

The EBRD is considering to extend a senior corporate loan of up to EUR 40 million to MEPSO, the Macedonian electricity transmission company, to fund the Macedonian component of the FYR Macedonia-Albania transmission line.

The project entails (i) the construction of electricity transmission infrastructure from Bitola to the Albanian border, with a substation at Ohrid and (ii) the introduction of Smart Grid components at MEPSO.

By providing FYR Macedonia with the first interconnection to Albania, the project will provide the missing link in the initiative to establish an East - West electricity transmission corridor between Bulgaria, FYR Macedonia, Albania, Montenegro and Italy. The section between Bulgaria and FYR Macedonia (OpID 27768) has been completed. Albania and Montenegro are connected by a new 400kV line and the construction of a submarine cable between Italy and Montenegro is underway, supported in Montenegro by the Lastva - Plejvlja Transmission Line Project (OPID 42768).

The project is a key link for the integration of Europe's electricity markets' integration. It is an important component of the transmission connection between Bulgaria and Albania as well as a longer corridor from Bulgaria to Italy via an undersea cable between Montenegro and Italy, currently under construction. This sustained market expansion will improve regional energy security, efficiency and promote integration and market competition. The FYR Macedonia-Albania transmission line is one of the EU's priority projects which is expected to receive an investment grant from the IPA 2015 programming exercise amounting to EUR 12 million. This includes EUR 6 million for MEPSO's equity commitment and EUR 3 million to finance the Smart Grid components.

Categorised A (ESP 2014). An Environmental and Social Impact Assessment (ESIA) has been undertaken for the project, involving the construction of a new 400kV overhead power transmission line (OHL) across the South Western Region of Macedonia, from Bitola and connecting to the Albanian border. A fit for purpose ESIA disclosure package, including the existing ESIA, and newly prepared supplementary documents (Non-Technical Summary, Land Acquisition and Compensation Framework, and Stakeholder Engagement Plan), has been disclosed by MEPSO and EBRD on 23 July 2015.

An ESIA disclosure package is available for this project.

An independent consultant has been retained by the Bank to undertake an Environmental and Social Due Diligence (ESDD) of the Project. The ESDD confirmed that the Project is structured to comply with the relevant EBRD Performance Requirements (PRs) and that the Company has the institutional capacity to implement the Bank's PRs. The ESDD also confirmed that the Project is designed to comply with National legislation and relevant EU directives as well as good industry practice. Overall the ESIA and the Bank's ESDD have confirmed that the environmental and social impacts will be localised and limited, and are appropriately mitigated through the implementation of the Environmental and Social

Management Plan (ESMP) and Environmental and Social Action Plan (ESAP).

The Project has been under development for some time, with an initial EU-funded ESIA undertaken in January 2013, and ESIA-related public consultation sessions conducted in April and May 2014. The ESIA disclosure package has been updated to address changes in the project design and local legislation as well as the Bank's 2014 ESP and PRs. It should be noted that the project is currently at feasibility stage and detailed engineering design has not yet

commenced. Therefore, the proposed routing of the transmission line is currently a corridor which is set at 500 metres wide. At the detailed design stage, a preferential specific routing will be selected, as well as specific tower locations, taking account of the public comments received during the current ESIA disclosure. An updated Non-Technical Summary and specific mitigation measures will be prepared and additional public disclosure and consultations will be

carried out once the final specific routing is completed. This will include proactive consultation with affected parties to inform the development of the detailed Land Acquisition and Compensation Plan concurrently with the technical work undertaken to specify the routing.

The original ESIA considers three alternative locations for the development of the new substation in the Ohrid Region. The ESIA also considers the positive and negative aspects of all three potential locations and identifies a single site as the preferred location (location 3 North West from the Livoista Village). As some sections of the OHL will be located in the UNESCO Ohrid Natural and Cultural Heritage Area, the Project will develop a Cultural Heritage Management Plan (CHMP). The CHMP will contain information on cultural heritage locations including those mapped from the UNESCO designation so that the detailed design can take account of the need to avoid these locations, and ensure adequate stakeholder engagement with heritage specialists, such as UNESCO and the Museum in Ohrid town.

The Bank will monitor the implementation of the Project inclusive of a review of the final designs to ensure these are compliant with the agreed ESAP and appropriate additional public consultations are undertaken in accordance with the agreed Stakeholder Engagement Plan (SEP).

Source: EBRD