

20 March 2013

President Hoyer, EIB
President Chakrabarti, EBRD
cc. Executive Directors of the EBRD
cci. Directors of the EIB

Dear President Chakrabarti,
Dear President Hoyer,
Dear Directors,

Sostanj must never happen again

On 8 March 2013 the European Bank for Reconstruction and Development and the European Investment Bank confirmed that decisions had been made to disburse funds for the Sostanj 6 power plant in Slovenia, which together with the syndicated loans from commercial banks are worth no less than EUR 750 million. The approval of this project has proven to be a serious mistake, and we are writing to urge you to ensure that your banks learn from this experience.

As both banks are now undertaking Energy Policy reviews, there is no better time to reflect on what went wrong with Sostanj and how this can be prevented in the future:

- Slovenia will now have to choose between failing to reduce its emissions by 80-95 percent by 2050 and closing Sostanj 6 before the intended date.
- No alternatives to a lignite or coal unit were seriously examined. Having invested so much public money in a new lignite plant, the development of energy efficiency and renewables in the country will be crowded out.
- Health impacts from the project were not taken into consideration and it was left to civil society to find out that Unit 6 will annually (from 2016 on) cause between 33 and 48 deaths and create between EUR 168 million and EUR 242 million in damage to the national economy.¹
- Corruption allegations about the project were public knowledge when the EIB approved the second tranche of its loan and the EBRD approved its loan in 2010. Even now OLAF has not yet concluded its investigation into the case, which still threatens to cause further problems for the project.
- When the project originally went to the EIB for financing consideration, most people in Slovenia did not even know it existed. This failure to ensure adequate public consultation seriously back-fired later when the project became highly controversial to an extent that threatened its continuation.

While we have been heartened by the fact that the EIB did not approve financing for any coal projects in 2012, unless the bank commits not to finance any more coal projects the positive trends witnessed in 2012 may remain an anomaly. We were disappointed to hear President Hoyer's statement at the EIB's annual press conference that the EIB still believes that Sostanj 6 is not a bad project. This does not give the impression that serious lessons are being learnt.

The EBRD, meanwhile, looks even less like it has learnt the lessons from Sostanj. At this very moment it is considering a loan for the Kolubara B lignite plant in Serbia, and has recently published a draft country strategy for its newest member, Kosovo, which features as its centrepiece none other than a new 600 MW lignite power plant. The parallels with Sostanj here are clear: a large power plant in a small country that aspires to join the EU will surely prevent Kosovo's sustainable development and cause difficulties in meeting EU climate and renewables targets.

We therefore urge the EBRD and EIB to do the following in order to avoid repeating the mistakes from Sostanj:

- Ensure that the new Energy Policies prioritise the use of precious and limited public money for financing energy efficiency and sustainable renewable energy and prevent its use for financing fossil fuels, especially coal, in order to contribute to global greenhouse gas reductions of 50-70% by 2050 and the EU's decarbonisation agenda.
- Examine more carefully project alternatives instead of accepting project sponsors' claims that none of them are viable.
- Exclude the new Kosova e Re power plant from the new Country Strategy for Kosovo (EBRD).
- Ensure that wide public participation on large and potentially high-impact projects takes place at a stage when

¹ Greenpeace: Družbeni strošek energije iz Šoštanja, June 2012, <http://www.greenpeace.org/slovenia/Global/slovenia/Dokumenti/Poročilo%20končno%20s%20hiperlinki.pdf>

all options are open, in line with the Aarhus Convention, and includes all relevant stakeholders. Most importantly, the banks need to seriously listen to the concerns raised, not just pass on the project sponsors' reassurances.

- Write into all financing contracts a clause stating that funds will not be disbursed in case of ongoing national or European level fraud or corruption investigations.

Thank you for your time. We look forward to seeing what action you will now take to make sure that a mistake like Sostanj does not happen again.

Yours sincerely,

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