

Romanian government support for controversial power plant project to be made public, EBRD loan cancelled

Bankwatch's Romanian chapter has been granted access to environmental information included in a letter sent by Romania's Ministry of Economy in support of a loan from the European Bank for Reconstruction and Development (EBRD) to Oltenia Energy Complex (OEC), Bucharest's administrative court ruled yesterday.

The letter will shed light on the nature and extent of the government's support for the project, and whether it was in line with EU regulations.

The EUR 200 million syndicated loan was intended for the rehabilitation and modernisation of unit 6 in OEC's Turceni lignite-fired power plant, Romania's largest and Europe's second most polluting industrial facility in 2009. The support letter was mentioned in a Memorandum of Understanding signed between the Romanian Government and the EBRD in a July 2013 meeting.

Earlier this week, Bankwatch had also learned that EBRD had officially cancelled the loan after suspending it in January, following Bankwatch's repeated warnings about the numerous legal issues surrounding the planned restart of Turceni's unit 6. Among them are failure to carry out a full environmental assessment and misclassification of the plant as an existing one, instead of a new one, that would allow higher pollution levels.

The court's decision is final, and the Ministry of Energy, Small and Medium Enterprises and Business is now obliged to make public the letter which offered certain guarantees in order for the EBRD to consider the loan to OEC.

Cătălina Rădulescu, a lawyer and member of Bankwatch Romania explains the importance of the court's decision: "This information will reveal what guarantees the Romanian government has pledged in order to get the EBRD loan, and whether they fall under the 'incompatible state aid', as defined by the EU's legislation (Art. 107 of TFEU)".

European regulations stipulate that state aid can only cover up to 85 percent of the loan. OEC is a state-owned company, responsible for roughly 30 percent of the electricity supply in Romania. It operates the Turceni, Rovinari, Craiova and Işalniţa coal power plants, as well as several open-pit lignite mines.

The court ruling is undoubtedly a victory for transparency. But Turceni's story is not over. The Ministry of Energy should see the cancellation of the EBRD loan, not as an incentive to locate alternative funding sources for greenwashing dirty coal operations, but rather as an opportunity to pursue other, more sustainable energy sources.

Source: CEE Bankwatch