**Operations suspended at one Ukrainian nuclear unit, as wider safety doubts persist**

Citing 33 safety issue failings, at the end of April Ukraine’s nuclear regulator took the decision to suspend operations at Unit 2 of the South Ukraine nuclear power plant by a May 12 deadline, the date marking the end of the plant’s design lifetime. Under the terms of the Ukrainian State Nuclear Regulatory Inspectorate Council’s decision, should the state-owned nuclear energy operator Energoatom wish to resume the unit’s operations beyond its design lifetime it will have to implement all necessary measures by May 2017.

Yet the same Unit 2 reactor remains part of Ukraine’s energy arithmetic for this year’s winter period. As the Ukrainian government has no ‘plan B’, Bankwatch member group the National Ecological Centre of Ukraine (NECU) is concerned that both the operator and the regulator are likely to be under pressure to restart the unit before winter, in spite of the various safety deviations and modernisation measures pending at the unit.

Four nuclear power plants, with 15 reactors, generate almost half of the electricity supply in Ukraine, and the country is almost completely dependent on Russia for nuclear fuel supplies as well as the treatment and storage of two thirds of its spent nuclear fuel.

Yet the welcome South Ukraine 2 decision from the regulator, coming just days after the 29th anniversary of the Chernobyl disaster, has increased attention on the wisdom of Ukraine’s ongoing lifetime extension programme for its Soviet-era nuclear reactor fleet – a programme supported by a related ‘safety upgrade’ programme that involves key financing support from the European Bank for Reconstruction and Development and the European Atomic Energy Community (Euratom) totalling EUR 600 million.

Meanwhile, the EBRD has now twice postponed a decision on investing half a billion dollars in Lukoil’s share in the second development of the Shah Deniz gas field in the Caspian Sea. The EBRD board approval for the Lukoil deal, initially pencilled in for February this year, was first postponed to May and has now been moved to July. It’s hard to guess at what official obstacles might still be standing in the way of EBRD decision-makers rubber-stamping the Russian company’s involvement in the diversification of gas supply to Europe. Nevertheless, there are various reasons for a public bank not to be going anywhere near Lukoil and the Southern Gas Corridor.

**Repression and carbon lock-in required for security and sustainability?**

With construction of the Trans-Anatolian gas pipeline (TANAP) in Turkey getting under way, the Trans Adriatic Pipeline (TAP) consortium awarding contracts for the construction of access infrastructure in Albania, and Russian pipeline plans lagging behind, the Southern Corridor for Azerbaijan’s gas exports to Europe is increasingly looking like a done deal. Or at least that is what the project promoters would have us believe. Of course, the Nabucco gas project failed to reach this stage, but South Stream was scrapped last December, two years after the construction of Russian onshore facilities had commenced and just months after the awarding of contracts to foreign firms for the laying of the offshore section.

**Strengthening Aliyev’s authoritarian regime**

While the Caspian state has embarked of late on a charm offensive aimed at European leaders involving energy deals and the hosting of international sports events, its premier Aliyev has copied Vladimir Putin’s example of clamping down on press and political freedoms. The increasingly authoritarian regime, whose power is fuelled by oil revenues, has jailed nearly one hundred political prisoners, twice as many as Russia and Belarus combined.
Three of Ukraine’s nuclear energy units are already operating beyond their design lifetime, and many others have even surpassed that limit. In the late 1980s, the Chernobyl nuclear power plant was severely damaged by a nuclear disaster, and as a result, many of Ukraine’s nuclear power plants have faced significant challenges. These challenges include issues related to safety, maintenance, and environmental impacts. Ukraine’s nuclear reactors have been under scrutiny, and there have been concerns about their continued operation beyond their intended lifetime. The government and regulatory bodies are faced with the challenge of ensuring the safety and reliability of these units while also addressing the broader issue of energy security and the need for alternatives to nuclear power.

Energy is a key sector for the EBRD’s engagement in the region. For instance, in Jordan, 50 percent of the bank’s portfolio is being allocated to the sector. Nevertheless, some countries in the Eastern Mediterranean (SEMED) region are facing economic and political challenges. For example, the energy sector is struggling to attract investments and face issues such as dependence on fossil fuels and environmental concerns. The EBRD has been working on projects aimed at improving energy efficiency, promoting renewable energy, and supporting the transition to a more sustainable energy mix. In addition, the EBRD has been engaging with civil society organizations to ensure that the projects are transparent and meet the needs of all stakeholders.

Some Arab CSO aspirations and concerns for the EBRD

In 2011, the Deauville partnership of SEMED countries in transition was signed, expanding the EBRD’s mandate to include new countries – namely, Egypt, Morocco and Jordan – in addition to the rest of the SEMED countries (the region). The EBRD has been supporting projects in these countries aimed at improving energy efficiency, promoting renewable energy and supporting the transition to a more sustainable energy mix. In addition, the EBRD has been engaging with civil society organizations to ensure that the projects are transparent and meet the needs of all stakeholders.

PPP mania

The EBRD is not shy about its preference for the public-private partnership (PPP) model in Arab countries. However, PPPs are...
Georgia’s hydropower revolution far from rosy for communities, the environment and the economy

The latest chapter in Georgia’s hydropower revolution was concluded recently with the securing of a financing deal for the 185 MW Shuakhevi hydropower plant (HPP) involving a trio of international development banks – the European Bank for Reconstruction and Development, the Asian Development Bank and two World Bank arms, the International Finance Corporation and the Multilateral Investment Guarantee Agency. This USD 2.37 billion funding package seeks to release Georgia’s untapped hydropower potential and is one in a series of international investments that have been pitched as vital contributions to Georgia’s national energy security and economic development.

Yet, as with other large dams recently built or planned in Georgia, the electricity generated at the Shuakhevi HPP will mainly be exported. As such, it will ultimately serve to profit the EU’s energy security rather than deliver significant socio-economic benefits and energy independence for Georgia.

Temporary solutions to national energy security

Hydropower is booming in Georgia. As of 2015, and according to the Ministry of Energy, 16 HPPs under construction or in the planning stage of construction are in the pipeline, with 14 in the pre-construction phase. Projects under consideration are intended to provide for the country’s electricity demand and to ensure that hydropower exports can continue to sustain the finance of its main trading partner, Turkey. At Turkish prices, some of the highest in Europe, thus hitting Georgia’s private and business consumers alike.

Unlike benefits for Georgian citizens

These are not the only economic downsides being stored up, in spite of the Georgian government and foreign investors’ close engagement with the local community. As is the case with the construction of other dams, infringement of the local communities’ rights, including disruption of their livelihoods and loss of their homes and property, have been of increasing concern among the local populations, who believe they were not properly consulted on the project.

As with other large HPPs, the Shuakhevi HPP project agreements ensures that the Georgian government purchases electricity for domestic consumption over the three winter months. In the remaining months, the investor – in the case of Shuakhevi a consortium of international financiers lead by including India’s Tata Power – is free to sell the electricity in markets and at a price of its choice. Thus, during the spring and autumn high water seasons, the electricity resources generated by the large dams will be exported to neighbouring countries such as Turkey.

The dry winter months, of course, have low water flow and the electricity generated for the local market is significantly improving Georgia’s electricity balance. Due to low hydropower output in winter, therefore, Georgia must rely on thermal generation and fuel imports. Moreover, under the new state-enforced guidelines, so-called ‘off-take agreements’ are valid only for 10 years, after which time investors may opt to export exclusively, leaving Georgia to cope with the challenge of satisfying domestic demand once again.

Perhaps of most concern, according to some Georgian energy analysts, is that in this expected scenario the country will be compelled to purchase much of its power from Turkey, at Turkish prices, some of the highest in Europe, thus hitting Georgia’s private and business consumers alike.

At a glance – how the floodgates are being opened in Georgia

• The Shuakhevi HPP is part of a broader plan to export hydropower-generated electricity and to integrate Georgia more closely with regional energy markets.
• There is no Georgian national strategy for hydropower – only weak environmental safeguards regulate its development.
• Long-term social and economic benefits for Georgian citizens have not been spelled out.
• By the time the Shuakhevi HPP starts producing electricity in 2016, construction on several other plants will have taken place, inevitably adding to overall environmental and social burdens on Georgian communities.
• To date, there is little evidence to suggest that western countries are willing to fully adhere to rigorous sustainability standards in their quest to enhance their own energy security.
• The Southern Gas Corridor has shown already that significant social and environmental safeguards are not enough.

Unlikely benefits for Georgian citizens

Inflation, including the Shuakhevi HPP – as inflated, pointed to exaggerated projections for local budget contributions and employment opportunities.

With confident promises of secure employment for up to 800 workers and possible spin-offs for the majority of workers from local villages, the promotional spiel of the Shuakhevi HPP promoters offers a case study on how hope and dreams can be squandered. Unfortunately the reality is that, with employment opportunities spanning the course of construction works, the local workforce will be hired for the project’s construction phase and installation and will therefore receive only temporary employment. Workers are not sure whether the 239 people were residents of local villages. This is less than half the estimated number of local people employed.

The company has opened a training facility in Shuakhevi and trained around 166 technical workers. The remaining 166 trainees were employed by the company. While the training has provided people with technical skills, it does not extend employment opportunities in the area to be expected to be minimal, and layoffs will have big impacts on household incomes

should workers be unable to find alternative employment.

Weak environmental regulations will bring a deluge of impacts

Most hydropower developments involve environmental impacts such as water diversion, tunneling and flooding that inevitably affect adjacent communities and biodiversity. This is the case for the Shuakhevi HPP and no different. Yet the Georgian government has no clear environmental safeguards to regulate the development of hydropower projects. In these circumstances, the projects are supposed to conform to weak national environmental impact assessment legislation and to the environmental and social requirements of the international financiers.

Compounding matters, and bearing in mind the staggering number of HPPs currently being developed or planned, it is also questionable whether further hydropower developments have no strategic framework to oversee its ballooning hydropower sector. Instead, it reviews projects in an isolated, case-by-case basis, failing to properly assess the overall environmental, social and economic benefits for the country as a whole.

As it seeks to maximise its hydropower potential, the government is also prone to planning large dams on the same river basins. The Shuakhevi HPP concession was awarded together with the 6 MW Skhalta HPP, the 150 MW Kromokhevi HPP and the 65 MW Kherstsvi HPP, altogether comprising the 400 MW Adjaristsqali cascade hydroelectric scheme. According to the developer, the scheme will require as much as 34 kilometres of tunneling in order to divert water. Although a Ministry of Environment rule of thumb maintains that 10 percent of the annual water flow needs to stay in the riverbed, environmentalists insist that this minimum flow is not sufficient for maintaining river habitats. When combined, the various HPPs that make up the Adjaristsqali cascade will worsen the environmental impacts on water resources and associated ecosystems. The Kherstsvi scheme has now been cancelled due to unforeseen environmental risks and impacts on the Machakhela National Park.

The clear problem is that while cumulative impacts are noted in passing in individual environmental impact assessment studies, no combined impacts of these projects has been assessed as part of a broader national hydropower policy.

Moreover, the outsourcing of the state’s responsibilities to private sector project developers is proving to be a highly unsuitable approach for assessing and managing cumulative impacts. Concerns over the profound damage to the environment and livelihoods, as well as actual geologic structural damage to villages caused by the new hydropower wave, are mounting.

Regular community protests against the development of Shuakhevi and Khor - doni in particular emphasise the need for proper environmental, social and economic assessments.

Weak environmental regulations for Georgian citizens have not been spelled out

A high price for EU energy security gains

With its strategic location at the borders with Turkey, Russia and Azerbaijan, Georgia has an increasingly pivotal role in EU energy security. For ten years now Georgia has been a cornerstone of the Tbilisi- Ceyhan pipeline that carries Caspian oil to the European market, effectively avoiding Russia. It may also host a section of the Southern Gas Corridor planned to transport gas from the Shah Deniz fields in Azerbaijan to the EU.

The EU’s objectives for the integration of Georgia have been clearly spelled out since the inception of the Eastern Partnership framework in 2009, namely: “enhancing co-operation in the fields of energy, transport and environment contributing to energy security and supply diversification needs for the EU”. This initiative reached a milestone in 2014 with the signing of the Acces - sion Agreement and the launching of negotiations for Georgia’s accession to the Energy Community.

The EU- and international development bank-backed development of large Georgian HPPs and transmission infrastructure is thus in lockstep with the notion of bringing Georgia into a regional electricity trader and a transit country closely integrated with the EU market. Geopolitics are also crucial here: the energy co-operation is part of broader efforts to diminish the influence of Russia and bring Georgia closer to the EU.

Located at the borders with Turkey, the Shuakhevi HPP and its connecting transmission infrastructure are vital planks in the plans to export Georgian electricity to its southern neighbour’s market. With Shuakhevi and the other plants in the Adjaristsqali cascade have guaranteed access to the Black Sea transmission corridor that connects the Georgian and Turkish grids and facilitates energy exports. Not surprisingly, this transmission line was also financed by the EU, the EBRD, the Euro - pean Investment Bank and Kreditanstalt fur Wiederaufbau. It all adds up for western planners and financiers. The final bill for the Georgian population and environment, though, is still a long way from being finalised.

SaveGeorgian- NaturefromEBRD-financed Dams

In the run-up to this year’s annual meeting in Tbilisi, the EBRD has taken to social media – Georgia15, to invite Twitter users to share “beautiful photos of Georgia with a global audience”.

Well, here are just a few taken during Bankwatch field trips to Georgia in recent years as we have worked with local communities – including the people pictured outside a public hearing in Khashi in 2013 related to the Khudoni Dam – concerned about the threat to their homes, villages and environment. The pictures vividly illustrate the string of huge dam projects that the EBRD and other development banks are keen to finance.
Macedonia's Marovo national park is the largest and richest national park in the country and home to the critically endangered Balkan lynx. The Macedonian government, however, has plans to also make Marovo the home for two large and around 20 small hydro power plants.

One of the large hydro power plants, Boskov Most, involves a 33 metre accumulation dam and a power plant with total capacity of 117.5 GWh. The project is currently being supported by the EBRD with an initial EUR 65 million. The total project cost had initially been assessed at EUR 85 million, but soon after project preparations began the project sponsor and the bank realized that the cost would be set to almost double. Another large accumulation project, the Lukovo Pole project is under consideration for financial support by the World Bank.

In 2011, when approving the Boskov Most hydro power plant for financing, the EBRD failed to realise that location of the planned project is in fact a critical habitat vital for the survival of the fragile lynx populations.”

Environmentalists believe that the EBRD project report findings should have sent a clear message that protected areas, such as national parks, are no place for large dams. Currently, project construction has yet to begin, and the bank has not disbursed any financial tranche to the project sponsor. However, this was not the case as the bank clearly ensured both that all additional biodiversity analyses were carried out and that all impacts to wildlife and habitats can be mitigated.

The International Union for the Conservation of Nature stated that parks are no place for dams in an open statement from 2014, underlining that the sole purpose of declaring national parks is the conservation of nature. In early 2014, almost 120 scientists from around the world sent an open letter to the EBRD requesting it to step away from the Boskov Most project. However, the plans of the EBRD and the project sponsor were not deterred by these requests from the scientific community and project preparations continued.

In late 2014, the Council of Europe Standing Committee of the Bern Convention decided to open a case file regarding the ongoing construction plans for hydro power plants within the territory of Marovo national park. An on-the-spot appraisal to be organised by the Secretariat of the Standing Committee at its next meeting in 2015. As a signatory to the Bern Convention, Macedonia would be expected to follow these recommendations. As too would the EBRD. In its Environmental and social policy, the EBRD is committed to operate in line with international regulations for the protection of nature and the environment. Thus it is expected that the Bank would follow the recommendations of the Bern Convention Secretariat in the case of Marovo national park, even if this would entail stepping out of the Boskov Most project.

A new Bankwatch briefing on the Boskov Most hydro power plant is available at: http://bankwatch.org/publications/boskov-most-hydropower-plant-project

EBRD digs in deeper with Serbian coal king

Earlier this year, Serbian media reported that the EBRD was considering providing a new EUR 200 million loan for the financial restructuring of the state-owned electricity utility company of Serbia, EPS. The EBRD Director for Serbia, Mateo Patrone, was quoted by B92.net saying that the loan is aimed at helping the financial restructuring of EPS. Meanwhile, the EBRD’s country strategy for Serbia, approved in the Board of directors last April, highlights the bank’s “key role in promoting energy efficiency and renewable energy” for the country.

However, before considering another loan to the Serbian utility, the preliminary rec-ommendations of an analysis being undertaken for Bankwatch by resettlement expert Roger Moody – to be published next month – urge the EBRD to publicly acknowledge its responsibility for the environmental damage and human rights violations caused in the Kolubara mine by the previous EBRD loan. The Serbian state authorities’ inability or even unwillingness to conduct proper resettlement resulting from the expansion of Kolubara’s Fields C and D, as well as the EBRD’s obligation to mitigate problems which the communities in the Kolubara basin endured.

The paper argues that in spite of the EBRD’s declared mission to reduce greenhouse gas emissions at the point of burning- coal, the very project that is going ahead is promoting a large expansion of lignite extraction, which clearly contradicts the Bankwatch analysis shows that there will not only be stranded-assets-western-balkans-report-long-term-economic-viability-new-export-capacity

Where will all that power go? New study assesses extravagant energy ambitions in the Western Balkans

Hardly a week goes by without the media in the western Balkans reporting on some progress with a coal or hydro power project or reporting grand statements from politicians about their countries’ ambitious plans to expand. In some cases this seems deeply improbable, with countries like Albania and Montenegro historically being electricity importers, but for others like Bosnia and Herzegovina (BiH) and Serbia – already net exporters most years – it seems reasonably plausible.

But what will happen if everyone becomes a renewable energy hub? What about coal or hydro power plants? But what about the economic side? Could coal and gas plants in the Balkans end up lying idle like their counterparts in Italy?

Export dependence – a real possibility

The first surprise was how difficult it was to find updated and realistic information on planned generation capacity investments. Some of the countries do not have a direct connection to the regional grid and extensions and demand growth is low, the region will have a 56 percent electricity surplus. In particular BiH could turn into the largest exporter of electricity (up to 20,000 GWh, equivalent to 7.5 TWh/GW).

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The paper argues that in spite of the EBRD’s declared mission to reduce greenhouse gas emissions at the point of burning- coal, the very project that is going ahead is promoting a large expansion of lignite extraction, which clearly contradicts the Bankwatch analysis shows that there will not only be surplus, but measured in terms of their lower potential contribution to the region’s electricity needs.

The other countries have a much lower potential contribution to the regional grid and the potential for export demand is even lower. Such significant electricity capacity expansions designed to meet export demand create the danger of becoming dependent upon the export market. Our export projections for BiH, the Republic of Macedonia and Albania do not show any loose ends, and declaring the “environmental improvement” project completed. Had they performed proper due diligence and a full social impact assessment, en- hanced by a human rights equivalent, before dispersing the funds, they should have guaranteed that the standard which should have been guaranteed, ascompensations were inad- equately compensated and the resettlement plans were not chosen with the consent of the com- munities. The relocation of family homes, gardens and doorsteps, hundreds of resi- dents came onto the streets to protest or petitioned the authorities to intervene. Ultimately a consensus developed that the only way to fight such mounting social pressure was to escape from it altogether, and to try to forge new lives elsewhere.

For this reason, the study suggests closely examining investments that are directed to serve export markets and also consider the trade-off of producing or buying electricity that is severely re-duce loss electricity is also crucial.

Better planning is crucial – two key take-aways

First, planning across the region’s energy sector needs to be seriously improved. Strategies need to be better justified, with a detailed and convincing case for avoiding old projects which have already practically failed and take serious note of public comments.

Second, less is more. Why have huge lists of projects that are proving difficult to implement, when with more rational planning and analysis, a much smaller amount of investments would suffice? Energy effi- ciency should come first, and governments should forego coal projects which have been hanging around for decades but never proved worthy building.

Bankwatch fact-finding mission to Tunisia uncovers major flaws in EBRD oil and gas investment

In July 2013 the EBRD approved its second loan in Tunisia, to Serinus Energy. With the EBRD investment portfolio in Tunisia standing at the end of 2014 at EUR 212 million the Serinus Energy loan represents roughly 25 percent of all EBRD loans in Tunisia to date and is the only loan to have gone to the country’s natural resources and energy sector.

With such a significance, therefore, surely the EBRD would make every effort to ensure that the project meets the Performance Requirements of its own Environmental and social policy (from 2008) and that it demonstrates a positive transition impact for Tunisia?

In March 2015, Bankwatch conducted a fact-finding mission to Tunisia to map Serinus Energy’s performance. The findings of the field visit to the provinces of Kebili and Tataouine provide further questions and reveal additional worrying practices by the EBRD’s client in the south of Tunisia where the bulk of the company’s oil and gas concessions are located.

These are additional to the problematic aspects of the project which have been highlighted by Bankwatch in cooperation with Tunisian civil society since the project originally entered the EBRD pipeline.

Access and participation

Three out of the four concessions for which the EBRD loan has been given are located within a military zone where access is subject to a desert pass issued by the Governor of Tataouine. This poses an administrative barrier to any third party monitoring.

Attempts by Bankwatch to conduct independent water tests at the Choueih Es Saida, Ech Choueih and Sanhar concession were torpedoed by the company which not only refused to allow access to the company’s premises for water testing in the military zone – in spite of an email five months in advance informing about Bankwatch’s intention to monitor the company’s premises – but according to the Regional Committee for Agriculture Development company employees are denying access to the premises even to officials responsible for water control and monitoring.

Labour disputes

Over the course of 2012 and 2013, Winstar operations, a subsidiary of Serinus Energy, were hit by several strikes causing the temporary shutdown of its facilities. The central dispute involved fixed-term contracts and the contracting of employees by private intermediary agents, two notorious problems in the oil and gas sector and in Tunisia more widely.

For taxation reasons as well as complicated dismissal procedures, Tunisian employees prefer short term contracts and informal employment. In interviews with Bankwatch, trade unionists complained about inadequate worker protections and occupational safety risks connected with fixed-term contracts and subcontracting. This is at odds with the EBRD’s social standards that guarantee respect for labour requirements for non-employees.

In documents for its shareholders, Winstar claimed it resolved the conflict by negotiating an agreement with the workers and unions and establishing a mechanism for dispute resolution. However, according to the trade unionists, the strikes in 2013 were organised to address the non-implementation of previous agreements and continued sharp employment practices deployed by the company. At the alleged last meeting with the union on August 19, 2013, the company agreed among other things to provide worker representatives with labour relations standards and to grant a rise in salaries.

One trade unionist we interviewed claimed that none of these promises have materialised and as a result the workers ended dialogue with the company.

The Winstar experience highlights a common failing in the hydrocarbons extraction sector in developing countries – while western companies extract natural resources, only a limited chunk of the revenues paid to the host governments benefits the regions directly involved. Moreover, oil and gas extraction is not labour intensive and is unable to meet expectations of significant employment creation.

This is pronounced in the impoverished governorates of south Tunisia, where unemployment hovers around 15 percent according to official statistics, though according to people approached by Bankwatch the reality is closer to 50 percent. With abysmally high rates of youth unemployment, the region has become a hotspot for social unrests and in fact a hotbed for Isis recruitment.

What’s more, the Bankwatch fact-finding mission has confirmed that the local administration lacked capacity and knowledge about the EBRD Environmental and social policy to be able to effectively monitor the company’s obligations in the Kebili and Tataouine provinces. Only after a workshop was conducted on the obligations that do in fact result from such an EBRD loan did the local authorities and trade unions feel in a position to demand more engagement from the company.

The fact that this knowledge and understanding has only been disseminated roughly 18 months after the loan to Serinus Energy was approved by the EBRD raises serious concerns about the consultation process during the project appraisal and the dissemination of information about the loan among the local stakeholders – both by Serinus Energy and the EBRD. The most surprising discovery perhaps was the fact that the governor of one of the provinces where Serinus Energy holds its concessions had not been aware about the EBRD loan to Serinus until September 2014.

Illusory transition

Thus, we now know: knowledge of the EBRD and the obligations that ought to accompany its Serinus Energy loan has been scarce; trade unions are claiming that workers’ rights are not being respected by the company; the local administration claims that they are not aware of any taxes from Serinus operations reaching the governorate level, and; on top of this the company is not paying for its water use on time, plus there is no possibility to independently monitor the water-related practices of the company as it refuses to cooperate with both the local authorities and NGOs such as Bankwatch.

The questions over this deal continue to mount. One question however persists: can the EBRD possibly claim that a positive transition impact is being realised by its major investment in Serinus Energy?