

Bulgaria:

Centre for Environmental
Information and Education
(CEIE)

Za Zemiata, For the Earth

Croatia:

Green Action

Czech Republic:

Centrum pro dopravu a
energetiku (CDE)

Hnutí DUHA

Estonia:

Estonian Green Movement-
FoE

Georgia:

Green Alternative

Hungary:

National Society of
Conservationists - Friends of
the Earth Hungary (MTVSZ)

Latvia:

Latvian Green Movement

Lithuania:

Atgaja

Macedonia:

Eko-svest

Poland:

Polish Green Network (PGN)

Russia:

Sakhalin Environmental
Watch

Serbia:

Center for Ecology and
Sustainable Development
(CEKOR)

Slovakia:

Friends of the Earth - Center
for Environmental Public
Advocacy (FoE-CEPA)

Ukraine:

National Ecological Centre
of Ukraine (NECU)

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.

TO: Sir Suma Chakrabarti, President

CC: Mr Alistair Clark, Corporate Director, Environment and Sustainability Department
European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom

8 December, 2014

Dear Sir Suma,

I am writing regarding the NAK Naftogaz Emergency Pipeline Upgrade and Modernization project (project no. 42608) which is to be submitted for Board discussion this Wednesday, 10 December, 2014. There are a number of concerns regarding the project's categorization and environmental and social due diligence and we would kindly ask to postpone project's submission for Board's approval until it is fully in line with bank's safeguard policies.

The issues of concern are summarized below and I would kindly ask the bank to clarify the following:

Categorization of the project

The project summary document (PSD) for the project disclosed at the EBRD website on November 11, 2014 suggests that the project is a category B project:

"The Project involves an upgrade of the existing compressor station and a replacement of short sections of the existing gas pipeline (the longest section is approximately 33 km and therefore does not fall under Annex A of the EU EIA Directive).

The project's PSD lacks information on the project's location, although the bank's Public Information Policy requires the PSD to contain such information¹. Thus the nature of the chopped project's sections is unclear to the public and it is not possible to see reasons for classifying 119 km long gas pipeline replacement as a category B project.

Questions:

Please specify the project's site or sites if different sections are at different locations.

PSD disclosure

According to EBRD's Public Information Policy (PIP), PSDs for public sector projects should be released at least 60 calendar days before the Board's discussion². The PSD for NAK Naftogaz Emergency Pipeline Upgrade and Modernization was released on November 11, 2014, which is only 30 days before the target Board date currently set for December 10, 2014. We would like to request clarifications on this, especially knowing that the bank's PIP does not provide for the possibility of such exceptions.

Due diligence scope and stage The project's PSD says that "The national EIA studies for the four sections are part of the Project Design

¹ EBRD PIP, Section 3.1.1

² EBRD PIP, Section 3.1.4

Documentation, which is currently at varying stages of the national environmental approval and permitting process. It is expected that the majority of potential environmental impacts will be addressed in such documents, which will need to be confirmed through the review of relevant reports". The project is being co-financed by a parallel loan from the EIB. Disclosed on October 3rd, 2014, the project's Environmental and Social Data sheet available from the EIB website³ indicated **that national EIAs are finalized for only two pipeline sections and clearly identified gaps in national EIAs** with regards to both the national scope and the EU EIA requirements:

"At this stage the EIAs for two pipeline sections have been finalized according to Ukrainian law and approved by the relevant authorities. They do not identify areas of concern or significant residual impacts on sites of nature conservation. The review of these EIAs resulted in the conclusion that, with regard to local law, the scope sometimes appears to a certain degree limited, but accepted by the competent authorities. The EIAs do not demonstrate involvement of the public in the process".

These bits of information suggest that as of October 2014 the project was not yet fully in line with the EBRD's Environment and Social Policy (ESP) as it did not meet all the requirements of national law. It also revealed poor quality of prepared EIAs. We would therefore like to express our concern with submitting this project for the Board of Director's approval at this stage, before all necessary national procedures are finalized and before the bank's specialists finalise the environmental and social due diligence (ESDD).

Questions: Has the EBRD ESD received from the project's sponsor the national EIAs for all four pipeline sections to be financed by the bank? Has the EBRD required the client to disclose publicly the available documentation, additional to the Declarations of Intent mentioned in the PSD, so that interested stakeholders can review it?

- Are there any Environmental and Social Action Plans and Stakeholder Engagement Plans that will be consulted with the public?
- Which surveys and assessment of impacts have been identified as necessary for the 800 meters marshland crossing and a forest clearance trench and what are timelines of their implementation?
- Did the bank finalize ESDD to date and prior to the Board's decision, and if not, why then is the project being submitted for board consideration?
- If ESDD was not finalized, how is the bank going to ensure that the project is in line with the bank's ESP and that no issues incompatible with the bank's standards will appear after the project has already been approved?

We would like to inform the bank that there is no information regarding EIAs for these four pipeline sections in the public domain and NECU has submitted an official request to JSC Ukrtransgaz to get access to the relevant information. We would like to point out that improving corporate governance, environmental, social and health & safety practices at Ukrtransgaz is among expected transition impacts of the project. It seems rather unclear how this would be achieved if the bank would approve the project with an unfinished ESDD and only 30 days after PSD disclosure, thus potentially breaching at least two of its own policies – ESP and PIP. While we understand the need to replace the old corroded gas pipes to increase the efficiency and safety of gas transportation, we see no urgency that would justify breaching of bank's policies and undermining the bank's standards. We therefore ask the bank to clarify the issues raised above and postpone project's submission for Board's discussion till ESDD is completed but not less than for another 30 calendar days as per the bank's PIP.

Sincerely,



Mark Fodor

Executive Director
CEE Bankwatch Network

³ <http://www.eib.org/infocentre/register/all/56103497.pdf>