

EBRD investments in EPS Kolubara: EPS Emergency Power Sector Reconstruction Loan (project number 17829); EPS Power II (project number 27005); EPS Kolubara Environmental Improvement (project number 41923), Power and Energy, Serbia
Client: Elektroprivreda Srbije ("EPS")

The PCM registered a number of Complaints regarding the EBRD's investments in Elektroprivreda Srbije - Serbia's state owned electricity generating company. The Complaints were submitted by the Serbian Centre for Ecology and Sustainable Development ("CEKOR"), Ecological Society of Vreoci, representative of the local council of Vreoci and representatives of the local community.

Current PCM review stage:

□ Compliance Review is currently being conducted by the *ad hoc* PCM Expert Glen Armstrong for the Complaints registered on 29 October 2013 and 31 August 2012 relating to all three projects above;

□ Compliance Review for the Complaint registered on 23 August 2013 relating to EPS Power II project only will commence in 2015 on the appointment of a PCM Expert.

EPS Emergency Power Sector Reconstruction Loan

Environmental category: B

EBRD finance: €100 million

Project Board approval: 23 October 2001

Relevant EBRD Policy: Environmental Policy 1996

EPS Power II

Environmental category: A

EBRD finance: €60 million

EBRD Board approval: 15 July 2003

Relevant EBRD Policy: Environmental Policy 1996

EPS Kolubara Environmental Improvement

Environmental category: A

EBRD finance: €80 million

Project Board approval: 26 July 2011

Relevant EBRD Policy: Environmental and Social Policy 2008

The EPS Emergency Power Sector Reconstruction project provided financing towards environmental improvement and rehabilitation of hydro-power generation plants, including facilities in the Kolubara area, focusing on the electricity transmission system. The EPS Power II project provided financing towards the modernisation of equipment at the Tamnava West lignite mine, including the internal communications, controls and

management systems. The Kolubara Environmental Improvement project provided financing to improve the efficiency and quality of the EPS's operations in the Kolubara Basin, including purchasing a new coal excavator, conveyor and spreader system.

Two of the Complaints raise issues in relation to the 'cumulative' impacts of EPS's continued operations in the Kolubara mining basin. A single Compliance Review for both Complaints is being carried out by an *ad hoc* PCM Expert Glen Armstrong. The main question considered by the ongoing Compliance Review is whether the EBRD appropriately defined the project's 'area of influence' and whether the village of Vreoci had to be identified and included in the scope of the project's due diligence process. Further, the Compliance Review is looking into whether the EBRD correctly applied the requirements of its ESP regarding the assessment of the Greenhouse Gas Emissions related to the project. Lastly, it is seeking to establish whether the Bank should have undertaken a 'strategic assessment' of the Kolubara mining basin due to its national significance and the Bank's multiple investments in EPS.

The Complaint regarding the EPS Power II project only was submitted on behalf of two individuals from the village of Vreoci, who claim that during the land acquisition process by EPS, their land plots were expropriated without appropriate compensation. The Complaint also claims that EPS lacked an appropriate grievance mechanism. The Eligibility Assessment was completed by the PCM Expert Graham Cleverly jointly with the PCM Officer in December 2014. In accordance with PCM RPs 2009, the Complaint was found not eligible for a Problem-solving Initiative because it did not meet the correct timing requirements.

The Complaint was found eligible for a Compliance Review and will examine whether the project satisfied the relevant requirements on public consultation, including regarding the establishment of an adequate grievance mechanism. The Compliance Review will start in 2015 on the appointment of a PCM Expert.

Source; PCM report 2014