

May 2000
Nucoil Issue

Caspian Oil attracts EBRD

The EBRD is becoming ever more interested in oil projects in the Caspian Region. The quality of EBRD investments is highly questionable unfortunately; the latest example of dubious lending is to the Frontera Resources Corporation oil exploration project in Azerbaijan and Georgia. The EBRD has already approved 10 mld. USD for the Frontera Resources project, for rehabilitation and development of the Kursangi and Karabagli oil fields in Azerbaijan and Block 12 in eastern Georgia. In nearest future, the EBRD will review the possibility for provisions on a borrowing base loan up to 60 mld. USD.

For the first time in the history of the EBRD, the Bank decided to split the project into two phases: the first focuses on rehabilitation of the oil field sites and pilot drilling and the second involves full field development. Because the two-phase procedure was approved, the project was allowed to begin without either a full EIA or public consultations (both these processes are now necessary only for the second phase of the project).

The quality of the Environmental Audit (a document which does not require public consultation) was very poor. The Audit claimed, for instance, that the local socioeconomic situation would likely improve through "increased employment of local labor". In actual fact, employment in the oil company decreased from 1500 to 800 people, most of them local workers.

Frontera Resources Corporation failed to arrange a proper



scoping process in countries for the second phase of the project. As a result, the Environmental Impact Assessment documentation omits oil spill response plans, calculations of CO₂ emissions, consideration of alternatives, not to mention Espoo Convention requirements. That the interests of the company have been given priority over any kind of public interest is obvious from the fact that the documentation is not even available in Azerbaijani.

The fact that the EBRD approved an oil exploration project that is affecting a third of the Shirvan Game Reserve is very worrying, and indicates a lacking respect for environmental protection in Azerbaijan. The natural reserve was established to protect endangered Jayran Deer, a species in the Red Book. NGOs demand that oil development be halted immediately in the Shirvani Game Reserve and that the

EBRD stop funding dangerous oil projects in protected areas.

NGOs in the Caspian Region consider the EBRD to be an institution that should promote democracy as well as higher standards of business conduct and environmental protection in their countries. Instead, however, the EBRD has become involved in oil projects and development of natural reserves, and hence has become responsible for furthering environmental devastation and social problems in the CEE region.

Kumtor Gold Mine: Two years later

More than two years after a truck carrying 20 tons of sodium cyanide overturned and plunged into the Barskoon River in Kyrgyzstan, what has been done to investigate the accident and ensure it will not happen again? In fact, very little.

There is still mistrust and suspicion among the Kyrgyz people concerning the operation of the Kumtor gold mine, operators of the ill-fated truck. There is little reliable information. The number of deaths and illnesses caused by the spill are still debated. It is unclear who used the chemical, sodium hypochloride, in the clean-up, causing widespread skin diseases.

The International Scientific Commission investigated the cyanide spill and recommended that "Kumtor's

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K2/R4: Is the Blackmail Over?

In March this year, the Ukrainian Government passed a resolution that Chernobyl would finally close this year. The Ukrainian State Administration for Nuclear Regulation has already set the date - not later than 15 November 2000. Fourteen years after the tragic disaster, the last remaining unit will end of its lifetime.

The closure is necessary due to the „gap closure" in the reactor, which limits technical operations. Ukrainian officials are keeping a tight lip about this fact because they are still seeking financing for two nuclear reactors in Khmelnytsky 2 and Rivne 4 (known as K2/R4). Gap closure is a serious technical problem in RBMK reactors, and could lead to a serious nuclear accident. To avoid such an accident, the reactor needs to pass a special, expensive, operation called rechanelling. This operation, however, will not improve the

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K2/R4: Is the Blackmail Over?

reactor's safety. A 15 March 2000 letter to the Head of the Ukrainian State Administration of Nuclear Regulation states: "... such measures are expensive and therefore this is mostly a question of economical reasonability and availability of financial resources for implementation of such reconstruction".

Meanwhile, the controversial K2/R4 project is losing support worldwide. Last year, Parliaments of Germany, the Netherlands and Italy adopted resolutions that stated they were opposed to their countries playing nuclear games with Ukraine. Germany has been leading the process - in March, the German Export Credit Agency Hermes revealed it had no plans to take part in the K2/R4 lending. However, the European Bank for Reconstruction and Development, whose decision will determine the future of K2/R4, has not been active in



One more layer and we have Western Safety Standards in Ukraine

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developing alternative projects to replace the Chernobyl plant and help the Ukrainian energy sector recover.

At the same time, the K2/R4 project is not attractive for the Ukrainian public. Public consultations conducted in Ukraine in 1998 showed strong and clear public opposition to K2/R4. Another opinion poll conducted in April 2000 in Ukraine by SOCIS-GALLUP showed that only 14% of the population supports the construction of K2/R4.

It is becoming ever more evident that time is being wasted over the K2/R4, and that rejection of the project is long overdue. It is time for the EBRD and other international donors to intensify their efforts to offer Ukraine a comprehensive package of alternative investments aimed at improving the country's energy sector.

Kumtor Gold Mine: Two years later

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emergency response plan should be revised in light of the spill and a copy filed with the Emergency Measures Organization." Although a copy of the plan was filed in compliance with this recommendation, it is not available to the public because mine owners say to release it would jeopardize the security of the mine and expose it to vandalism and sabotage and risk deliberate disruptions to operations and emergency response capabilities.

Granted there are parts of an emergency response plan that need to be confidential, but to withhold the entire plan so it is impossible to evaluate whether or not there is a proper response mechanism in place is inappropriate and unacceptable. CEE Bankwatch demands the release of the Emergency Response Plan and a genuine discussion of it with the impacted public and NGOs.

Bankwatch also calls for an independent audit of the mine operations, along with public access to records of unspecified problems with the mine that were identified before the cyanide accident during a field visit by the Overseas Private Investment Corporation (OPIC) of the U. S. government. This request has been ignored by EBRD, the World Bank Group and OPIC, all of whom support the project.

Bankwatch also requests that EBRD, the leading lender in the project, initiate an investigation followed by a public report on the corruption in Kumtor mine operations. This corruption was announced before the Kyrgyz Assembly last December, and the previous director of Kyrgyzaltyn was dismissed by the Kyrgyz president consequently.

The World Bank exploring new ways of dialogue with NGOs

The First Assembly of the Europe and Central Asia Region Working Group on the World Bank took place in Vilnius, March 29-April 1. Around 85 NGO representatives from across the region and from all sectors of the NGO society attended the three-day meeting to learn about World Bank projects in their countries and their impacts on society. The Assembly formed the Working Group and elected the Steering Committee, headed by Miklos Barabas from the European House (Hungary).



The Assembly was an interesting new step in an ongoing search for the best ways to communicate NGO concerns to the WB officials. A large delegation from the Bank, headed by Vice-President Johannes Linn, was essential to this dialogue. Also, the Bank provided financial support to help defray expenses for the Assembly.

Even though successful, the Assembly was a first step in a long process. The NGOs from the Europe and Central Asia Region will now be carefully examining how useful this new mechanism will prove to be.

More information about the Working Group can be found at:

www.bankwatch.org/ngowbwg

The EBRD Knows that K2/R4 Is a Bad Project

An interview with Profesor Bedrich Moldan, a member of the EBRD Environmental Advisory Council.



Professor Moldan, a Czech national, has represented his country on the Boards of numerous multinational bodies such as the UN Commission on Sustainable Development, the UN Conference on Environment and Development, the European Environment Agency, the Regional Environmental Center and The European Consultative Forum on the Environment and Sustainable Development. Professor Moldan was a Member of Parliament and Minister of Environment of Czechoslovakia in the years 1989-1991. He has been a Professor of Environmental Sciences and lecturer in Environmental Geochemistry at Charles University, and has extensively researched environment and sustainable development issues. He has authored and edited numerous scientific publications in the fields of biogeochemistry, environmental sciences, education and policy.

You are a member of the EBRD Environmental Advisory Council (ENVAC) which consists of a number of independent environmental experts. Based on your experience in the Council, what is your opinion on the possibilities for cooperation between ENVAC and the public? Is there currently cooperation between ENVAC and NGOs?

Prof. Moldan: ENVAC members are selected on the basis of their qualifications and they represent no one but themselves. Nonetheless, there are a number of members from important CEE NGOs (from Poland, Hungary, Russia and the Czech Republic), who are very active within ENVAC. Therefore, cooperation with NGOs is rather informal but very tight. So of course we discuss issues that are crucial for the general public, such as the usefulness of EBRD aid, the types of projects the Bank supports, the manner in which these projects are assessed, and so on.

As a member of the Council, if you were asked to advise the EBRD, would you recommend that it finance nuclear energy development?

Prof. Moldan: Definitely not. As I have already mentioned, I represent no one but myself, and I speak only for myself. My opinions on nuclear energy, and specifically on the completion of the Temelin power plant, are quite well known. I have published

them in the press, and they have also been covered by TV and radio. I am convinced, for a number of reasons, that this is not a good way of generating energy. It creates many problems that are extremely difficult to solve, such as the long-term problem of radioactive waste (including the shutdown of power plants themselves), terrorist safety, inflexible regulation of output. I share the belief that nuclear energy can be made reasonably safe, but if you really count all its costs, it is more than obvious that its price is way too high compared to any other source. Just a very small example: Has anyone ever calculated the cost of a simple bomb threat in a nuclear power plant, even a false one? Another reason why I am opposed to these power plants is that drastic measures could be needed to secure safe nuclear operations. Maintenance of security is only possible with an armed force, which only a very strong state can afford. Why strengthen the role of the state when it is not necessary?

What do you think about the project to complete the Khmelnytsky 2 and Rivne 4 (K2/R4) nuclear power plants in the Ukraine, which the EBRD is about to finance? This project has had strong public opposition. How do you view it personally, and how does ENVAC view it?

Prof. Moldan: The projects are bad - ENVAC knows this and the EBRD knows it. The EBRD is unfortunately under strong pressure from the Ukrainian Government, which in turn is under pressure from the nuclear power plant construction lobby. This lobby is extraordinarily powerful. In the case of Temelin it seems incredibly strong and I don't believe that the plant will be beneficial to anyone but the contractors themselves. Everyone else is more or less bound to suffer from its existence: CEZ (the national power generation company), its customers, the international reputation of the Czech Republic, and the public (especially in South Bohemia, a region that will forever be disfigured by this ugly monster). We are talking about a situation in which there are no serious accidents. I can only hope we will be spared of accidents. Anyway, the EBRD knows that building new power plants in the Ukraine is dangerous and nonsensical. However, the Bank has only been given two alternatives [from Ukraine]: build the K2/R4 for us or we will keep running the dangerous Chernobyl. Which of these two is the lesser evil? ENVAC wants to continue discussing this issue (a lot has been said about it already) to try to find other alternatives to these two very bad options. We can only hope we will succeed.

CEE Training Opportunity on Globalisation

The anti-economic globalisation movement is in full swing in the US, the European Union, and in the global south. This movement criticises the current world trade and financial system and the institutions that are driving its development. Despite this exciting new global movement, CEE activists are still relatively unfamiliar with the arguments in support of it, and there is relatively little coordinated effort in the region to comprehensively combat the institutions driving economic globalisation.

With this in mind, Bankwatch member Friends of the Earth/Slovakia, together with Friends of the Earth/United States, is sponsoring a training seminar for CEE activists on the central issues concerning economic globalisation. The seminar, titled "Economic Globalisation: Why It Is Time To Act!" will be held June 25-27 in Bratislava, Slovakia. Approximately 25 participants from non-governmental organisations in various countries around the region will discuss four main themes: the world trade system, the World

Bank, the International Monetary Fund and transnational corporations.

Each participant will take part in the training and will discuss how economic globalisation is impacting their country. It is expected that the seminar will produce a network of CEE activists who have the knowledge and desire to act in defence of our communities, economies and environment against the onslaught of economic globalisation.

If you would like more information about the training seminar, please contact:

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Decommissioning Fund: the Long-awaited Solution?

For the past ten years the international community has been concerned with the nuclear units that were built in Central and Eastern Europe (CEE) during the 70s. Because of adverse economic conditions, the units were built with design errors and shortcuts that compromise safety.

European governments supported a number of programmes designed to decrease the risk of these units. In 1993, a new multilateral fund, called Nuclear Safety Account (NSA), was established with ECU 257 million. The programme was hosted by the EBRD and focused on safety improvements of the high-risk units and closure of most of the units before the end of 2000. In reality, however, the NSA did not result in the early closure of the units but actually led to the extension of the units' lifetimes.

There are a number of reasons for the failure of the NSA fund. The target countries needed reforms in their economies, and specifically in their energy sectors. The NSA had insufficient resources to guarantee closure of the reactors and there was no clear mechanism for estimating the cost of needed improvements. Also, the agreements were not legally binding, leaving space for new negotiations. Because there was insufficient control over the NSA, some of the measures that were envisioned under the agreements have not been implemented.

CEE Bankwatch Network, with other NGOs, has stressed

the need for a Decommissioning Fund (DF) that would focus on early closure and decommissioning and not on the safety upgrade of the units. This DF is especially needed in the CEE countries where there is a huge potential for energy savings at a time when energy needs are down due to the overall economic recession. CEE Bankwatch Network believes that units must stop producing electricity before decommissioning grants are released so that operators cannot receive grants for decommissioning, only to invest in new nuclear units. Any exported electricity from countries that benefit from the DF must have a decommissioning export tax attached. Also, the DF must not only support technical measures but also deal with social problems caused by the elimination of jobs. In addition, electricity savings must be invested in energy saving measures.

The European Commission is now preparing the DF, targeting high-risk units in Lithuania, Slovakia and Bulgaria as a part of the accession process. The core funding is supposed to come from the Phare programme. We also believe Euroatom (European programme supporting nuclear projects) can play an important role in releasing privileged loans. The EBRD is considering hosting the Fund. Finally, transparency of the DF programme and public involvement has to be guaranteed. Texts of the agreements and project reports have to be available for public review. NGOs must be permitted to attend the DF's Board of Donors meeting.

Prague 2000 Public Awareness Activities

Three non-governmental organisations are planning a series of public awareness activities to be held in conjunction with the World Bank and IMF annual meetings in Prague in September 2000. CEE Bankwatch Network, Jubilee 2000, and Friends of the Earth are lining up international experts to lead discussions on subjects such as debt reduction, ecological debt, social and environmental consequences of transition policies, post-war reconstruction in Southeastern Europe, and international trade policy. All presentations will be in English. In addition, there will be a film festival on projects of the World Bank and IMF. Films will be translated into Czech and English.

The general public is invited to these events, with a special invitation to Czech citizens and anyone attending the World Bank/IMF meeting. A final agenda will be available on the website: www.bankwatch.org/wb-prague

In addition, a skill-sharing workshop will be conducted in English and Russian for NGOs working on the World Bank and the IMF. This workshop will cover strategies for influencing the social, economic and environmental impacts of World Bank projects.

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CEE Bankwatch Network is an international NGO of 16 environmental organisations from 11 CEE and CIS countries. The Network is monitoring the activities of International Financial Institutions in the CEE and the CIS region.

The logo consists of the word "MAIL" in a large, bold, serif font. Below the letters, there is a grey, semi-transparent reflection of the word "MAIL", creating a 3D effect.

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