Nuclear plant shenanigans intensify in Ukraine

An ageing nuclear unit in the South Ukraine power plant has become the latest to have its expiry date rewritten by Ukrainian authorities, despite a number of pending safety issues and concerns over compliance with international treaties.

The board of Ukraine’s nuclear regulator SNRIU decided in early December to prolong the operation of unit 2 in the South Ukraine nuclear power plant beyond its original expiry date. Designed to work for no more than three decades, this nuclear reactor will be able to continue operations for ten more years as soon as the board decision is approved by the head of the SNRIU, even though a number of high priority safety upgrades are yet to be completed.

The nuclear regulator had ruled earlier this year that the unit had 33 safety deviations which needed to be eliminated for a lifetime extension to be considered, and the unit was therefore shutdown once it exceeded its design lifetime on May 12, 2015. Yet, an inspection report from October 23, 2015, showed that only 9 of the 33 deviations have been eliminated and repair work on 11 others was still underway. The SNRIU board agreed that the remaining 13 issues will be addressed at a later stage.

A broader safety upgrade programme in Ukraine’s nuclear reactors, including in the South Ukraine power plant, is supported with a total of EUR 600 million from Euratom and the European Bank for Reconstruction and Development and had been agreed to be completed by December 2017. Yet, a governmental decree from September 30, 2015, postponed the deadline for the implementation of the programme until 2020, without the approval of the European donors. As a result, the implementation of additional safety measures at unit 2 of the South Ukraine plant could now be delayed until the end of 2017.

According to Iryna Holovko, Bankwatch’s national campaigner in Ukraine, “Ukraine could not be sending a clearer message to the programme’s international financiers that despite the millions of euros of public money they have invested, they don’t really have a say in how it is being used.”

In a letter to members of the European Parliament in September, the European Commission confirmed that it is of the opinion that lifetime extensions of nuclear units in Ukraine require trans-boundary environmental assessments and public

Lynxed in: EBRD still can’t say no to destructive Macedonian dam

The latest blow to the planned 68 megawatt Boškov Most hydropower plant, a highly controversial project that has attracted EUR 65 million in financing from the European Bank for Reconstruction and Development (EBRD), was dealt in early December by the Standing Committee of the Bern Convention, the European wildlife treaty. In a new recommendation, the Convention’s committee called on the Macedonian government to suspend its plans for establishing over 20 hydropower facilities – including Boškov Most – in the Mavrovo National Park until a strategic environmental assessment (SEA), analysing potential impacts, is completed.

The Bern Convention recommendation, warmly welcomed by Macedonian environmental organisations, was based on an independent expert study into the planned hydropower developments in Mavrovo, Europe’s oldest national park situated in the northwest of Macedonia and home to the endangered Balkan Lynx.

The study authors found the hydropower development to be “not compatible with the status of protection of the park”, and concluded that the Boškov Most project “as currently designed must be abandoned until the conservation status of the Balkan lynx population is brought back to a safe level and until when the Mavrovo National Park is no longer the only known core area of reproduction of this species.”

The Committee’s decision also suggested international financial institutions revisit their involvement in hydropower projects in Mavrovo in anticipation of the conclusions of the upcoming SEA.

In a statement on December 9, the EBRD quickly announced that it is “fully respecting” the Bern Convention recommendations. While stressing that no disbursements have yet been made on the EBRD board approved EUR 65 million financing for Boškov Most, the bank let it be known

A member of the endangered Balkan Lynx community in Mavrovo National Park. Photo: Dime Melovski.
that it "will consider the results of the strategic environmental assessment of cumulative effects of all planned development activities on the territory of the Park when deciding on the financing of the hydropower projects in the Park."

Responding to the Bern Convention’s recommendation, Ana Colovic Lesoska, executive director of the Macedonian environmental group Eko-Svest, said: "The Committee has now sent an unequivocal message to the Macedonian government and everybody involved in this egregious project that protected areas are there for a reason. In light of today’s decision, the Macedonian government should seriously reconsider its plans for hydropower developments in the Mavrovo National Park. Specifically, the government should engage the public and civil society in the decision-making process, and it should also acknowledge Macedonia’s international responsibility to protect wildlife and natural habitats in the park through allocating the necessary funds for the conservation of the Balkan Lynx population."

For five years now, Macedonian environmental organisations have raised their voices against planned hydropower plants in the Mavrovo National Park. They have repeatedly insisted that hydropower projects in national parks result in the destruction of habitats and species, that they cannot contribute to nature conservation and, therefore, should be avoided. However, the Macedonian government has been vigorous in its support of such energy developments and set out early to involve the EBRD in this roller coaster.

In 2011, therefore, the EBRD approved a EUR 65 million loan for the Boškov Most hydropower project. The bank soon found out, if it had not known before, that the area of the planned dam is the core reproductive area of the fragile Balkan Lynx population.

The EBRD doublets gushed a bit more when the highly respected International Union for Conservation of Nature confirmed that the population of the Balkan Lynx is officially considered to be critically endangered - there are less than 40 individuals of this species left in the wild. To date, fortunately, no project construction has started as the EBRD was knuckle-rapped by its own complaints mechanism that it had failed to comply with its policies when deciding to finance a project in a critical habitat.

As a result of the expert report from the EBRD complaints mechanism, more studies are in motion to assess whether Boškov Most is, yes, worth the sacrifice of the Mavrovo National Park. Last year, the project cost estimates jumped three times as the dam was estimated to cost around EUR 150 million and, if the EBRD is seriously considering further support, its Board of Directors would need to sign off on a new loan for the 68MW plant.

"The Boškov Most project has now become synonymous with endless trouble and it has already inflicted significant reputational damage on the EBRD," says Fidanka Bacheva-McGrath, EBRD campaign coordinator at Bankwatch. "Surely the EBRD realises it is only going to get worse as a new strategic impact assessment buys the project some more time, but is unlikely to contradict numerous assessments done to date. The recommendation to suspend the hydro power plans should give the EBRD enough reason to pull out of the project."

The SEA is expected to take another year, thus adding another two commitment fee tranches paid to the EBRD by Macedonian citizens, who neither want nature destruction nor getting poorer.

In the four years since the signing of the Boškov Most project loan, ‘commitment fees’ paid to the EBRD by the Macedonian government have reached EUR 1,950,000. Great work if you can get it. But why, given the scale of recklessness from all sides?

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**THE HYDROPOWER TSUNAMI IN SOUTHEAST EUROPE**

Out of 142 plants for which financing was identified, 75 were financed by international financial institutions. 30 of these are in protected areas.

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**RECKLESS DAM FINANCING RAMPANT IN THE BALKANS**

A new Bankwatch report has found that loans totalling EUR 818 million from international public ‘development’ banks have supported 75 hydropower projects in the Balkans, including 30 which directly affect protected areas such as national parks, Natura 2000 sites and Ramsar sites.

‘Financing for hydropower in protected areas in Southeast Europe’ reveals how this wave of hydropower development fuelled by European public funding and EU companies is endangering pristine river environments in the Balkans. The EUR 818 million figure has been tippet up in recent years by the European Bank for Reconstruction and Development (EBRD), the European Investment Bank, and the World Bank’s International Finance Corporation. The report identifies the EBRD as the biggest investor in destructive hydropower across the Balkans: the bank has supported a total of 51 plants with EUR 240 million, 21 of them inside protected areas, of which the vast majority are in Macedonia.

“Our analysis,” points out Pippa Gallop, Bankwatch’s Research co-ordinator and co-author of the study, “clearly shows that especially for the EBRD, but also the World Bank Group, financing hydropower projects in protected areas is the norm, not an exception. They need to finally start taking their internal safeguard policies seriously.”

Read more: ‘Financing for hydropower in protected areas in Southeast Europe’ is available at: http://bankwatch.org/sites/default/files/SEE-hydropower-financing.pdf

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consultations in neighbouring countries, in line with the Espoo and Aarhus conventions. Yet, the Ukrainian authorities’ refusal to do so has not prevented the European donors from disbursing their loans.

Three other Ukrainian nuclear units are already operating beyond their design lifespan. In 2010, units 1 and 2 at the Rivne power plant were authorised to continue working until 2030. This decision has been found to be in breach of the Espoo Convention. Unit 1 at the South Ukraine power plant was also granted a ten year lifetime extension has been found to be in breach of the Espoo Convention. Unit 1 at the South Ukraine power plant was also granted a ten year lifetime extension has been found to be in breach of the Espoo Convention. Unit 1 at the South Ukraine power plant was also granted a ten year lifetime extension. In 2010, the EUR 818 million figure has been totted up in recent years by the European Bank for Reconstruction and Development (EBRD), the European Investment Bank, and the World Bank’s International Finance Corporation. The report identifies the EBRD as the biggest investor in destructive hydropower across the Balkans: the bank has supported a total of 51 plants with EUR 240 million, 21 of them inside protected areas, of which the vast majority are in Macedonia.

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Find out more: Visit the campaign webpage: http://bankwatch.org/our-work/projects/nuclear-power-plant-safety-upgrades-ukraine
A second review of the AIIB’s draft environmental and social framework (ESF) is currently ongoing, and the bank’s Articles of Agreement require its Board of Directors to approve the final version before any formal decisions can be taken on policies or projects. In the absence of a functioning board, the AIIB has nonetheless leapt into the process of lining up its project pipeline for 2016, including naming infrastructure projects in Pakistan as forthcoming investments for the institution.

The AIIB’s loan book, which has a capital base of USD 100 billion, is to be capped in the short- to medium-term at USD 100 billion. Other multilateral development lenders such as the Asian Development Bank have agreed to identify projects for co-financing with the AIIB, while the European Bank for Reconstruction and Development (EBRD) says it will hold with civil society organisations via video conferencing, the AIIB’s chosen format for conducting a succession of hurried public consultations on its first ESF back in September, the bank was unable to either clarify in principle or in detail its procedures for project approval and for time-bound information disclosure related to investments which will have ‘significant’ to ‘irreversible’ environmental and social impacts.

New **Beijing**-backed Asian Infrastructure Investment Bank struggles to convince on environment and sustainability issues

Board of Directors – which has yet to be elected into office – are highly alarming. Yet they chime with China’s previous suggestion that a technical panel will make expert decisions on AIIB funded projects rather than the bank’s board in tandem with the guidance of an internal sector investment policy.

Indeed, during one of the few effective dialogue sessions held with civil society organisations via video conferencing, the AIIB’s chosen format for conducting a succession of hurried public consultations on its first ESF back in September, the bank was unable to either clarify in principle or in detail its procedures for project approval and for time-bound information disclosure related to investments which will have ‘significant’ to ‘irreversible’ environmental and social impacts.

Currently, at the time of writing, the final draft of AIIB’s environmental and social policies is being negotiated behind closed doors. What remains critically missing is a sector investment policy for coal, or an analysis of the known and irreversible environmental, social and health risks specific to coal, enabling quantification and avoidance strategies that could offer guidance on the viability and prudence of planned coal projects.

The EBRD, the World Bank, as well as the European Investment Bank have all adopted climate and energy policies in recent years which limit their funding of highly polluting coal-fired power plants. Some shareholder countries within these public development banks which have effectively stopped financing coal projects are also founding members of the AIIB, including 14 EU member states. While the non-regional/European members of the AIIB make up a small percentage of the total shareholders, it is unclear whether these EU countries have acted during the AIIB’s set-up negotiations to support restricted financing of unabated coal projects, consistent with the policies they have supported at the other multi-laterals. Regrettably, the apparent lack of tough talking on the issue of coal at the AIIB negotiating table would suggest that policy incoherence can be tolerated.

Similarly, the European countries concerned risk forfeiting their relevance by muting their agreed climate and energy policy targets to fit in with the new kid on the block’s intention to help drive forward more unabated coal projects at precisely the wrong moment. This is unacceptable in the wake of the Paris climate summit’s historic agreement which many observers have viewed as spelling the beginning of the end for the fossil fuels era.

Jin Liqun has meanwhile gone on the record to suggest that coal power is a human rights issue for people living in poor countries with no access to power, and that the AIIB therefore ought to make exceptions for the funding of new coal. However, a recent study from the Overseas Development Institute (one of many published recently) shows that in practice new generation capacity does not translate directly into new electricity connections or – even – lower prices for existing poor consumers. In short, the construction of new coal plants is no silver bullet for solving energy poverty.

As the AIIB appears to be set on autopilot mode for providing funding for big-ticket energy and transport infrastructure projects, doubts persist about whether sustainable development goals will be hamstrung by un warranted, unfit policies which fail to protect communities and the environment in which they inhabit from the predictable, well-documented and irreversible harms associated with mega-scale infrastructure projects, including coal.

How can the latest entrant to the multilateral development lender sphere plan to uphold the ‘clean and green’ agenda and foster sustainable economic development, as prescribed by its founding articles, if not through the adoption of measurable policies compatible with the type of environmental and social due diligence standards already practiced by other multilateral development banks?

Without some rapid-fire injection of ambition and responsibility into its policies and procedures, the new beginnings under way at the AIIB threaten to see a return to the darkest, unregulated days of international development finance.

**“What remains critically missing is a sector investment policy for coal”**
**Greening the EBRD’s portfolio – or greenwashing it**

No matter how you look at it, the so-called sustainable energy approach being taken – and loudly trumpeted – by the European Bank for Reconstruction and Development (EBRD) is simply at odds with both climate science and the recently adopted Sustainable Development Goals (SDGs).

For one thing, the bank’s ‘green finance’ portfolio still contains investments such as large hydroelectric dams and improved efficiency schemes for fossil fuel–based energy projects. Boasting about big green numbers, the EBRD appears to be just fine with considering emissions savings from coal and gas projects, as well as projects which wreck protected areas, as sustainable energy investments.

Josué Tanaka, the EBRD’s managing director for Operational Strategy and Planning, Energy Efficiency and Climate Change, recently claimed that the bank had invested EUR 18 billion in 1000 sustainable energy projects since 2006. Tanaka also described how the EBRD intends to invest the same amount over the next five years, raising green financing to around 40 per cent of its total annual portfolio.

Anti-coal and human rights campaigners, as well as civil society groups opposing large hydropower dams, digest such accounting with a huge pinch of salt. For example, what the EBRD likes to call ‘sustainable energy investments’ include a project for gas–to–coal fuel switch in the Egyptian cement industry and the construction of hydropower dams in national parks and critical habitats for highly endangered species such as the Balkan lynx.

**Making the wrong choices: wild cats or climate?**

The indivisibility and interconnectedness of the SDGs mean that we should not have to sacrifice critical habitats, making choices between saving the climate and saving critically endangered species. Yet, as a staunch fighter against climate change, the EBRD has had to make its choice against the Balkan lynx and for some years now has stubbornly stuck to its support for the Boskov Most hydropower plant in Macedonia’s Mavrovo national park (see elsewhere in this issue).

There are numerous other cases of unsustainable energy projects financed by the EBRD. For example, poorly conceived hydropower plants in Georgia, such as the newly proposed Nenskra dam. Bankwatch calls for the introduction of sustainability criteria for renewable energy projects have been brushed away by the EBRD. Yet with the number of ‘green energy’ projects rising, concerns too are rising about their adverse environmental and social impacts.

**Greenwashing coal**

The EBRD is expert too at presenting investments in coal projects as climate action. It has recently attempted to describe an EUR 80 million investment in the expansion (yes – more coal) of Serbia’s lignite mining as ‘environmental improvement’. To do so, the bank had to ignore the project’s link to thermal power production capacities and problems linked to the resettlement of communities living on the edge of mine pits.

Another curious example is the EUR 50 million investment in ‘fuel conversion and environmental upgrade’ (read: gas–to–coal switch) in Egypt’s cement sector. Of course, the EBRD’s project is focused on adding ‘alternative fuels’ – biomass, waste–derived fuel, and/or tire–derived fuel – to coal and/or pet coke, in order to neutralise carbon emission rises. And, therefore, this project is called sustainable energy.

Still, the Cemex project in Egypt would appear to run counter to the bank’s 2014 energy strategy which promotes a shift away from coal to cleaner fuels and renewable energy. More importantly, through this investment the EBRD supports a wider government policy that envisions the introduction of coal and reliance on this dirtiest of fossil fuels for up to 30 percent of Egypt’s energy needs by 2030, based on the assumption that renewables are a luxury that Egypt cannot afford.

**Is natural gas a fossil fuel or sustainable energy?**

Two more recent loans of USD 190 million and USD 200 million for combined cycle gas plants in Egypt also claim significant emissions reductions and improved energy efficiency. But then again, natural gas is a fossil fuel, is it not? For the EBRD, as long as there is any efficiency gain resulting from a project – even if more burning of fossil fuels is to be involved – then another ‘sustainable energy’ box can be ticked.

A more rigorous methodology used by Bankwatch, which excludes fossil fuels from sustainable energy, shows very different results to those touted by the EBRD. According to a new Bankwatch analysis published in November, the EBRD invested disproportionally more money in fossil fuels than in sustainable energy. For example, between 2012 and 2014, almost 70 percent of the bank’s financing in Jordan and in northern Africa countries’ energy sectors – a total of EUR 419 million – went to oil and gas–based electricity generation as well as hydrocarbon extraction and distribution.

The EBRD needs to reassess its sustainability metrics and its commitment to financing for development. In order to achieve its 40 percent target, the bank will either have to engage in full–on greenwash, calling any fossil fuels efficiency gains and monstrous hydro ‘sustainable’, or scale up investments for truly sustainable, small scale projects, and do it transparently. Let’s hope, in the aftermath of the Paris agreement, the EBRD takes the latter approach.

**PUBLIC DEVELOPMENT BANKS FAILING 2 DEGREE TEST, HEAVY FOSSIL FUEL FINANCING PERSISTS**

The MDB Climate Change Scorecard, published by Bank Information Center and Sierra Club during COP21, highlights how none of the world’s biggest multi-lateral development banks is on track to help keep the world below 2 degrees warming, and reveals how the seven banks in question – including the World Bank, the EIB and the EBRD – are continuing to support fossil fuel projects in developing countries.

The scorecard assessed the recent record of the MDBs in meeting their stated commitments to help poor countries transition to a low-carbon economy, to avoid or reduce project-related greenhouse gas emissions and to increase support to renewable forms of energy.

The IFC, the World Bank’s private lending arm, and the EIB were identified by the scorecard as the ‘most enthusiastic’ fossil fuel promoters – taking account of both banks’ direct and indirect lending – while the Asian Development Bank was identified as the biggest funder of coal. Bank Information Center’s Nezir Sinani pointed out, “These banks fail the climate test because they are neither measuring nor trying to curtail their support for fossil fuels. This support often remains hidden behind incentives, guarantees or in complex investment structures like public private partnerships or lending through third parties. This is an unacceptable use of public funds, which should be promoting a greener, cleaner world.”

9 reasons why the EU’s bank is no climate leader

In the run-up to, during and now, with a global deal reached, after the Paris climate summit, the world’s largest public lender, the European Investment Bank (EIB), is positioning itself as a climate pioneer. Together with other multilateral development banks, the EIB is posing as the vehicle to distribute these vast sums of money, and as the EU’s house bank, it has a guaranteed role to play in the bloc’s contribution to the fight against climate change, both within Europe and beyond.

But is the bank really fit for this role? Can the EIB make a break from its history of financing fossil fuels and polluting forms of transportation after decades of cosy relations with the biggest culprits? Here are nine reasons, all related to very recent trends at the EIB, which suggest the bank will have to pull up its climate socks - and fast.

1. Climate finance leader ... in five countries.

According to an EIB evaluation, 70 percent of the bank’s EUR 75 billion in climate finance between the years 2010 and 2014 was limited to just five countries: Germany, France, UK, Italy and Spain. During COP21, a further EUR 1bn loan package in support of energy transition in France was announced by the EIB.

A closer look at the bank’s projects from 2014 that are counted as climate action reveals an even more glaring imbalance: the 13 EU member states in central and eastern Europe (CEE) collectively received less than one percent (EUR 42 million) of the EUR 4.5 billion the EIB disbursed for renewable energy within the EU in 2014. Of the EUR 2 billion for energy efficiency, only EUR 148 million (7.4 percent) went to the CEE region.

Overall, according to Bankwatch’s tracking, CEE countries received only 10 percent of the EIB’s climate action lending in 2014 in spite of the high energy intensities of their economies compared to the EU average.

2. Energy efficiency accounts for just two percent of EIB lending.

The European Commission has underlined the need to fundamentally rethink energy efficiency by introducing the Energy Efficiency First principle which seeks to ensure the consideration of the potential for energy efficiency first in all energy related decisions. The Commission also regularly touts the EIB as an important player for boosting energy efficiency investments in the EU.

Yet the EIB couldn’t be farther away from making ‘energy efficiency first’ a guiding principle for its lending. As a cross-sectoral issue, energy efficiency measures constituted only 2.8 percent of the EIB’s total lending in 2014.

3. Massive support for Europe’s car industry.

Despite repeated calls to transform the global transport system away from private road transport, car manufacturers received a significant 11 percent of EIB climate finance between 2010 and 2014. As the EIB admits: “Slightly over 40% of Climate Action RDI [Research, Development, Innovation] volume went to the German automobile sector. […] RDI operations on new RE [renewables] technologies are virtually absent from the Climate Action portfolio”.

Throwing more money at one of the most polluting modes of transportation is not the most effective form of climate finance. Adding insult to injury, car producers have actively circumvented and undermined the promised emissions reduction efforts, which brings us to point four.


Since 2009 the EIB has loaned the Volkswagen group EUR 1.5 billion from its climate action programme to improve fuel efficiency and reduce emissions from its engines. Without more detailed information from the EIB about Volkswagen’s use of these loans, their contribution to emissions reduction action is unknown.

5. One hand doesn’t know what the other is doing.

While the EIB boasts about being a leader in climate finance, it still supports climate damaging projects with billions of euros. The EIB’s sustainability report approximates that projects in 2014 resulted in 4.7 million tonnes of greenhouse gas emissions, the equivalent of putting 2.35 million new cars on the road. One such investment is a gas extraction project in Tunisia: this will add another 1.5 million tonnes of CO2 equivalent per year.

6. EIB fossil fuel finance in European Neighbourhood countries.

Between 2007 and 2014, the EIB provided EUR 3.2 billion for fossil fuel projects in 16 countries of the European Neighbourhood Policy. Only EUR 780 million went to renewable and energy efficiency projects, the majority of which was targeted at just one country, Morocco.

7. Turning its back on the EU’s long term climate objectives?

In its new climate lending strategy approved in late September 2015, the EIB decided to drop a reference to the EU’s 2050 low-carbon economy roadmap. Despite bank statements repeatedly naming climate action as a top lending priority since 2010, the new EIB climate strategy fails to commit to EU decarbonisation goals.

8. EIB’s emissions standard for energy production lags behind.

The EIB Emission Performance Standard (EPS) for the energy sector is currently set at a level of 550 g CO2/kWh. An EPS is a limit on the amount of CO2 that can be emitted by a power station. Conventional hard coal combustion results in the emission of approximately 850g CO2/kWh, while the most efficient gas power plants emit about 300g CO2/kWh.

During consultations on the EIB’s new climate policy, civil society organisations such as E3G and WWF pointed out that this level is inconsistent with the EU 2050 climate target since it allows financing for infrastructure, such as new oil-fired plants, with excessively high emissions for reaching the 2050 target. Currently sitting above the minimum level required (450 g CO2/kWh) to support the EU’s climate target, the EIB’s EPS also lags behind similar standards introduced recently by the UK, the US and Canada.

This means that the bank may still finance fossil fuel-fired power plants that are less efficient than they could and should be.

9. Climate impact swept under the carpet for one third of the EIB’s lending.

Even though loans distributed through financial intermediaries, such as commercial banks and private equity funds, totalled 31 percent of EIB lending in 2014, the bank still lacks a methodology to calculate the climate impact of this type of lending.
As efforts to realise a mega gas pipeline along the Southern Gas Corridor intensify, Re:Common’s Elena Gerebizza explains how democratic rights are at stake – and are being trampled on.

In early June 2015, the CEO of oil giant BP, Bob Dudley, gave a remarkable speech at the World Gas Conference in Paris. He presented a new role for oil multinationals such as BP in “shaping the age of gas”. His argument is to convince the world, starting from Europe, that gas is the cleanest fossil fuel, and it has a major role in the energy transition that would save the climate. This is how oil corporations were preparing for the climate discussions in Paris. And this is how they framed the argument – “gas is the transition fuel” – which has been pushed for years in policy documents and transition scenarios from major environmental organisations.

This unhappy convergence of visions shares the approach of looking at the planet as a connection of maps, numbers, resources and CO2 molecules, rather than a place where humans, as a part of ‘nature’, have been living for centuries. The same approach describes ‘nature’ as something rather out there that should be eventually ‘protected’, and not as the environment in which we live through a complex set of relations rooted in many values that could be polarised around either exploitation or the commons.

In June, when Dudley was speaking, I was getting ready to travel to Azerbaijan, where BP has been operating since the mid-1990s, right after the small Caspian state’s independence from the former Soviet Union. As a result of BP’s operations, Azerbaijan is described as a key energy partner for European ‘energy security’. I was also in the country last year, and since then all the non-governmental organisations and independent media, with whom we’ve been in touch, have been shut down by the government.

Activists and journalists are mostly in jail on fabricated charges, or have escaped abroad. Emin Huseynov, journalist and founder of the Institute for Journalists Freedom and Safety, was hiding at the Swiss embassy in Baku for ten months before leaving the country under the diplomatic protection of the Swiss government in June this year.

Azerbaijan is a country with over 100 political prisoners, including very young activists whose crime was to call for freedom of expression on a Facebook page. The economy of the country is directly or indirectly controlled by the ruling family, the Aliyevs, in power since independence in 1991. The people of Azerbaijan are looking for spaces and opportunities to raise their voices and continue to call on the EU to support their demands for respecting basic freedoms in the country.

They object to every new economic deal with other countries reinforcing the power of the ruling family, as well as repression against every remaining free voice. They use words such as ‘corruption’ and ‘rights’, but not ‘infrastructure’ or ‘climate change’.

The EU and BP’s mega pipeline ‘project of common interest’

The EU and BP describe the mega gas pipeline that will connect Azerbaijan to Europe as a ‘project of common interest’, strategic for EU ‘energy security’.

This is potentially the largest project ever built between Europe and a neighbouring country: it carries an estimated price tag of EUR 45 billion and is set to involve more than 3,500 kilometres of pipeline to be built between the western coast of the Caspian sea in Azerbaijan, and the south-eastern coast of Italy, in one of the few remaining pristine marine areas in Apulia. On its way it would pass through Georgia, Turkey, Greece and Albania.

Democracy undermined

Communities on the two ends of the pipeline are concerned for reasons more complex than purely environmental issues. Their concerns are rather focused democracy, whose principles have been torn apart to make space for the pipeline on its Italian end, and around basic freedoms and the right to speech on the Caspian side.

Since the intergovernmental agreements for the construction of the pipeline were signed in 2013, the Baku regime has felt politically covered to arrest every non-embedded voice in the country, to close every independent media and every international organisation in an effort to cut connections between civil society in the country with the rest of the world.

In Italy, the consultation on the pipeline project’s environmental impact assessment was flawed. Various government offices gave different opinions on the project. All the local administrations – from the municipality level to the province and region – rejected it and asked for alternatives that were never provided. However, the Italian government used its power to impose governmental decrees in order to make sure that the project received authorisation in April 2015.

“Europe is asking for this from us, this is a European priority” is the mantra that government officials have consistently repeated. When the EU declares that projects of ‘common interest’ cannot be stopped on environmental grounds, this is what happens, despite the environmental violations and the broader set of fundamental human rights abuses.

EU billions for big infrastructure, above the heads of people

This situation is far from unique; unfortunately, it is rather common. The current European Commission, in office since November 2014, has promoted a massive investment plan on large infrastructure as a key tool for economic recovery in the EU. A plan worth EUR 315 billion, most of it is oriented to finance the Southern Gas Corridor and similar projects, some of them beyond the EU’s borders. Gas storage facilities, LNG plants, highways, high-speed railways and electricity interconnectors are the main investments, decided somewhere between capitals and Brussels, above the heads of people.

Yet, thousands of people will see the construction of such projects happening in their houses, their fields, their mountains and their forests, their beaches and the seas where they live and which they depend on. The ‘superior interest’ from such an investment agenda is not serving the interests of the people. And it is not in line with any fight to address climate change.

 Guaranteeing common returns for some

It is rather in the interest of investors and corporate players, themselves more and more dependent on financial markets and now reorganised to make money through the further extraction of wealth – financial and physical – from territories and their local communities.

The Southern Gas Corridor, and the many other projects of ‘common interest’, will likely be a driver for expropriation in Europe and beyond, and too for the re-inforcement of financial and state power, which are also becoming actors of repression with the main task to make sure that all ‘strategic’ infrastructure is built.

The financial instruments that the president of the European Commission, Jean-Claude Juncker, and the European Investment Bank are proposing – namely European project bonds - aim to allow BP and the other corporations involved in the construction of the Gas Corridor to leverage money directly on financial markets, using EU resources to improve the rating of the bonds which pension funds and investors will then buy. Through this system, a revenue stream is created, on which new financial assets are built – assets which will ultimately guarantee a rent to investors. This of
Course means more money to those intent on locking in a fossil fuel economy and a system of ever-growing accumulation. This is part of what oil and gas corporations mean when they talk about “shaping the age of gas”: how to make extra profits for them and investors via the further exploitation of fossil fuels. This is also part of how Europe and other societies are being reshaped, to allow further extraction of wealth in every possible sphere of our lives and for the advantage of the few – what some refer to as the ‘financialisation’ of the economy and society at large. There is no space or will in the closed rooms of UN climate conferences to discuss – not to say understand – the complex power relations that are reshaping society in its entirety.

Meanwhile the European Bank for Reconstruction and Development (EBRD) has channelled financing across a wide-ranging mix of fossil fuels and renewable energy projects, including greenfield hydros, and energy efficiency projects. The bank has also supported a nuclear safety upgrade programme in Ukraine that is necessary for extending the lifetime of expired nuclear units for up to 20 years beyond their initially projected lifespan. In total for 2007-2014 the EBRD provided EUR 991 million to fossil fuels in ENP, with a discernible shift being made towards gas, as seen with its EUR 500 million loan to Lukol for the extraction of gas in Azerbaijan and a EUR 182 million loan for the Damanhour gas power plant in Egypt, both made in 2015.

The new Bankwatch research also confirms that in the Middle East and North Africa region, as well as in the Eastern Partnership region, there is an urgent need for comprehensive energy sector reform in order to improve energy efficiency and intensity, not to mention environmental sustainability. However, EU energy investments have a pronounced tendency to not serve the interests of local economies and populations. Rather, with such a bias towards fossil fuels, these investments impact negatively on the social, economic and environmental rights of local communities, including their adverse air and water pollution impacts, while the usually opaque land acquisition and involuntary resettlement ‘packages’ that accompany so many fossil fuel carbuncle projects – most often, too, without proper compensation – only increase poverty.

In addition, unconditional support to countries such as Azerbaijan and Egypt in order to ensure the EU’s energy security agenda serves to solidify the authoritarian regimes within these countries and worsens the human rights situation.

In its recent Communication “Review of the European Neighbourhood Policy (ENP)” commitments regarding the upholding of common values such as democracy and human rights, the rule of law, good governance, market economy principles and sustainable development.

Alarmingly, though, our research has uncovered that out of at least EUR 9 billion provided by the EU to energy projects in the ENP region during the period under assessment, more than EUR 4.2 billion in financing went to hydrocarbons in contrast to the EUR 1.5 billion awarded to low carbon sources of energy and energy efficiency projects.

The most significant amount of lending over the period – EUR 5.6 billion – derived from the European Investment Bank (EIB), and EUR 3.2 billion from the ‘EU’s bank’ supported 17 fossil fuel projects.

It is up to communities and movements to challenge this new paradigm before it is too late.

This article was first published in the compendium ‘Paths Beyond Paris: Movements, action and solidarity towards Climate Justice’, available at: http://www.carbontradewatch.org/publications/paths-beyond-paris.html

EU-backed fossil fuels binge needs to end in ‘neighbourhood’ countries

Bankwatch has been taking a look at EU financing for the energy sector in 16 European Neighbourhood countries between 2007 and 2014 in order to compare the support provided to unsustainable energy sources (such as fossil fuels and nuclear power) against that provided to renewables and energy savings initiatives. Our aim has been to better understand the impact of energy sector investments in the region in light of European Neighbourhood Policy (ENP) commitments regarding the upholding of common values such as democracy and human rights, the rule of law, good governance, market economy principles and sustainable development.

The EU’s relationship with countries to the east and south is guided by the European Neighbourhood Policy (ENP), which in turn directs significant funding for the energy sector there.
The case of the Tsumeb smelter in Namibia demonstrates how European pollution is being exported to the Global South with the indirect help of public development money.

While people associate Namibia with African wildlife, the gateway to its largest sanctuary, the Etosha national park in the north-west of the country, has little to keep tourists there. The polluted air in the town of Tsumeb, home to exhausted open pit mines and a copper smelter, is something the 16,000 or so inhabitants have to live with and foreigners try to escape from.

Yet it is not only the heavy air that has been of concern. A local waste disposal site, as Bankwatch discovered on a monitoring mission earlier this year, is piling up with arsenic produced by the smelting of European ore and has caused fears of contaminated soil and water. Questions, too, are being raised about an intricate scheme whereby European pollution is exported to the Global South with the indirect help of public development money.

An old troublemaker

The Tsumeb smelter is an old troublemaker, created to process some of the dirtiest copper ore in the world. For years the air around the smelter has been filled with fugitive emissions – from arsenic dust to sulphuric dioxide.

Local people claim that some of their garden plants and crops suffer from this pollution. And it’s not only plants which are affected. A health report tested the urine of a few hundred locals. The arsenic concentration in the samples was high, even for people living 60 kilometres away from the smelter.

The Tsumeb smelter belongs to Dundee Precious Metals (DPM), a Canadian company that operates and develops gold, copper and silver mines in Bulgaria, Armenia and Serbia. The European Bank for Reconstruction and Development (EBRD) provided the company with a EUR 20 million loan in 2005 and a USD 45 million revolving credit later in 2012 in order to, among other things, increase the ore recovery at the DPM-owned Chelopech mine in Bulgaria. With its higher yield, the Chelopech mine has for years kept the Tsumeb smelter going economically – half of the copper concentrate smelted in Tsumeb comes from Chelopech.

The Tsumeb smelter has the reputation of being among the few in the world capable of processing ore which is abundant in arsenic, a toxic compound dangerous to human health if not managed properly. It was a practical choice for DPM to ship ore from Chelopech to Africa where environmental standards are more lax and refurbishment costs are lower. Back in 1988, the Bulgarian government had banned local facilities from processing the Chelopech ore because they were not able to handle the high arsenic concentration without environmental consequences. The alternative of cyanide leaching was rejected by Bulgarian society.

DPM acquired the Tsumeb smelter in 2010 with a special clause that exempts the company from any liabilities related to the environmental damage caused by previous owners. Adding to the dark legacy, the smelter has treated concentrates that contain twice as much arsenic as the ones processed in the past and the capacity of the smelter has more than doubled after technological upgrades, including the construction of new oxygen and acid plants.

Piling up the arsenic pollution

At Tsumeb the concentrate is smelted at high temperatures to separate the copper from sulphide, arsenic and the other compounds it contains, leaving just the metal behind. As a by-product of extracting arsenic from the ore, arsenic trioxide is produced and later sold by DPM for the manufacturing of wood preservatives and herbicides.

As Europe and the USA have stopped using arsenic trioxide in the production of agriculture and wood treatment, DPM sells the arsenic to smaller markets in South Africa and Malaysia and stores the excess at a hazardous waste site on the outskirts of town.

The smelter is an important employer in the town and its vicinities, providing full time work for 448 people and indirect jobs for as many as 1,466 subcontracted workers. DPM also maintains a community fund.

Concerned about losing pay packets, locals were hesitant about whether to submit grievances. Yet despite the risks, they spoke out and convinced the Namibian government to conduct an audit probing the health and environmental impacts of the smelter. Finalised in January 2012, the audit concluded that the smelter was negatively affecting the environment and the health of the employees and the community. As a result, the government issued an order requiring the smelter to both reduce its capacity feed by half and adopt technological improvements.

Satisfied with the smelter upgrades which ensued, the government lifted the curtailment on the quantities of concentrate to be treated at Tsumeb in December 2013. DPM claimed to have invested over USD 110 million into emissions improvements that have reduced both inhalable arsenic levels and the arsenic contamination of the workers.

Yet, a site visit by Bankwatch staff in August 2015 revealed that these upgrades have likely not been applied to the hazardous disposal site. The highly toxic arsenic trioxide is being stored in sugarcane bags at a dump-site situated just a few hundred metres away from houses in Tsumeb (see photo).

Although set out on a non-permeable liner, the bags are unprotected from the wind and sun from the top. The site has been filled at accelerated rates and seems to be at the brink of its capacity, storing what looks like tens of thousands of tons of arsenic dust and other production waste piled in several layers already.

Since January this year Bankwatch staff have attempted to access the relevant environmental documentation, including the environmental and social impact assessment, in order to understand how DPM manages the toxic waste and prevents arsenic contamination among its workforce and the local population. However, repeated requests for a meeting with the smelter management have been turned down, just like requests to the company and the Ministry of Environment for the disclosure of documentation have proved unsuccessful.

DPM has just recently come out in the Namibian media with a rebuttal of our findings on the ground in Tsumeb. Until we receive the requested information about the improvements in the Tsumeb smelter facilities, the environmental assessment of those improvements and the environmental permits denied to us by the company with various arguments all year – it remains their word against ours.

The same applies to the authorities in Namibia. Our right of access to environmental information laid down in the national Environmental Management Act has been impeded by the silent denial of the Environmental Commissioner. Our letter to Minister Pohamba Shifeta regarding the case remains unanswered from September.

For now, Tsumeb stands as a blatant example of a western company exporting toxic pollution from Europe to a less restrictive developing country. The fact that European development finance is involved makes EBRD shareholder governments complacent in the environmental wrongdoing associated with the mining industry. This should be sufficient reason for the bank to withdraw from financing ore extraction projects.
Foul play: development banks condone top Ukrainian poultry producer’s abuses

Amid mounting global security concerns and the second week of the UN climate negotiations in Paris, a development affecting Ukraine and reported by Reuters went largely unnoticed. The International Monetary Fund announced it is to change its lending rules, a move that will permit Ukraine to miss payments on a USD 3 billion debt to Russia and continue to receive Fund support.

Ukraine is currently restructuring its debts to plug a USD 15 billion funding gap under an IMF–led USD 40 billion bailout, so changes to the policy on non-toleration of arrears to official creditors were agreed by the IMF’s Executive Board.

This, of course, is not an isolated case of the west’s political agenda in Ukraine compromising standards and loan conditions when decisions are made at public financial institutions. And the question is if this kind of largesse is in fact justified and beneficial to Ukraine and its people? A closer look at Europe’s recent investments in Ukraine’s agriculture sector shows that the failure to apply high transparency standards and social safeguards poses not only business risks but also undermines Ukraine’s democratisation process.

Who will reap what is being sown?

Agriculture was the only sector of Ukraine’s economy to register growth in 2014. This bolstered first of all GDP growth, badly needed for stabilising Ukraine’s economy and securing debt repayments. Another beneficiary? Cheap food exports to Europe, enabling the west in support of Ukraine have to be channelled somewhere, and agribusiness is a lucrative sector.

The company has denied the findings of the two reports. In turn, the banks involved have defended their client, responding that MHP’s operations are generally in line with Ukrainian law and EU standards. These responses are far from persuasive, but it is clear that the investment volumes pledged by the west in support of Ukraine have to be channelled somewhere, and agribusiness is a lucrative sector.

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Thus, in October this year, the EBRD’s board of directors approved a new corporate loan of USD 85 million for MHP. Currently Atradius, the Dutch export credit agency, is also considering four export credit requests for MHP.

In several Ukrainian regions, community protests against MHP’s expansion continue nonetheless. Villagers are organising public hearings, demanding information from the company, and physically blocking its attempts to start construction.

MHP’s failure to adequately deal with community grievances carries risks that European banks cannot neglect. Of far more importance than the risk of losing money is the risk that European banks – both public and private – will undermine the political project of democratising Ukraine by backing further oligarch land grabs. Continuing to condone this kind of behaviour, as democratic principles and the interests of rural communities are casually abused, is headless chicken stuff.


The ‘Chicken Run’ report is available at: http://www.somo.nl/publications-en/Publication_4228/at_download/fullfile

A Myrinovsky Hlibproduct leaflet distributed to villagers, advertising the land lease and promising profits
Polish authorities on collision course with EU institutions over S7 expressway

A barely eight kilometre long section of an express road in central Poland is becoming another battlefield in the long-running conflict between Polish road authorities on one side and European biodiversity protection laws, and environmental NGOs trying to uphold them, on the other. Except this time, it’s not just about the law – it’s also about the money.

The road is the S7 expressway, one of Poland’s main transit routes, running north to south and connecting Gdańsk, Warsaw and Kraków. A short section of this road, between the town of Skarżysko-Kamienna in central Poland and the border of the Mazovian region, has become a hotspot for environmental, technical and formal problems – problems so obvious that, after more than seven years since the project’s conception, the developer, Poland’s General Directorate for National Roads and Motorways, has been unable to secure either a final set of construction permits, or financing.

This can be considered a so far small success for the environmental watchdog organisation which has been campaigning against this project since 2008. Local NGO Pracownia na rzecz Wszystkich Istot (Workshop for all Beings) has brought complaint after complaint to the courts and administrative bodies, citing European biodiversity and habitat directives in a bid to stop construction of the road as it is currently planned.

The stakes are high because, according to an independent evaluation carried out over the past few months by independent scientists and researchers, building the eight kilometre section would cause severe harm to the natural environment by cutting through a major ecological corridor, impacting the neighbouring Natura 2000 sites and devastating some of the most important habitats for protected butterfly species.

Workshop for all Beings has been consistently pointing out the formal and environmental shortcomings of the S7 project – and the Polish courts have been listening. An environmental decision was made void and construction permits were annulled, leaving the project developer to repeat the application process. But neither the opposition nor the lengthy proceedings to date have discouraged the investor.

Indeed the General Directorate for National Roads and Motorways, a government body, is continuing to aggressively push forward the project in its original, controversial form.

With the required permits currently appealed in courts, the project should have no legal foundation. In spite of this, the General Directorate’s apparent readiness to adjust and amend the route remains no more than a smokescreen. While publicly declaring its willingness to find a constructive compromise, during the autumn months the promoter has taken further ominous steps to build the road, including fieldwork and granting a contract for implementing a highly experimental mitigation measure intended to resettle the butterflies threatened by the construction.

Jumping the gun and manoeuvring in this way before the requisite permits are fully signed off by the law courts, the arrogance behind the investor’s actions is staggering but not entirely surprising.

The General Directorate’s willingness to disregard procedures and agreements and move forward with the S7 project is likely a consequence of the recent change in Poland’s political climate. Following the general election victory of PiS in late October, Jan Szyżko is once again Minister of Environment. Szyżko was a notorious supporter of a high profile road project proposed more than ten years ago to run right through the precious Rospuda Valley Natura 2000 site in north-east Poland. And there is growing expectation that the new government will be even more lenient towards public bodies which opt to blatantly infringe European environmental laws.

European institutions, including the EIB, called on to act

Except it’s not just the Polish courts and watchdog NGOs following this case now. A complaint related to the infringement of EU law has been lodged with the European Commission and the Committee of Petitions of the European Parliament, bringing the S7 case to the attention of Brussels.

Since 2014, Workshop for all Beings and Bankwatch have also been engaging with the European Investment Bank (EIB), one of the sources of funding for the S7 section, in an effort to prevent the institution from financing the faulty project. The bank’s Complaint Mechanism is currently looking into the S7 case, following a further complaint submitted by Workshop for all Beings and Bankwatch pointing out the deficiencies in the project’s design and execution.

Read more: The briefing ‘S7 – A road to nowhere’ is available at: http://bankwatch.org/sites/default/files/briefing-s7-15Sep2014.pdf