

CEE Bankwatch informed the public on the results of internal EBRD Project Complaint Mechanism investigation of loan granted to Serbia power utility Elektroprivreda Srbije EPS, PCM investigation resulted in published report which finds that it breached its own environmental and social policy when approving the previous EUR 80 million loan to the same company.

The report published by the EBRD's independent Project Complaint Mechanism (PCM) is the result of an investigation into a 2011 loan to EPS to buy new mining equipment for the Kolubara lignite mine.

The findings of the PCM report respond to two complaints, the first filed with the bank by the Ecological Society of Vreoci and the Vreoci local council in 2012, and the second by CEE Bankwatch Network member the Centre for Ecology and Sustainable Development (CEKOR) in 2013.

The complaints focused on EBRD's pre-project environmental and social assessment, which evaluated the impacts of only selected parts of the Kolubara mine basin. The assessment also downplayed the negative aspects of the project, such as supporting mine expansion and creating the preconditions for the construction of a new coal power plant. Most notably, by excluding the village of Vreoci from its assessment, the bank attempted to avoid responsibility for the collective resettlement of 1180 households from Vreoci, claim from CEEBankwatch.

The loan beneficiary, EPS company stated to local medias that EPS was not informed by EBRD on any breach of procedures in the loan granting procedure for the project of Environment improvement in EPS & Kolubara adding that they are not aware of any issues in loan realization.

EPS is cooperating with all NGOs and its ready for any dialog and constructive proposals on all projects, reads the company release. For several years now EPS is investing in the modernization of production facilities focusing on environment modernization with excellent results in decrease of emissions and harmful impacts on air, water and ground.

Previous loan reports confirm EPS claims that it conducted all necessary activities during the assessment for the EBRD loan for mentioned project in Kolubara mines. EPS claimed that it fulfilled all requests and conditions set by the bank. Activity included detail analysis and assessment of environment and social impact. Media earlier reported that EPS back in 2010 conducted the Environment Impact Assessment which proved that the realization of this project will significantly improve the environment around the mines. On the basis of this findings EBRD concluded that the project have wider environment and social impact and for that reason EPS was able to submit the request for the loan from the non

commercial bank portfolio, Green Loans.

Based on EBRD methodology, the project is categorized as A project. EPS produced and presented to the public the docs: ESIA, SEP and NTS on the basis of EBRD rules. Detail Social Environment Impact Assessment was also prepared and ESAP, reads the EPS project history pages.

According to EPS earlier releases the loan of 80MEUR is being processed, almost 70% of the loan is being used thru designated tenders and equipment procurement. EPS recently commented that latest 200MEUR loan is agreed for company financial consolidation and these two loans are not interconnected.

EPS also commented to local medias that the resettlement of Vreoci village was not part of the EBRD financed Green Loan project in Kolubara. Vreoci project is not being financed by EBRD. This specific project is being conducted in accordance with legal framework of Republic of Serbia based on the Program basis document for Vreoci resettlement which is approved by Government of Serbia.

EPS earlier commented on the reasons for Vreoci resettlement delays stressing that there are several objective reasons. Non-solved property legal relations between the owners, cancellation of decisions from 2009 on the national interest cases and introduction of new regulation on the national interest for properties in resettlement dated from 2011. May 2014 floods were also the one of the main reasons for delays in this project delays repeatedly stated EPS. According to EPS statements, the company is investing maximum efforts in completion of this Vreoci resettlement project which is being realized under the national legislation and decisions issued by Government.

Despite EPS explanations CEEBankwatch continually pressured the EBRD officials arguing the reasons for Vreoci case.

CEEBankwatch claims that Vreoci's over 3000 residents suffer from unbearable noise, dust, limited access to running water, and smoke from spontaneous combustion of coal due to the mine operations and related transportation infrastructure, but have been waiting for nearly a decade to be collectively resettled", explains Zvezdan Kalmar, Co-ordinator for Energy and Monitoring of International Financial Institutions at CEKOR. The EBRD maintained that Vreoci is not part of the project it finances. But as well as being morally bereft this claim has now also been shown to be incompliant with the bank's own policies claim from Cektor. As the new report shows, the EBRD also failed to adequately assess the extent of greenhouse gas (GHG) emissions from the project. The bank admitted in a document presented to its Board of Directors before project approval that the new mining equipment would enable the production of lignite with more uniform quality, which was a precondition

for a new power plant at the site. However, it omitted the GHG emissions from the new plant in its calculations and as a result presented the project as leading to reductions of emissions instead of increases. As the compliance report puts it: “The GHG assessment undertaken on the ‘Project’ is piecemeal, unsubstantiated in terms of supporting information [...] and inconsistent with EBRD guidance and international good practice.” The new loan, approved yesterday, is to be the bank’s fifth loan to EPS since 2001. The EBRD’s Management has responded (pdf) to the PCM report by persuading its client EPS to develop “an overall Resettlement Framework which will apply to all of its activities, including across the Kolubara mining basin”. It also committed that the EBRD will monitor the implementation of the plan.

If the EBRD has learned any lessons from the PCM process, the new loan must come with strong conditions that demonstrate both the EBRD’s and its client’s commitments to ensure resolution for impacted communities through a new ambitious and well-resourced environmental and social strategy,” says Ioana Ciuta, Bankwatch’s Energy Co-ordinator. “The bank must also fulfil its commitment to help Serbia phase out coal and thus include conditions to ensure that EPS develops a strategy for diversification of the energy sector, including increased investment in energy efficiency and sustainable renewable energy concludes the CEEBankwatch press release.