

Southeast Europe is experiencing a wave of hydropower projects. In a region with a deadly combination of Europe's last wild rivers, rampant corruption and inadequate nature protection, the potential for damage is immense. A recent study by Dr Ulrich Schwarz found that almost half of the planned projects are in protected areas. Recent report by Euronatur and Riverwatch reveals the investors and lenders in risky business of construction of HPPs in protected areas of South East Europe.

In order to address this issue, we need to know who is making it happen. This research aims - to the extent possible given the secrecy around the financial sector - who are the main actors involved in financing hydropower projects in the region, both overall and inside of protected areas.

Based on screening of 1829 projects, we have identified 1355 greenfield plants either being planned now or having entered operation since 2005. By "greenfield" plants, we mean new hydropower plants built on locations that were not previously developed. Out of these, 200 are in operation and 113 are under construction. In spite of the damage already done, there is much that can still be prevented: 994 of the identified projects are either planned or potential. The real number is even higher - hundreds of new plants are planned in Serbia but could not be included in the research with the time and resources available, especially as the national cadastre of small hydropower plants is currently being revised.

In 989 out of 1355 greenfield projects the project company was identified. 343 of these projects are in protected areas. The companies involved range from large state-owned enterprises to very small local companies. Most projects are carried out by domestic companies. In Montenegro, involvement of a series of companies owned or represented by people known to be close to the ruling party has been observed.

Of projects involving foreign investment, Austria, Italy, Germany and Norway are the most frequently represented. Austria's Energy Eastern Europe Hydro Power GmbH is involved in no less than 27 projects, of which 11 are in protected areas. Another Austrian company, the Kelag group, is involved in 13 greenfield projects, of which 9 are in protected areas.

In 142 greenfield projects we have positively identified some financing sources. It is likely that most of the potential projects and many of the actively planned projects do not yet have financing secured, while others cannot be traced due to commercial bank secrecy. The European Bank for Reconstruction and Development (EBRD) has been the most important actor (at least 51 greenfield plants supported with at least EUR 240 million). The European Investment Bank (EIB) has provided the largest amount of financing by volume (EUR 437 million for 5 plants). In addition, the EIB has provided over EUR 22 million to at least 19 small and mini hydro power plants through commercial banks in the region. The EBRD has

provided EUR 14 million for 8 plants. Both the EBRD and EIB have declined to identify the names of the projects, citing client confidentiality. The World Bank's International Finance Corporation (IFC) has supported at least 22 greenfield hydropower projects either directly or through financial intermediaries.

At least 30 projects supported by multilateral development banks are either inside of, or clearly impacting on, protected areas. Again, the EBRD is most visible here, with 21 such projects.

39 greenfield projects with commercial bank financing were identified. This most likely represents only a relatively small percentage of the total. Of those identified, 7 are in protected areas.

Of other public banks and funds, most active in supporting greenfield projects has been Germany's KfW and its subsidiary DEG, with 8 plants, 4 in protected areas in Macedonia and Bosnia and Herzegovina. The Norwegian export credit agency, GIEK, has not been confirmed to have backed any projects so far, but it has agreed to provide money for a joint EUR 55 million fund with the Montenegrin Investment and Development Fund (IRF) to finance small hydropower projects.

Given the above, it is clear that concerted action is needed. All financial institutions need to disclose all of their planned and approved loans for hydropower projects and to adopt or better implement stricter environmental standards including no-go zones on rivers of outstanding quality. Some also need to tighten up their criteria on lending to politically exposed persons.

The EU too can play an important role. As well as better supervising the financial institutions in which it has a decision-making role (the EIB and EBRD) and better regulating EU companies operating outside the EU, it needs to be more active in promoting the adoption of EU nature and water protection legislation in accession countries and the countries of the Energy Community. Ultimately, if the problems caused by hydropower plants are not prevented in these countries, the whole renewable energy sector will face a backlash.

source: euronatur & riverwatch