The Stanari power plant is situated in the northwest of the Serbian entity of Bosnia-Herzegovina, the Republika Srpska. In the case of the Stanari power plant, Chinese capital perpetuated an environmentally damaging operation through cooperation with local actors, undermining compliance with European environmental standards. Dongfang Electric, a Chinese state-owned enterprise (SOE), constructed a "dirty" power plant for a local private investor that relied on the availability of Chinese financing for coal-related projects, at a time when European funding was directed to decarbonisation.

The site is located next to one of the largest lignite fields in the region, which has been mined since 1948, when efforts to electrify the nation led to the introduction of many open pits across former Yugoslavia. In 2004, the mine was taken over by Energy Financing Team (EFT) Group, a major private power trader in the region, headed by Serbian businessperson Vuk Hamović. Because lignite as a fuel is heavy and can spontaneously combust, it is not ideally suited to transportation over large distances. For an energy trading company such as EFT therefore, the construction of a power plant next to the mine must have always been the objective, even though it did not feature in the entity's energy strategy until 2008, when a concession for the exploitation of the mine and the construction of a new power plant was signed between the Srpska government and EFT. That EFT was the subject of an investigation by the UK Serious Fraud Office in 2005 did not seem to matter.

The concession agreed in 2008 was for a 420 MW power plant that would supply 3,000 GWh annually, more than half of Srpska's total production. Quickly however, this commitment was reduced to 2,000 GWh with a series of annexes that above all fit EFT's needs. As the project gained momentum, environmental activists became concerned about potential European Bank for Reconstruction and Development funding for the project, which however never materialised as the bank moved away from financing coal-related projects in 2013, leaving EFT struggling to find a source of funding for its plant.

It is into this situation that the Chinese team entered, led by the China Development Bank (CDB) as financier and Dongfang Electric as contractor. The plant, which became operational in 2016, cost an estimated EUR 550 million, of which EUR 350 million was sourced from the CDB loan. Compared with the acquisition of Piraeus Port or the sovereign loans to Serbia and North Macedonia, the Chinese financier ostensibly dealt with a private business and not the state. Yet the role of the host state was crucial in getting the project completed.

Throughout the process, the Srpska government supported Stanari with two means, by changing domestic regulations and laws, and by reducing costs for EFT. The possibility of secret guarantees notwithstanding, the Srpska Republic could not act as a guarantor for the CDB loan. Moreover, the entity's laws did not allow for concession rights to be transferred to a new concessionaire in case of default or bankruptcy, which could have had serious repercussions for the Chinese bank. In June 2011, therefore, the government issued new rules which were designed to allay the Chinese bank's fears. By allowing the transfer of concessionary rights "…when the concession holder cannot realize its obligations to the creditor…", the state in effect allowed EFT to use its concession rights as collateral for the loan. Should EFT default on its loan, the CDB can demand concession rights be transferred to it or to a nominated third concessionaire.

Apart from regulatory support, the state also reduced costs for the plant operator by reducing concession fees for coal power generation from 3.6 per cent to 0.2 per cent of total revenue, and exempting it from coal mining fees completely with a change to the concessions law that effectively applies only to EFT. One of the biggest changes however took place even before the plant was built.

The plant's environmental impact has been a cause of concern among environmental groups and local residents long before the involvement of Dongfang Electric and CDB, yet proponents of the plant cited its efficiency. The original plan for a pulverised supercritical boiler with a maximum capacity of 420 MW agreed in 2008 was however altered during the negotiation process to a 300 MW design based on a subcritical circulating fluidised boiler. While this technology is more appropriate for the burning of sub-standard coals such as lignite, the redesign meant the plant's energy efficiency also dropped and Stanari will not adhere to the EU's Industrial Emissions Directive in the future. More importantly, although the redesign was drastic, involving the installation of less efficient technologies, the Srpska Republic decided that no new environmental impact assessment study was necessary at the time.

The Stanari case shows how Chinese financing may end up funding projects of dubious provenance, sustain non-transparent practices, as well as contribute to delays in decarbonisation. But it also demonstrates the agency of local actors such as EFT, which was instrumental in bringing the Chinese finance package to Stanari, and the key role of the host state in weakening environmental protection by waiving the requirement for a new EIA and reducing concession fees for coal power generation. Further, as in the case of Kostolac in Serbia, the construction of a new coal power plant only a few miles away from the EU's borders signifies the emissions regulation gap in the region that is sustained by the unclear

accession prospect of Bosnia-Herzegovina, allowing it to delay the implementation of stricter EU norms which took effect in 2017. Apart from Stanari, there are a further six coal power plants being planned with Chinese funding, three of which are in advanced stages of negotiation. The EU may be phasing out coal in its member states, but Chinese contractors are building new coal power plants on its doorstep – plants that will export their power into the EU. Once more, a synergy of failures on behalf of local and regional actors actively encourages environmentally unsustainable practices by Chinese investors.
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