and resettlement was substantially completed in 2008 in line with Serbian legal requirements.*“<sup>13</sup> However, in reality this project is including multiple resettlements and even in the less problematic Barosevac case resettlement is far from being implemented in satisfactory manner for local community. Barosevac cemetery is far from being removed, which is a precondition for opening of C field. In fact none of the landowners from Barosevac has signed consent for removal of graves.

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<sup>11</sup> West edge of field „D“

<sup>12</sup> Summary of Findings and Recommendations Following EBRDs Visit to the Kolubara Mine Area, finding No1.

<sup>13</sup> PSD disclosed and last up-dated on 18 April, 2011.

Additionally, the 18 households in Barosevac that will be removed from locations closest to B field, in order to make space for a „green belt“, are not the only houses that need to be moved. 21 more household closest to the mine will not be resettled, despite the heavy impacts from operations in C field and the cracks in their homes. These houses are only 50 meters from the open pit mine and the planned 10 meters wide green belt will be insufficient to ensure a safe and healthy environment for these inhabitants.

According to our interviews with anonymous staff of Kolubara, after its closure C field is planned to serve as a dumping site for overburden of E field. In this case the operations in E field, expected to be initiated in 2014, will have a direct impact on the environment and health of residents of Barosevac. As one of Barosevac representatives stated: „If we will not be resettled from here, we will live our lives next to one of biggest deserts in Europe!“

- One of the main requests of these 21 households of Barosevac is to be listed as households that need to be removed from the near vicinity of the mining operations in C field.
- The EBRD should make sure that a liaison person/team for communication with local communities is put in place immediately. This was obligation according to ESAP which was not complied with so far.
- The EBRD should make sure that local communities are introduced with grievance mechanisms, as currently there is little or no awareness about them.

## Environmental situation in local communities of Barosevac and Vreoci

The quality of air in both settlements is not measured in systematic and satisfactory manner. Air is heavily polluted especially with emissions from processing plants in Vreoci and with dust from the open pit in Barosevac. Measuring points are not located in the most critical locations and are not reflecting the real situation of emission levels where houses are located.

Heavy traffic transporting sands, coal and mining wastes, that are not properly covered, is passing very close to both Vreoci and Barosevac houses and is adding to air pollution. According to data made available from local community, „Zastita“ company from Belgrade carried out measurements of noise in Barosevac and the vibrations measured reached 24/7 noise levels in excess of legally binding values. Houses in Brosevac are heavily damaged by vibrations from traffic (trains and trucks), and additionally by earth moving, soil subsidence and landslides.

EBRD staff after their visit to the waste water pond in Vreoci community in their notes have stated that the pond is not located in the centre of village of Vreoci, as it is 100 meters away from the centre. Waste waters from the coal processing plant are not piped, but streamed in open channels to the Kolubara river without any preliminary treatment or purification. Drinking water supply in Vreoci is scarce with systematic shortages and the responsible Lazarevac authorities do not make efforts to provide for improvement of water supply for Vreoci, due to the expected resettlement.

## Recommendations

- The EBRD should reconsider its involvement in the development of the energy sector of Serbia based on European strategies and directives especially those regulating requirements of reduction of emissions, energy efficiency and penetration of new RES in the electricity market;
- The EBRD should disclose documentation assessing climate impacts of its involvement in the Kolubara project.
- The bank should demand from EPS to carry out its operation in accordance with best available standards of environment protection and in close consultation and cooperation with local communities, as well as the immediate establishment of a liaison person/ team for both Vreoci and Barosevac communities.
- The EBRD should ensure the preparation of a detailed plan of collective resettlement for Vreoci with established mechanisms for monitoring/ supporting resettlement and the integration of resettled families, in accord with the agreed 2007 program for collective resettlement.
- A new ESAP for Barosevac should be developed (consulted, formulated, implemented) which will take into consideration the resettlement of additionally at least 21 households living closest to the mining operations.
- A program of environmental protection of Vreoci and Barosevac should be developed in consultative and transparent manner and implemented in cooperation with local communities.