

Šoštanj power plant in Slovenia: Against EU laws and policies



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.

Project briefing paper, November 2011

The project known as TEŠ 6 is a plan to construct a sixth unit at the lignite-fired power plant in the north of Slovenia. This controversial project has received significant backing from European public banks. Loans from the European Investment Bank (EUR 550 million) and the European Bank for Reconstruction and Development (EUR 100 million) add up to more than 50% of the overall costs of the investment.

Doubts about the economic viability of the project, alleged irregularities in the tendering procedure and its climate impact caused strong opposition to the project within Slovenia. As a result, the state guarantee needed for a major part of the EIB loan has never been approved by the Slovene parliament.

A recent study conducted by an independent consultant as well as two complaints submitted to the European Commission by NGOs bring new arguments against TEŠ 6.

A critical examination of the investment proposal for Unit 6 of the Šoštanj power plant

CEE Bankwatch Network and Focus, association for sustainable development asked Dutch consultant CE Delft to review the investment plan for the Šoštanj lignite-fired power plant. The report issued by the consultant reveals that there are several methodological mistakes in the calculations included in the investment plan. Lignite prices used are too low, the estimated lignite consumption in Unit 6 is artificially lowered from 2028 onwards, and CO₂ costs are underestimated. An unsubstantiated claim of increasing mine efficiency in the investment programme resulted in an underestimation of lignite prices by the project promoters. The other unsubstantiated claim is that there will always be a demand in the market for the extra electric power output produced by the new unit (1000 GWh).

A close analysis of the internal rate of return for TEŠ 6 shows that corrections for the methodological mistakes lower the rate from 7.59% (as stated in the investment plan) to 6.91%. The unsubstantiated assumptions in the investment programme open the door to even higher risk exposure. If all risks materialized, the rate would drop to near 5%. This is well below the threshold value of 7% aimed for by the project promoter and even further from the 9% value that was requested by the Slovenian government in April 2011.

Operating TEŠ 6 will result in emissions of 3.1mt CO₂ a year which is equivalent to all of Slovenia's emissions from all the sectors in 2050 (if it cuts emissions by 80% in line with European long-term climate goals as defined by the European Council conclusions). It also clashes with the plan to decarbonise EU's energy sector by 2050 published in March 2050 by the European Commission.

Irregularities in the public procurement

The Directive 2004/17/EC regulates procurement procedures of entities operating in the water, energy, transport and postal services sectors. It seems that in the course of procurement procedures for the main part of civil works for the construction of TEŠ 6, the project promoter Termoelektrarna Šoštanj has violated some of the provisions of the EU Directive.

The procurement notice for the execution of civil works for the main technological plant of the new Unit 6 of TEŠ had substantial shortcomings and lacked crucial information required by the Directive, including criteria for selecting the applications and information about how and when the interested parties could lodge the appeal against the results of the tender. On top of that, the project promoter failed to send a notice to the Office for Official Publications of the European Communities, thus violating another article of the Directive. TEŠ also violated the Slovene Public Procurement Act, which transposes the obligations laid down in Articles 42 and 44 of the Directive. Consequently, some of the important information about the contract might not have reached all the tenderers who may have been willing to apply for the contract.

On November 2, 2011, in light of the above mentioned facts, Focus, Association for Sustainable Development filed a complaint to the European Commission.

Shortcomings in the CCS assessment

Another complaint to the European Commission was filed on 3 October 2011 by Environmental Legal Service and Focus, association for sustainable development in connection to the alleged breach of the so called "CCS Directive" (Directive 2009/31/EC) on the geological storage of carbon dioxide produced as a result of burning fossil fuels in large installations.

Article 33 of the CCS Directive requires that operators of the given combustion plants, like TEŠ 6, assess whether suitable transport options and storage sites for carbon dioxide produced by the plant are available. They also obliged to examine if it is technically and economically feasible to retrofit newly constructed installations for CO₂ capture. Assessments must be made objectively, expertly, properly, thoroughly and timely. Timely means that if possible it should be definitely made before the most important administrative decisions, finally determining parameters, form or

location of the combustion plant, are issued. CCS must necessarily be made as an integral part of the environmental impact assessment pursuant to the EIA Directive.

The investor (TEŠ) actually made a document called “CO2 Capture and storage potential of unit 6 of the Šoštanj Thermal Power Plant” that should allegedly have represented the CCS assessment. Nevertheless, a) the content of the document does not meet the requirements of Art. 33 of the CCS Directive, b) it was submitted in the wrong stage of the permitting process and c) the competent authorities have never assessed its quality, correctness and adequacy. Consequently, the conditions of Art. 33 of the CCS Directive have not been met. The Slovenian competent authorities did not require the effective rectification of the CCS study, did not even include the incorrectly made assessment into the running proceedings on the environmental permit, and persisted on the fact that TEŠ 6 did not fall into the scope of Art. 33 of the CCS Directive

Recommendations

Bankwatch and Focus call upon the EBRD to carefully examine all the irregularities around TEŠ 6 and withdraw its support for the project.

For more information

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