

Despite Chinese policy guidelines requiring compliance with host country legislation, most of the projects breach national and EU environmental, procurement and State aid law. The European Union needs to step up its actions on violations of EU law by Chinese state-owned enterprises (SOEs) in Europe, warned civil society groups working in southeast Europe, as European and Chinese leaders meet online in lieu of the postponed Leipzig summit. Chinese SOEs have been particularly active in southeast Europe in recent years. Contracts have been signed to build four new coal plants, rehabilitate two coal plants, investments in heavy industries and build other infrastructure such as motorways and railways. At least three more memoranda for new coal plants have been signed. Chinese companies have also bought the Smederevo steel plant and the Bor copper mine, and are planning to build a tyre factory in Zrenjanin, all in Serbia.

### **Examples of projects that breach national and EU environmental, procurement and State aid law**

None of the projects are in line with the latest EU pollution control standards, the so-called LCP BREF, from 2017.

Most have very weak environmental assessment studies, and the Drmno mine expansion in Serbia had none at all.

The Tuzla 7 project in Bosnia and Herzegovina has become notorious due to a Federal loan guarantee that is now subject to an infringement procedure by the Secretariat of the Energy Community Treaty due to State aid violations.

Due to a blanket exemption in a 2013 agreement between Serbia and China, Chinese projects in Serbia do not undergo tender procedures, in clear violation of EU procurement rules which undermine the rule of law and Serbia's ability to ensure value for money.

"Quite often we hear that these are win - win projects. Unfortunately this is true only for the Chinese side that is producing and exporting all of the equipment and using Chinese workers to install it. For BiH side this is more of a lose - lose case, since we will end up with a huge debt and a stranded asset", stated Denis Žiško from the Center for Ecology and Energy in Tuzla, Bosnia and Herzegovina, who has been closely monitoring the Tuzla 7 and Banovići coal power projects.

Chinese SOEs and media have often asserted that new coal-fired power plants contribute to environmental and social improvements in already-polluted locations. By approving its companies to undertake coal projects in Europe, China fails to deliver its pledge to combat climate change in an understanding reached with the EU at the 20th EU-China Summit. Mirko Popović of the Renewables and Environmental Regulatory Institute (RERI) in Serbia

finds this highly unlikely: “it seems that the recent installation of non-functional desulphurisation facilities in Kostolac thermal power plant, and significant increases of air pollution in Bor and Smederevo, are examples of Chinese investment business models and their relations with political actors in Serbia. The lack of environmental law enforcement and transparency in these cases is worrisome and will significantly undermine Serbia’s EU accession agenda”, he stated.

“The need to limit climate change clearly means that no more fossil fuel infrastructure can be built anywhere. Southeast European governments bear the primary responsibility for poor decision-making and enforcement on Chinese-built projects, but they will ultimately create problems for the whole EU as the accession countries struggle to comply with EU law,” warned Zvezdan Kalmar from CEKOR, Serbia.

**The groups are asking the EU to:**

Clearly tell China to stop building new coal plants in EU and accession countries

Set this and compliance with EU law as binding conditions in the comprehensive investment on trade (CAI) currently being negotiated with China.

Improve law enforcement in accession countries, including by strengthening the Energy Community Treaty to enable penalties to be issued.

Introduce a carbon border tax for electricity to help reinforce the message that coal is no longer economic.

Source: bankwatch.org