

Boskov Most hydropower plant Macedonia

For more information

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Description

The Boskov Most hydropower plant includes an accumulation dam 33 metres in height and a power plant with a total capacity of 68MW. **Around 80 per cent of the project falls within the territory of the Mavrovo national park, the largest and richest national park in Macedonia.** Total project costs are projected at EUR 84 million, and the EBRD provided a loan of EUR 65 million. The remaining EUR 19 million is equity held by the state-owned Macedonian Power Plants (ELEM) as the project promoter. The EBRD approved the project on 8 November 2011, and the contract was signed in the same year.

Three years after the signing of the loan agreement, little progress has been made with the project. An economic feasibility analysis is required and should follow the completion of a hydrology and hydromorphology assessments, however none of these has yet commenced. Additionally, the tender procedure for the project has been rushed and is in its final stage. The lowest offer for the construction of the project has come in around EUR 140 million.

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 complaint mechanism (PCM) compliance review follow-up

The PCM's Compliance Review Report published on 1 January 2014 found that the bank failed to ensure an adequate biodiversity assessment, which is not in compliance with the requirements of PR 6.6, PR 6.14 and PR 6.15.1 This finding also confirms that the Board of Directors was presented with insufficient information before project approval, meaning that the decision to finance the project was made on incomplete and incomprehensive information about the environmental impacts of this project. According to the PCM's Rules of Procedure, the PCM was to monitor the implementation of its recommendations and publish biannual reports. However, the first report is already several months late.

Post approval biodiversity assessment

Because the environmental impact assessment was found to be lacking in significant analysis and data about the biological diversity of the project area, ELEM and EBRD initiated a one-year biodiversity monitoring process, resulting in a survey report that was finalised at the end of 2013. The resulting Management Response and Action Plan² clearly states that refinements to project design and as

well the identification of mitigation measures will be done in cooperation with CSOs. Yet comments provided by CSOs to the draft biodiversity survey report were rejected and not taken into account. Other commitments in the action plan have also not been followed, such as an update to the Project Summary Document and the inclusion of all relevant information, studies and reports related to the Boskov Most project.

Economic feasibility

The Boskov Most project still does not include the construction of a transmission line. It is not clear who will finance this essential part of the project and what the likely environmental impacts will be of this element on the Mavrovo ecosystem. The hydropower plant should not be considered separate from the transmission line, as both elements are essential for the system to function.

As mentioned previously, while the Boskov Most project was initially estimated at EUR 84 million, the lowest bid offered during the tender came in at EUR 140 million. Given that Macedonia does not face electricity cuts and Boskov Most is intended for the production of peak electricity that will be most probably exported to Kosovo, the logic of the whole project is questionable.

Additionally, costs will increase because:

- the project is located inside a national park where both

¹ Such findings automatically imply non-compliance with disclosure requirements for Category A projects under PR 10.18.

² http://www.ebrd.com/downloads/integrity/Boskov_MAP.pdf

- construction and implementation measures should be stricter;
- a number of studies have already been conducted or are about to be conducted (on biodiversity, hydrology, hydromorphology, a gap analysis of the project vis a vis the EU Habitat Directive, an economic feasibility analysis and so on) which require both time and financial resources;
 - ELEM is required to pay annual commitment fees to the EBRD, but without the project actually being implemented, the fees are simply a burden to the budget; and
 - the environmental permit is no longer valid, having expired on 13 October 2014, and ELEM has yet to submit a request for the extension of the permit. According to Macedonian legislation, in order to obtain a new permit, the whole environmental impact assessment process needs to be carried out from the start.

In light of the above, we ask the Board to cancel the loan for this project.