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Dear Board member,

The EBRD is considering a loan to Danosha accounting for EUR 35 million to finance the expansion of operations in Ukraine.¹ The board date for the project is scheduled on 10 December 2013. Danosha's operations in Ukraine are associated with a number of environmental and social concerns, and we ask you to review and address these concerns before any additional support for Danosha is considered.

Danosha is a subsidiary of the Danish holding company Axzon. Since 2004, Danosha has operated large-scale pig farms in Ukraine. There are currently five farms with a total capacity for almost 107 000 pigs, including sow, weaning and finishing farms.² An additional farm is under construction, and the company intends to increase its operations further.

All Danosha production facilities are located in the Ivano-Frankivsk region. The farms are geographically spread within two administration districts (Kalush and Halych) and affect a number of villages. The local population complains about the increased pressures on the environment, problems with water and waste, issues with land acquisition and affects on biodiversity. Moreover these problems are compounded by the fact that the company does not disclose comprehensive environmental information.

Environmental safety

Livestock production capacities are having significant negative impacts on the environment and surrounding communities. According to Ukrainian legislation, large-scale animal farms are classified as facilities with the highest possible degree of environmental risk: meaning that these farms belong to the same category as nuclear factories and chemical production industries.³ Even though Danosha claims to have reconstructed dated facilities, a field examination by NECU shows that many of its facilities are greenfield farms.

Some of Danosha's farms are located in the Kalush district, where there is already a high anthropogenic pressure on the environment. If additional production facilities will be located in the district, these can potentially push the ecosystem's carrying capacities to the limits.

Areas within Kalush have been designated emergency zones by the special decree of the President of Ukraine,⁴ the special joint examination mission of the United Nations Disaster Assessment and Coordination (UNDAC) system and the European Commission's Monitoring and Information Centre (EC-MIC)⁵ because of the state of the environment in these places.

¹EBRD Project summary documentation: <http://www.ebrd.com/english/pages/project/psd/2013/44982.shtml>

²Danosha official web-page. Available at: <http://www.danosha.com.ua/en/2011-09-12-09-47-00/production>

³<http://zakon2.rada.gov.ua/laws/show/808-2013-%D0%BF>

⁴ Decree of the President of Ukraine No 145/2010 dated 10 February 2010. Available at: <http://zakon4.rada.gov.ua/laws/show/145/2010>

⁵[https://docs.unocha.org/sites/dms/Documents/UN-EC%20Technical%20Scoping%20Mission%20-%20Kalush%20\(16Apr10\).pdf](https://docs.unocha.org/sites/dms/Documents/UN-EC%20Technical%20Scoping%20Mission%20-%20Kalush%20(16Apr10).pdf)

Kalush is a developed mining region of sylvinites, kainites and langbeinites and associated industries.⁶ These extensive mining and chemical production industries have resulted in the deterioration of the environment from mining sites, tailings, dumps and by-product waste sites. As a result of poor planning of the tailings and mining dumps and other waste accumulation facilities and mining sites, the surface landscape cracked and has in turn damaged infrastructure, lead to the salination of ground and water. Moreover the region stores huge amounts of Hexachlorobenzene (HCB)⁷ - an extremely toxic persistent organic pollutant. In 2010 an HCB leakage was detected, and an independent scientific sampling showed that concentrations in the water were a factor 100 times higher than the Ukraine standard (and in some places more).⁸ Due to the nature of the pollutant, the longterm risks of HCB spreading are therefore high.

For these reasons we believe that additional livestock production capacities in Kalush will increase the existing environmental pressures in the area and risks of disaster. Secondly it is not clear how safe the environment is for livestock production due to potential leakages of persistent pollutants into surface and ground waters. The latter question should be thoroughly addressed in the Environmental Impacts Assessment for the planned Danosha facilities.

Effects on the biodiversity and ecosystems

While some of Danosha's farms are situated in the environmentally-damaged Kalush district, the other farms are located in Halych district, which is known for its sensitive ecosystems that are protected by national and international regulations. In particular, Danosha facilities border the Halych National Nature Park and the Dnister River, which is a transboundary watercourse of the regional importance. The scope and scale of effects from the farms on these natural areas have not been evaluated, minimised or mitigated.

The Halych National Nature Park is one of the Carpathian protected areas of about 15 000 hectares. The protected lands are not contiguous but rather spread around the region, creating a special pattern of protected areas separated by villages and agricultural lands along the Dnister River. The park protects a number of species under the Red Book of Ukraine, the European Red List and the Bern Convention on the Conservation of European Wildlife and Natural Habitats.⁹ The park also has unique wetlands that are in the process of validation by the Convention on Wetlands of International Importance (UN, Ramsar 1971).¹⁰ Danosha's Lany farm is situated just several meters from one of the Natural Park borders.

According to EBRD Performance Requirement 6, Danosha should identify and characterise the potential impacts on biodiversity that are likely to be caused by the project through the

⁶ Note: There are potassium-magnesium plant that produces metal magnesium and potassium fertilizer; plants for production of vinyl chloride, olefin and polyethylene; and caustic soda, hydrochloric acid, liquid chlorine, sodium hypochlorite, carbon tetrachloride and hexachloroethane, etc.

⁷Note: HCB is by-product from the production of carbon tetrachloride and vinyl chloride. Since production of these substances began in 1973, there have been approximately 540 tonnes of solid waste annually with over 90 percent of HCB stored in the region. As a persistent organic pollutant, HCB degrades slowly and accumulates in the food chain. It is considered as a probable human carcinogen, a proven carcinogen to animals and highly toxic to aquatic organisms. Once leaked into the environment at a concentration above standards, it poses a threat to living organisms for a relatively long period of time.

⁸[https://docs.unocha.org/sites/dms/Documents/UN-EC%20Technical%20Scoping%20Mission%20-%20Kalush%20\(16Apr10\).pdf](https://docs.unocha.org/sites/dms/Documents/UN-EC%20Technical%20Scoping%20Mission%20-%20Kalush%20(16Apr10).pdf)

⁹<http://www.halychpark.if.ua/>

¹⁰http://www.ramsar.org/cda/en/ramsar-home/main/ramsar/1_4000_0

environmental and appraisal process and seek to avoid adverse impacts on biodiversity.¹¹ **Representatives from the national park have said that they were never consulted regarding the potential impacts of the pig farming; so it is likely that the assessment of the potential effects of the farm's operations on the ecosystems of the nature park was never done.**

Danosha facilities are also situated close to the Dnister River, one of Europe's largest rivers and which is protected by the Convention on the protection and use of transboundary watercourses and international lakes (UN, Helsinki 1992).¹² **The potential effects of operations on the Dnister must also be evaluated.**

Legitimacy of operations

Some of Danosha's facilities do not have proper environmental permissions for their operations.

According to state regulations on building activities, the Delieve farm has approved documentation for construction until September 2013¹³, after which time construction should finish. A site visit to the village at the beginning of November proved that the building is not finalised and the works are on the way, so it is unclear how the company ensures legitimacy of building activities after September 2013.

Locals allege that the company is continuing construction at the Delieve farm and has even begun trial operations.¹⁴ According to the Ivano-Frankivsk State Regional Administration, the company still does not have permissions for atmospheric emissions and water use, which are required before starting operations.¹⁵

As such it is unclear how this situation is reflected and regulated by the permission documents, as permission for the building of the facilities has already expired, while the required permissions for starting operations have not yet been obtained.

Moreover, in Delieve it is unclear which specific facilities the company is planning to put into operation and how this is reflected in the permission documentations. In the resolution of the State environmental expertise, the Delieve farm has capacities for 11900¹⁶ animals. At the same time, project documentation form 2013 for waste disposal mentions capacities of 27300 animals for Delieve¹⁷, which is a more than double increase in capacity.

Access to information

The company has failed to disclose timely and comprehensive information regarding the safety of its operations and assessments of the possible social, environmental and economic impacts of the project during construction and operation phases. A number of information requests were

¹¹[http://www.ebrd.com/environment/e-manual/perfrom-requirements/english/EBRD PR 6 Biodiversity ENG.pdf](http://www.ebrd.com/environment/e-manual/perfrom-requirements/english/EBRD_PR_6_Biodiversity_ENG.pdf)

¹²<http://www.unece.org/fileadmin/DAM/env/water/pdf/watercon.pdf>

¹³Danosha has received a positive resolution from the state environmental expertise dated 07.09.2009 № 09/21.08.09 to build Delieve farm. The resolution is valid for three years, according to the Law of Ukraine on Environmental Expertise, available at: <http://zakon4.rada.gov.ua/laws/show/45/95-%D0%B2%D1%80/page>. So Danosha has a valid resolution of environmental expertise for building activities until September 2013

¹⁴Claim to the state authorities regarding the illegitimate operations on the Delieve from local population dated 9 October 2013

¹⁵Response for the information request of Ivano-Frankivsk State Administration dated 20.09.2013 2009 № 03-16/Ko-11

¹⁶Resolution from state environmental expertise dated 07.09.2009 № 09/21.08.09

¹⁷The project of limits of waste generation and storage for Danosha enterprise in 2013.

submitted to the company by NECU and locals, requesting access to environmental impact assessments and other relevant environmental documentation. Access to this information is granted under national legislation (the Constitution of Ukraine, Law on Information of Ukraine, Law on Environmental Protection of Ukraine, Law on Access to Public Information of Ukraine) and international treaties (UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention)). **The company failed to provide any of the requested information to the public and ignored the majority of information requests.**

This issue was presented in a letter to the EBRD from NECU № 125-2/26 on 7 October 2013.

Land acquisition and community resistance

Danosha currently faces issues with land acquisition and community resistance. At least three communities involved in land lease relationships with Danosha oppose the construction of Danosha facilities.

The local communities claim that during negotiations, the company failed to provide comprehensive information about the scope, scale and effects of its operations. The locals did not have detailed information about the exact number, capacities and locations of the facilities, as well as the purposes for which the lands will be used.

Locals in several villages also consider illegal the agreements between the company and village authorities for the lease of lands for the building. Such agreements were signed between individual village councils and Danosha representatives. However, locals claim that lands under the agreements were illegally transferred from the class of agricultural lands to lands where building activities are allowed.

The dissatisfaction of the local communities has resulted in opposition in some villages, with the village of Sivka-Vojnylivska terminating its contract with the company. Locals in Delieve have opened legal cases against Danosha regarding its performance.

The role of the company in the violation of the land rights is unclear. **The situation indicates that in some of the villages the company failed to ensure transparent and open negotiation processes and the involvement of all stakeholders, resulting in problems regarding legal rights to land use and serious opposition from local communities.**

Compensations for land use

The company has also undermined its reputation by not providing compensation for the use and rehabilitation of lands after some operations. In the village of Sivka-Vojnylivska, the company signed agreements to lease the land from 1 January 2005 till January 2012. Danosha used the lands for seven years and did not provide any compensation, with now more than 50 claims without compensation outstanding. Moreover, some parts of the agricultural lands under lease have been crossed by road construction, with no compensation or lands rehabilitated after the agreements were terminated.

Conclusions

Livestock production activities of Danosha in Ivano-Frankivsk are associated with pressures on the environment, the safety of operations, effects on vulnerable ecosystems, problems with documentation and access to information, land acquisition practices, untransparent negotiations and the resistance of local communities, and the compensation for and rehabilitation of lands after Danosha operations.

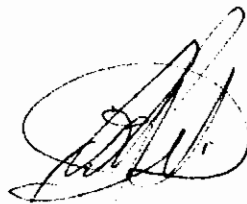
And while we do support steps aimed at the construction and use of biogas power as an energy source, given the industrial scale of Danosha operations and related impacts we ask the EBRD not to support any kind of activity until Danosha address existing problems in a comprehensive and responsible manner. Specifically, Danosha should:

1. provide all relevant environmental information to the public, including environmental impact assessments, environmental and social action plans and any other information regarding its environmental and social performance;
2. identify and characterise all the potential impacts on biodiversity at the Halych National Nature Park, the Dnister River and areas that are likely to be impacted by Danosha operations, and develop a set of mitigation measures. The work should be done with the involvement of stakeholders including local specialists working on these issues;
3. provide a more clear and transparent negotiation process and the involvement of stakeholders when deciding on the allocation of its facilities;
4. discontinue operations if they are illegal or lack the necessary documentation; and
5. provide compensation for land used and ensure the rehabilitation of lands after the end of operations.

We look forward to your response,

Sincerely,

Yaroslav Movchan
Chairman
National Ecological Centre of Ukraine



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