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Krapska river small hydropower plant, North Macedonia



The 685 kW Krapska river small hydropower plant (SHPP) will be a small addition to the electricity production of North Macedonia but embodies the shortcomings of hydropower development in the Western Balkans.

The plant location was initially identified in a 1982 study, together with 400 other locations. The study aimed to preliminarily assess Macedonia's small hydropower potential. Unfortunately, the locations identified in the study were taken for granted and were all included without further screening in the 2010 national strategy for the utilisation of renewable energy sources.

The tender procedure, which included 80 locations for SHPPs took place in 2014. Aktual Energy Group DOO – Skopje was awarded the concession in August 2014 to use the water from the Krapska river for electricity production (together with three other plants on the Kovacka River),¹ after which it developed an environmental study² and then signed the concession agreement with the Ministry of Environment and Spatial Planning in May 2015.

All four plants were supported by a single EUR 4 100 000 loan from the EBRD's Direct Finance Framework, signed in November 2017.³ The EBRD, prior to signing the loan agreement, "did a thorough review of the location of the project and the protected sites maps, including Emerald sites" and "commissioned an independent aquatic biodiversity consultant to undertake a biodiversity survey through field research of the river, targeting aquatic and semi-aquatic species ... and the potential project impacts to these species." The bank later compiled this information in an August 2016 "Report on the aquatic biodiversity assessment of Krapska river."

Construction works were at a relatively early stage during our site visit in July 2018. The purpose of the visit was to verify the site coordinates, since we were concerned that it was located inside an Emerald Site and because of our previous experience with construction companies significantly breaching the mitigation measures and good construction practices required by Macedonian legislation and the EBRD's Environmental and Social Policy. All findings have been communicated to the EBRD's management.

¹ <http://www.slvesnik.com.mk/issues/586ecd8bffb844a0a6debabafcb9d1f7.pdf>

² <https://drive.google.com/file/d/0B1JWtJTVJRcNeUZzOU1b21FTXJzcVJxSmdRQRHbk5GcmdF/view?usp=sharing>

³ <https://www.ebrd.com/work-with-us/projects/psd/direct-finance-framework.html>

Failure to recognise the location of Krapska River SHPP as part of a protected area

The Krapska river valley is a biodiversity hotspot, home to endemic fish and amphibian species and an important habitat and migratory route for large mammals. Together with the rest of the Jakupica mountain range, the Bern Convention has recommended creating a national park (IUCN category II) as a key area for the critically-endangered Balkan Lynx.⁶ The valley is an important speleological site with unique karst features and several caves that host endemic bat species. These are just some of the reasons why this valley was included in the Jakupica Emerald Site

Macedonia has a history of disregarding nature protection to develop its energy sector. The cases of Boskov Most and Lukovo Pole and small hydropower development in the country's national parks are a grim reminder. In the haste to meet EU renewable energy targets, government officials seem to forget that the country has similar obligations regarding nature protection and biodiversity conservation. Only nine per cent of the country's surface enjoys any level of national protection, and this area has to be tripled to meet EU requirements. The nominated Emerald Sites (bound to become Natura 2000 sites upon entering the EU) have been established to solve this issue.

Despite our efforts, the recommendations from the Bern Convention Secretariat⁴ and a resolution from the European Parliament,⁵ in January 2019 the government published yet another tender for 22 new small hydropower plants, of which eleven are in protected areas.

(MK0000017).⁷ However, the tender commission, national authorities, independent consultants and the EBRD due diligence process all failed to identify this.

After a year of information requests and communication with the national authorities and EBRD, it remains unclear how and why this happened. But the fact remains that even the combined capacities of all these institutions were not enough to properly assess and evaluate the project. Since it is inside a planned protected area, according to the EBRD Environmental and Social Policy, the Krapska river plant should have been a Category A project and, as such, subject to a full Environmental Impact Assessment (EIA) process, which includes public consultations. However, the project's environmental impacts were evaluated only by a low-level national study and the EBRD's aquatic biodiversity study, which carries no weight within the national legal enforcement system and cannot be challenged in court if insufficient, unlike a

proper EIA. Since Macedonia has still not transposed Annex III of the European Union's EIA Directive and only categorises this kind of project according to the installed capacity, it is completely in the EBRD's hands to apply its and EU standards⁸ when evaluating small hydropower plants.

Social impacts were not evaluated

Krapska is Macedonia's most valuable sinking river. Several hundred metres downstream from the Krapa village it sinks into a cave system filled with underwater lakes more than 10 kilometers long. Although subject to additional research, experts claim the river together with the water springs in the area – some of which seem to be connected to the river – are an important source of drinking water for many of the surrounding villages. The Krapa village hosts a bottling facility⁹ that utilises the great quality water of this previously pristine river and adjoining springs. This facility employs ten people, more than the hydropower plant ever will.

⁴ <https://rm.coe.int/36th-meeting-of-the-standing-committee-to-the-bern-convention-report/168070acd2>

⁵ <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-2018-0480&language=EN&ring=A8-2018-0341>

⁶ <https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=090000168074649a>

⁷ <http://natura2000.eea.europa.eu/Emerald/SDF.aspx?site=MK0000017&release=2>

⁸ <https://www.ebrd.com/documents/environment/env-emanual-hydro-power.pdf>

⁹ <http://planinskarosa.com.mk/zanas/>

As such, the assessment procedure should also have included social impacts and public consultations with the affected community. Unfortunately, Macedonian legislation does not require this for hydropower smaller than 10 MW, regardless of the location. The villagers only became aware of the project when construction started.

The EBRD delayed the disclosure of environmental studies

NGOs first requested the environmental and social impact studies for the project in April 2018. This was denied based on the project being Category B. To confirm our suspicions that the project is in a protected area, we organised a field visit and requested the datashape files of Emerald Sites in Macedonia from the Ministry of Environment. A report with our findings was sent to the EBRD in October 2018, where we again requested the disclosure of all environmental studies related to the project. On 5 February 2019 the EBRD finally responded but did not answer our questions about the location of the plant, nor did it disclose the additional studies.

After an appeal to the Secretary General of the EBRD,¹⁰ in March 2019, almost a year after the initial request, the Report on the aquatic biodiversity assessment of Krapska river¹¹ commissioned by the EBRD was disclosed. To this day, the EBRD's efforts to confirm whether the plant is in the Jakupica Emerald Site remain fruitless.

This process has raised a number of questions about the EBRD's policy and its refusal to disclose environmental information for Category B projects. While the EBRD is not a party to the Aarhus Convention, many of its shareholders and countries of operation are. By not disclosing environmental studies, the EBRD sets a poor example in providing access to environmental information, public participation and access to justice on environmental matters. This also goes against the EBRD's commitment to uphold and promote EU principles in its operations.

The justification used by the EBRD that project documentation related to environmental and social impact assessment of Category B projects often contains commercially-sensitive information cannot be an excuse. All sensitive information can be easily redacted. In countries like Macedonia where access to justice on environmental matters is traditionally a problem, lack of access to justice can and already has caused civil unrest. These excuses do not even apply to Krapska because the report that was disclosed does not contain commercially-sensitive information. Thus it remains unclear why this report was not disclosed when initially requested and when most of the damage could have been prevented.

Insufficient mitigation measures and lack of implementation

For hydropower projects smaller than 10 MW, the Ministry of Environment requires the concession-holder to prepare a low-level environmental study called an "Elaborate". This does not include social impacts, is not subject to public consultation and must only include basic mitigation measures stipulated by national legislation. It does not address the specific biodiversity and geomorphological features of the location. In reality, the studies do their best to justify the project and to the best of our knowledge, none has ever included a recommendation for a project not to be implemented. The consultants lack either the capacity or the will to properly assess impacts, and the authorities lack the capacity or the will to properly check and evaluate the studies. Having to evaluate 80 studies from a single tender in a short timespan doesn't help.

Usually, this study is considered only as part of a checklist of required documents to get a construction permit and even these basic mitigation measures are not respected by the

¹⁰ <https://bankwatch.org/wp-content/uploads/2019/02/Appeal-Krapska-reka-Aktial-Energy-Group-Macedonia.pdf>

¹¹ <https://drive.google.com/file/d/0B1JWTJTVJRcNWnFDUm5BWINSTXRUFBCaDNaa3ZJMUR2WWxJ/view?usp=sharing>

construction company. Indeed in this case, a complete disregard of the mitigation measures and good construction practices was evident during our first field visit to the construction site.¹²

On our second visit the situation had worsened: the riverbed and river bank had been completely destroyed, there were clear signs of erosion all along the access road, the intake and the fish pass had not been built according to the design specifications in the environmental study and the fish pass was blocked to divert more water into the pipeline, even though the plant was only in trial operation.¹³ Apart from violating national legislation, our findings show breaches of Performance Requirements 2, 3 and 6 of the EBRD's Environmental and Social Policy, on labour, pollution prevention and biodiversity respectively.

Since the national-level environmental study does not properly address issues concerning biodiversity, the EBRD did at least commission an additional independent study where several key species and the impact of the construction and operation of the plant on their habitats was identified and specific mitigation measures were proposed. Continuous monitoring of biodiversity impacts was also requested so that adjustments to the mitigation measures can be made on-site. However, this study and its mitigation measures are not obligatory under national legislation, and they cannot be monitored by the state inspectorate for environment.

The low capacity of state and municipal inspectorates for environment, construction and labour is often exploited by construction companies in order to cut costs by failing to implement specific mitigation measures. This usually goes unnoticed, especially when construction is carried out in locations far from the public eye, as is the case with SHPP. Recent developments in the small hydropower sector, where our requests to exclude protected areas¹⁴ and to implement site by site assessment of the required ecological flow were ignored, offer little reassurance that this practice will change.

This calls for regular and stricter monitoring to be done by the EBRD so that these additional studies have an actual and applicable purpose. After we received the study in March 2019, we compared it with our findings from the photo reports, concluding that none of these specific mitigation measures were implemented on site. The announced EBRD field visit in early summer 2019 is too late to mitigate the identified risks for the construction phase.

Recommendations

It is imperative that all stakeholders are consulted before a loan contract is signed because Category B projects can have equally destructive impacts on the environment, biodiversity and water availability to local communities.

Environmental and social impact documents for Category B projects should be subject to comparable disclosure policy rules as Category A projects. Disclosure should include project specific information: relevant studies, environmental permits and other environmental information in line with principles of the Aarhus Convention. All this should be done in advance of the board meeting or the meeting of the body that the board has delegated decision making to.

The EBRD's North Macedonia country strategy should put more focus on capacity-building of the national environmental institutions.

Regular monitoring of the environmental and social performance of the projects during all phases of implementation. Monitoring reports and Environmental and Social Action Plans (ESAPs) must be publicly available.

¹² <https://bankwatch.org/wp-content/uploads/2019/04/SHPP-Krapska-Photo-report-July-2018.pdf>

¹³ <https://bankwatch.org/wp-content/uploads/2019/04/SHPP-Krapska-Photo-report-April-2019.pdf>

¹⁴ <https://tinyurl.com/green-zones-for-blue-rivers>