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To: EBRD, Mr. Kevin Bortz, Director, Natural Resources
Cc. Mr Alistair Clark, Managing Director, Environment and Sustainability

Subject: Up-date and questions on Kolubara project

Dear Mr. Bortz,

We would like to up-date you on the situation related to the Kolubara project and to kindly request some clarification and answers to the questions we have.

The relocation process of the Vreoci settlement falls within the EBRD project

The EBRD narrowly defined the project's area of influence in the Kolubara basin only as Field C (the location for the coal excavator) and Tamnava West Field (the location for the spreader system). The biggest relocation process in recent times in the whole Balkan region is happening on Field D, where the Vreoci settlement is located. Although the EBRD has stated in its communication to CEKOR¹ that the *“EBRD's project does not involve any activities in Field D and as such will not have any impact on Vreoci village, it is clearly evident² that the purchased equipment will be used on other Fields as well for the purpose of expanding production there.*

Thus, in our opinion it was not justified for the EBRD to exclude the relocation of Vreoci from the scope of its project. However, as the EBRD stated it will *“work with EPS and the local community to assist, where we can, in achieving an amicable solution to issues raised”³*, we would like to hear more information from the bank on how this assistance work is being undertaken so far.

1. At the moment, in both Vreoci and Barosevac villages, the problems related to cemetery removal are growing. Kolubara mining company is undertaking excavation works in Vreoci in the close vicinity of the local cemetery, which appears to be attempting to initiate land slides after which they would legalize the cemetery removal easily, against the agreed principles for the relocation of the Vreoci settlement. Most of villagers do not consent to the proposed plan for the removal of the cemetery, and the police forces are still present there protecting the graveyard in case of villagers attempting to stop excavation works.

There are also health problems related to emissions in water, air, and land, eg. from the Kolubara processing plant located in Vreoci, which is one of the worst polluters in Serbia. It appears that the EBRD's due diligence failed to identify a number of environmental impacts of the Kolubara mine operations that require immediate remedy.

¹ Letter to CEKOR from Kevin Bortz, Director Natural Resources, EBRD, dated 29 July 2011

² Statement from a meeting held on 8th March 2012 in Vreoci, where the director of “Kolubara” Public company, Mr. Ceran declared that: “local communities, Vreoci especially, should give up their protests and get out of their “trenches” since the fate of the equipment for the development of all the fields in Kolubara basin depends on this loan”. Also in an interview, the director of fields C and D, Mr. Petrovic, said that the fields are interdependent, and that it is „impossible to distinguish geologically, technologically and geographically between Fields, and C Field is a direct and basic precondition for development of Field E and the South Fields that will come in the future“.

³ Letter to CEKOR from Kevin Bortz, Director Natural Resources, EBRD, dated 29 July 2011

Question: Are there any measures, backed up by EBRD, for improvement of living conditions in Vreoci community, especially in the parts that according to the EBRD should not be resettled⁴? Please, let us know if the SEP and/or the ESAP have been expanded to include measures for Vreoci village.

2. The 2007 Government plan for the collective resettlement of Vreoci and Barosevac is still being violated by the EPS Company. In Barosevac there are problems with 21 families that are now on the edge of C field, falling under the scope of the EBRD project. Those families in Barosevac live on the border of C field (which starts about 50 metres from the nearest houses), 30-40 metres from the lignite transport corridor from Field C to Veliki Crljeni Thermal power plant, and 15-30 metres from the road corridor Vreoci-Arandjelovac, which serves as an internal truck corridor for the Kolubara company. The EBRD should have seriously considered the long term impacts of works and traffic in Field C on the situation in Barosevac, where 280 families are living within a radius of about 350 metres from Field C and at least half of the village is located within a critical corridor of 150 metres. With a highly inadequate protection belt of a few metres of freshly planted trees it is hard to believe that the village will be seriously protected from emissions of dust, noise, heavy metals, vibrations (already causing ruptures in houses in the village). The village is also endangered by landslides. TSimilar events have already occurred in B and C fields very close to this area, in 2007.

We ask the EBRD once again to ensure an inclusive consultation process and sustainable resettlement solution and action plan for these inhabitants.

3. Ms. Gacek from the EBRD's Belgrade office has informed CEKOR that "*the public has been notified about the existing complaints procedure.*" However as far as we are aware, a grievance mechanism for the local communities has not been established. Local communities we have been in contact with are not aware of the grievance options and are thus not able to communicate their concerns through official channels (eg. On harmful emissions from the processing plant, emissions from the mining and transport, polluted water, drinking water shortages in Vreoci, resettlement problems, problems in functioning of local infrastructure and problems with cutting support for the local community office).

Questions: Can you please, provide us with more information about how, when and where was the existing complaints procedure presented to the public? Perhaps there is a way of disclosing information about it on-line and in appropriate local media and communication outlets, in order to facilitate communication between the company and the people impacted by its operations.

Additionally we would like to ask if the Kolubara company has a complaints policy or a grievance mechanism for the employees at the mine? Is it publicly available?

We ask the EBRD to ensure that the plans and mechanisms for resettlement and compensation also include measures for the successful integration of the resettled population (both Vreoci and Barosevac) into their new environment including job creation, social and economical infrastructure needed, indicators of success, with an established monitoring system and responsible implementing institutions. This is not the case with the current documents to which we have access such as the SEP and the ESAP.

⁴ In a report from the EBRD Env Soc Dept, called Summary of Findings and Recommendations Following EBRD's Visit to the Kolubara Mine Area, which was sent to the local community in Vreoci on Nov 17, 2011 EBRD has misinterpreted that "The plan does not foresee the resettlement of all households in Vreoci" and noted that : "In addition, it was recommended that EPS/MB Kolubara work jointly with the municipality of Lazarevac to identify which infrastructure improvements are needed for households which are not going to be resettled in the near future, but are planned for resettlement at a later stage."

Emissions and “Environmental improvement”

The EBRD claims that the project “*will contribute to the reduction of air emissions associated with coal extraction, help achieve national air emissions targets including CO₂, and assist the operators of the power plant in achieving increasingly stringent emission limits set by the recently introduced EU Directive 2010/75 on Industrial Emissions (integrated pollution prevention and control)*”.

Questions: What reports has EPS provided to the EBRD with information on cost-effective options to reduce its carbon intensity during the design and operation of the project? Are there any technical assessments and/or financial feasibility studies that the EBRD can provide us with or any other documents calculating the reductions of emissions of CO₂ (and other substances such as SO_x, and NO_x) of the Kolubara mine complex (including TPPs using Kolubara lignite) along with the evidence on how this investment will help meet EU obligations of Serbia for emissions reductions?

Was a calculation made for the complete life time of the purchased equipment, the payback time (financially feasibility of equipment), emissions from all the lignite mixed (excavated and transported) by the purchased machinery, along with external environmental costs of the operation?

We are looking forward to your reply.

Kind regards,

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