

Hydropower – lessons learned



Ana Colovic Lesoska, Executive Director of [Ekosvest](#), North Macedonia and campaigner at [Bankwatch](#), led a multi-year campaign to cut off international funding for a large hydropower plant inside the Mavrovo National Park – Macedonia’s oldest and largest national park – thereby protecting the habitat of the nearly-extinct Balkan lynx. In 2017, the [European Bank for Reconstruction and Development cancelled its loan](#).

For her efforts, she was awarded the 2019 Goldman Environmental Prize for Europe. [The Goldman Environmental Prize](#) is awarded annually to grassroots environmental activists, one from each of the world’s six geographic regions. The prize is known as the ‘green Nobel’ for its prestige in the international community.

Why did the EBRD pull out of Boskov Most?

In 2011 the European Bank for Reconstruction and Development (EBRD) pledged a EUR 65 million loan and a EUR 18 million equity investment in ELEM, the state owned electric power utility that was the project promoter for Boskov Most. The project involved the construction of a 68 MW hydropower plant, a reservoir and a 33-meter-high accumulation dam at Mavrovo.

However, the EBRD and ELEM immediately met fierce opposition from citizens, environmental activists and scientists. Nearly 200 scientists opposed the project in an [open letter to the EBRD](#), and 100 000 people [signed a petition against the project](#).

The project also ran over [cost](#), while the North Macedonian government was paying commitment fees on the EBRD’s loan, rendering the project increasingly uneconomical.

At the same time, international experts judged the project as destructive. In January 2014, after

For more information

Igor Vejnović

Hydropower Coordinator

CEE Bankwatch Network

igor.vejnovic@bankwatch.org

CEE Bankwatch Network’s mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

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a complaint from Eko-svest in 2011, an [independent review](#) found that the EBRD failed to adequately assess impacts to biodiversity.

In addition, the Bern Convention Secretariat, which oversees nature conservation in Europe, concluded that Boskov Most and other planned hydropower projects in the park would violate national and European nature protection legislation.

In 2015, the Standing Committee of the Bern Convention [called on the North Macedonian government to stop](#) all construction projects inside the national park and to conduct an extensive environmental impact assessment. This is when the EBRD suspended its loan, which it cancelled [next year](#).

Broader context

Boskov Most is part of the larger trend in the Balkans. Around 500 hydropower projects have already been built in the last decade, while some 1000 are actively planned or in construction. A Bankwatch [study](#) finds that multilateral development banks have supported no fewer than 82 hydropower projects across southeast Europe. Since 2005, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and the World Bank Group have extended financing totalling EUR 727 million. This includes 37 projects in protected areas like national parks and Natura 2000 sites, or internationally recognised areas of high biodiversity value.

Save the Blue Heart

Opposition to such unsustainable hydropower is growing. The Save the Blue Heart of Europe campaign is an initiative of nongovernmental organisations EuroNatur and Riverwatch, together with green groups from southeast Europe, Bankwatch and the activist company Patagonia in order to save the pristine rivers of the Balkan from destruction brought by dams and diversions.

Photo credit: Jason Alden, Patagonia, 2018



The campaign collected [more than 120 000 signatures](#), calling on banks, including the EBRD, to immediately stop funding for projects that are located in protected areas and other valuable rivers stretches, apply more stringent green conditions to loans in the sector and increase funding for energy efficiency and other renewable energy sources, whose potential in the region remains largely untapped.

Summit in Belgrade

[The bank summit on 1 March 2019](#) was initiated by the EBRD and the Save the Blue Heart campaign in order to discuss the sensitive issue of hydropower development in the Balkans. Representatives from some of Europe's largest commercial lenders, including UniCredit, Erste Group and Societe Generale, attended the summit.

The discussion explored how these financial institutions could start providing timely information to the public about the likely environmental and social impacts of their loans for hydropower projects in order to avoid the destruction of the pristine rivers of the Balkans, some of Europe's last wild waterways.

A lack of transparency has plagued a number of investments across the region where rivers have been impounded and dried out, important species and habitats have been lost, and local communities have confronted project developers over their loss of livelihoods.



What will the bank take from this?

The Boskov Most project was stopped partially because of the fierce local opposition and negative opinion of international experts. At the same time there were serious doubts about the economic feasibility of the project.

Similar concerns exist with other hydropower projects in the Balkans, such as the Krapska sHPP in Macedonia, and further to the east in Georgia, including the Nenskra project, among others.

The Nenskra project is opposed by the local indigenous Svans. By international standards Svans should have a right to free prior and informed consent (FPIC). The Georgian government and the EBRD are denying Svans their right. That is why [Bankwatch and Green Alternative](#) submitted

complaints to the EBRD's Project Complaint Mechanism, requesting recognition of the Svans' status as Indigenous Peoples in order to be given FPIC.

In addition, the alignment of the project with international standards is questionable. On 19 March 2018, the Standing Committee to the Bern Convention reviewed the complaint on the reduction of the Svaneti 1 candidate site (where the Nenskra project is proposed) as an important case related to a reduction in the size of a candidate Emerald site. It also required from the government a number of documents addressing the findings of the biogeographical seminar to allow the bureau to make a determination on the case. The Bern Convention decided to leave the complaint on standby in September 2018.

The economic feasibility and benefits of the project are also uncertain. According to the World Bank, between 2022 and 2041, the Nenskra plant alone would incur over USD 1.8 billion in fiscal costs.

“Nenskra HPP has the largest impact because it has the highest indicative PPA tariff starting at 7.55 US\$/kWh with 3% annual escalation, off-take liability of 34 years, and estimated annual generation of 1.2 billion kWh per year, which is 9 percent of projected total domestic demand in 2023.”

EBRD should learn from its mistakes. The cautious approach to hydropower in the Balkans should be applied to other regions that face very similar challenges in the implementation of the EBRD and EU standards. Last but not least, the EBRD should ensure that the pristine ecological status of rivers and the rights of communities harmed by EBRD-financed hydropower projects should be restored.