

20.02.2015,

Distinguished Members of the Board of Director of the European Bank for Reconstruction and Development,

2014 has seen a dramatic decrease of the civil society participation in the public life of Egypt. The ruling military regime has unleashed a campaign of imprisonment and intimidation of the prominent human rights and environmental activists, who have been risking their personal safety and integrity by engaging in the political debate about the future of their country. As a result these people have left the country, they have been imprisoned or gaged through threats to either them directly or to their families and beloved ones. This has had a direct result of limiting the capacity of the most active members of civil society to engage in dialogue with the EBRD about consecutive loans in the natural resources or energy sector.

The situation has been different with respect to the plans by the EBRD to provide loans to the cement sector in Egypt for the fuel switch from natural gas to a combination of coal and alternative fuels. There has been an organized opposition to the gas-to-coal switch in the form of the "Egyptians against coal " coalition, active since 2013. Furthermore the representatives of this coalition have engaged in a dialogue with the EBRD staff and also the members of the Board of Directors with letters, direct meetings and participation of members of the coalition in the Annual General Meeting of the EBRD in Warsaw in May 2014 (see CSO letter in annex). Thus it cannot be claimed that there has not been a sustained dialogue and sufficient information at the disposal of the Board of Directors to take into account the risks and the negative impacts of such loans.

Since the AGM in Warsaw the general investment support expectations have taken the form of a concrete proposed loan to CEMEX Egypt - a subsidiary of one of the biggest cement multinationals in the world. The decision for this loan is expected on next Wednesday, February the 25<sup>th</sup>. Therefore we would like to stress once again the impacts that this investment would have on the Egyptian environment, economy and society, if approved:

- Egypt does not fit the profile for importing coal and never will, given its particularly rich renewables potential and natural gas reserves.
- Coal is more polluting than natural gas when used in cement production, (for more information, please Section 3 of the attached memo), as it is an inherently denser fossil fuel.
- Also of concern is that heavy metals such as mercury and lead will be transferred to Egypt's waterways, given the technique of fixing pollutants in water and then treating the water before releasing it. Egypt has a very bad track record in monitoring and enforcing industrial water pollution.

I urge you to reject the proposed loan and heed the will of the people that risk their lives for what they believe would help their country be a better place to live in the future. By accepting the loan you accept that the Egyptian government which is

responsible for serious and sustained human rights violations is given the financial support of the international community and thus is not held accountable for the behavior towards its citizens. You represent democracies that value human rights and respect the freedom of expression and assembly. These are not guaranteed currently in Egypt. You might want to claim that this is not a loan to the government but to the private sector but must be aware that it is a part of the government approved program which has been resisted by the civil society.

Please consult the last letter on the topic from a representatives of Egyptian civil society and the 5 page briefing on the impacts of the use of coal in the cement sector in Egypt. I will quote two paragraphs:

“In conclusion therefore we strongly oppose EBRD’s position that coal is both an essential and an acceptable option in the Egyptian context specifically - as well as generally. We cannot find any evidence to show its benefiting potential and find that the justifications put forward in your letter of the 24th February to be lacking in applicability to Egypt given its current developmental and institutional status”

and

“For all the above-mentioned reasons, and in the lack of parliamentary approval in absence of a democratically elected, representative Egyptian parliament -as Egypt had no parliament in place since June 2012-, we would strongly request that EBRD does not partake in the move towards coal by providing funding nor for the cement industry, which already occupies a privileged position, and does not have, the welfare and sustainable developmental priorities of Egyptians at its core.”

Sincere greetings,

Jakub Jerzy Gogolewski  
North Africa Coordinator for CEE Bankwatch Network

## **Annex. CSO Letter to the EBRD**

**To:** EBRD President, Governors, Directors, and Staff

**From:** Al-Shehab Institution for Comprehensive Development, Association for Health and Environmental Development, Egyptian Centre for Economic and Social Rights (ECESR), Egyptian Initiative for Personal Rights (EIPR), Egyptians Against Coal Coalition, Egyptian Center for Legislative and Civil Reform, Egyptian Association for Collective Rights, Tahrir Association of Doctors, Arab NGO Network for Development (ANND), Habitat International Coalition – MENA, Association Internationale de Techniciens Experts et Chercheurs (AITEC), Platform (UK), Sierra Club (USA), World Wide Fund for Nature Europe (WWF Europe), 350.org Global

**Subject:** Joint CSO's Letter on Potential EBRD Financing for Coal Projects in Egypt

**Date:** 9 May 2014

Dear Ms. Filippova, EBRD President, Governors, Directors and respectable staff of the EBRD,

Thank for your reply to the Egyptian Center for Economic and Social Rights regarding the European Bank for Reconstruction and Development's potential funding of coal fired cement plants in Egypt. Following on from the previous correspondence the undersigned civil society organizations are writing to respond directly to the points and justifications with this letter and the detailed memo attached. This letter is of utmost importance given that the Egyptian cabinet approved the use of coal for power generation on the 2<sup>nd</sup> of April 2014. Attached to the letter is an explicatory memo on the points of argumentation.

Your last letter on the matter dated February 25<sup>th</sup>, 2014 states that EBRD's comprehensive energy strategy does not extend to production processes where coal is essential and cannot be easily replaced technologically or economically. In analysing the evidence of the costs involved in importing coal as an alternative to natural gas versus the use of waste fuels, we cannot find coal to be justified as "essential". Using only 15% of Egypt's solid waste that is non recyclable and therefore viable RDF, we find that 93% of the cement industry's thermal requirements could be met (Memo Section 1). In fact Egypt already makes use of waste fuel, with one plant already operating at 25% waste fuel. Technically up to 100% of a cement plant's energy consumption can be fed with waste fuels; the cement industry in the Netherlands has reached 98% at times. We therefore cannot find that coal use is essential in Egypt: especially given the wider context that shows Egypt has neither significant native coal supplies nor currently allows coal imports.

We feel that to state coal is "considered to be the basic fuel for cement worldwide" is neglectful of the overall trajectory, globally and regionally. It is very clear that the overriding majority of coal-using countries also have vast coal reserves: China, US and India account for 70% of global coal consumption and possess 47% of global coal reserves (Memo Section 1). Moreover, coal rich countries are also moving away from its use: Germany, which has the sixth largest global coal reserve and no other fossil fuel resources, is decreasing its use of coal in electricity generation from

42% in 2011 to 24% by 2030. Egypt does not fit the profile for importing coal and never will, given its particularly rich renewables potential and natural gas reserves. To ignore this is to ignore the particularities of the country you are operating in.

Stating that coal fired cement production is an EU Best Available Technique (BAT) and therefore also acceptable in Egypt divorces the standard from the country of operation. Under the Industrial Emissions Directive (IED) BATs are one of a set of five principles to be assessed in the decision making process. As detailed in Section 2 of the Memo, almost all five parts are beyond the capacity of the Egyptian State to meet; therefore plucking a BAT out of its wider checks and balances and into Egypt on its own underestimates the importance of the supporting regulatory institutions and provisions of the IED in applying BAT's. Even if Egypt attempted to apply all five principles, it is our opinion that this is unfeasible and will not be done effectively, therefore to cite a BAT as justification for coal use in Egypt does not acknowledge the current institutional circumstances in which it would be applied.

In response to the paragraph stating coal has a lower emission performance value, we would ask for your supporting evidence. Our research shows that coal is more polluting than natural gas when used in cement production, per Section 3 of the memo, as it is an inherently denser fossil fuel. Also of concern is that heavy metals such as mercury and lead will be transferred to Egypt's waterways, given the technique of fixing pollutants in water and then treating the water before releasing it. Egypt has a very bad track record in monitoring and enforcing industrial water pollution regulations, thus without serious funding and capacity building in this area, we expect the water to go untreated in the main part, and the effect of the water pollution to be felt by the poorest 40% in Egypt who rely on the Nile for their drinking water (untreated) and livelihoods (agriculture, fishing and tourism).

Addressing the "drawback" of increased CO<sub>2</sub> emissions EBRD cites the Cement Technology Roadmap (which was not attached to the letter as stated) as a potential justification for the decision on coal. Having assessed the Roadmap's four main targets, we do not find an argument for the use of coal, in fact quite the opposite. One quarter of the roadmap relies on the use of alternative fuels. As stated previously Egypt is in a position to provide its cement industry with 93% of thermal energy needs through waste fuels; coupled with energy efficiency measures we find that technically the cement industry could be using 60% RDF within 5 years time, with no need for the introduction of coal in the intervening years, see memo Section 4.

Another quarter of the Roadmap states CCS is a potential long term solution to the issue of CO<sub>2</sub> emissions, though it is skeptical as to the speed of it becoming available and the affordability, doubting its applicability outside developed countries post 2020. The issue of applicability is exemplified by applying the Roadmap's essential 'partner roles' as a guide for what would be required for the success of CCS in Egypt. For the success of a such a new technology there must be a strong network of supporting knowledge and funding from industry, government, research institutions and universities. At this time Egypt's national debt has reached 12% of its GDP, and historically it has never spent more than 1% of GDP of Research and Development (R&D); industrial innovation is very low in Egypt, and has only ever provided 5% of the country's research

budget; Egypt's scientific research institutions were ranked 113th out of 142 countries by the World Economic Forum; and currently only 1% of Egypt's manufactured exports are high technology goods - suggesting Egypt does not have the capacity to introduce CCS at any time in the near future (Memo Section 4).

In conclusion therefore we strongly oppose EBRD's position that coal is both an essential and an acceptable option in the Egyptian context specifically - as well as generally. We cannot find any evidence to show its benefitting potential and find that the justifications put forward in your letter of the 24th February to be lacking in applicability to Egypt given its current developmental and institutional status.

Additionally, the Cabinet's decision on April 2<sup>nd</sup> 2014 to switch to coal as a source general power generation, is today contested in a lawsuit raised by ECESR before the Administrative Court of Egypt. The Court called H.E. Minister of Environment to testify on the human and environmental cost of coal. It is noteworthy to state that the minister of environment, along with the minister of tourism and the governors of seaside governorates have publicly declared opposition for the import of coal for use as a source of energy. This is in addition to the civil society organizations and coalitions that have formed and mobilized against this policy; example of which is Egyptians against coal, therein undersigning, among others.

Therefore, for all the above-mentioned reasons, and in the lack of parliamentary approval in absence of a democratically elected, representative Egyptian parliament -as Egypt had no parliament in place since June 2012-, we would strongly request that EBRD does not partake in the move towards coal by providing funding nor for the cement industry, which already occupies a privileged position, and does not have the welfare and sustainable developmental priorities of Egyptians at its core.

Yours sincerely,

Al-Shehab Institution for Comprehensive Development

Association for Health and Environmental Development

Egyptian Centre for Economic and Social Rights (ECESR)

Egyptian Initiative for Personal Rights (EIPR)

Egyptians Against Coal Coalition

Egyptian Center for Legislative and Civil Reform

Egyptian Association for Collective Rights

Tahrir Association of Doctors

Arab NGO Network for Development (ANND)

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