The Energy Community so far has shown tolerance with regards to the slow progress of the countries in the western Balkans when it comes to RES development. Since the European Investment Bank (EIB) European Bank for Reconstruction and Development (EBRD) and World Bank have virtually halted lending for new coal power plants, Chinese state banks – ExIm Bank and the China Development Bank (CDB) – have seemed like the most likely candidates for financing these plants. The Kostolac B3 construction project is marred with several problems and is now the most recent example of an investment risk case, from all perspectives: environmental compliance, economic viability and legality says Ioana Ciuta, Energy Coordinator from CEE Bankwatch in interview for Serbia Energy magazine www.serbia-energy.eu

1. Level on awareness in energy companies on the importance of EC directives on large combustion and air protection, do they have planed-secured financing for this modernizations and or back up plans for shutting down of some units? Which country/energy company in balkans has best-worst condition in this aspect?

The region's energy companies and governments all have ambitious plans for new-build generation capacity, but it remains to be seen how many of them are realistic, considering that high levels of debt plague the region's governments. The pressure on state resources is all the stronger given that the countries need to either close existing coal units or upgrade them to comply with the EU's Large Combustion Plants and Industrial Emissions Directives (LCPD and IED). A 2013 study undertaken for the Energy Community estimated that IED compliance will cost Bosnia and Herzegovina EUR 374.7 million, Montenegro EUR 50.9 million and Serbia EUR 710.7 million. None of the countries have so far published clear information on their intentions regarding the closure or rehabilitations of plants and are rather concentrating on new units.

Moreover, the countries are wasting millions of EURO annually due to electricity losses in transmission and distribution (not including wasteful usage and poor insulation). Serbia, for example, is estimated to lose around EUR 215 million annually and Montenegro some EUR 22.2 million.

The countries also need to meet renewable energy targets under the Energy Community Treaty and to invest in energy efficiency measures, both of which should be a higher priority than building new coal plants. Trying to cover new-build as well as rehabilitation costs, energy efficiency investments and increasing the share of renewables may simply prove to be too expensive for the countries, all of which already have debt issues.

The study prepared for the Energy Community in 2013, shows that indeed, compliance with the Industrial Emissions Directive is costly for the cash-strapped governments across the

region, annual external – health and social – costs are on average 3-4 times higher. But if you were a responsible government, looking beyond merely serving the business sector and starting to make a difference for your own people currently affected by obsolete and polluting energy generation plans, which number would you look at first?
2. Coal dependency in Balkans, harsh reality/future or lack of money for RES? Which RES and how, is the legislation in Balkan countries in favor of RES, non admin barriers?
Bankwatch Network's study published recently
[http://bankwatch.org/publications/climate-change-time-energy-community-take-action] shows that if we were to replace all the fossil fuel capacities planned to be built by 2030 across the region with wind capacities which would produce the same amount of electricity, in all the countries this would be the cheaper option, with percentages ranging 25% for Serbia and 16% for Bosnia and Herzegovina. What needs to be said in this context is that investment costs in wind and solar costs are falling linearly given their growing demand, but investment and operational costs of coal are increasing. The other big difference is that all renewables have little to no external – health , environmental or social -costs, while those of coal are in the range of hundreds of million euro annually.
3. Your opinion on energy community influence in Balkans regarding RES vs coal new power gen facilities?
The Energy Community so far has shown tolerance with regards to the slow progress of the countries in the western Balkans when it comes to RES development or even more so, when speaking of energy efficiency measures, which has a great potential but all targets set by the Energy Community are voluntary. But let's not forget this region is not disrupted from the rest of Europe, countries are seeking to become members of the EU as well as trade partners. For these reasons, the Energy Community needs to start taking climate issues much more seriously and deliver a 2030 vision which integrates the core EU social and environmental legislation into the region, in line with the renewables, efficiency and climate targets adopted in 2014 by the EU leaders.
In the EU, more coal capacities have been closed down in the last 10 years, than have been built. These capacities are being naturally replaced by wind, solar and small hydro power plants. We do expect a stronger voice of the EU on the matter, being the driver behind the Energy Community, and trying to bring the energy markets in the 2 regions to an equal.
There are two reasons why energy system investments in the Energy Community cannot diverge too much from those in the EU. Firstly, it leads to incompatibility with the EU energy system which, increasingly, will be governed by greenhouse gas emission reductions activities together with increasing penetration and integration of renewable energy

capacity, energy savings and greater decentralisation in key markets.
4. Most of new power gen plants in Balkans and dominantly with Chinese loans, your opinion?
Bosnia and Herzegovina, Montenegro, Romania and Serbia all plan to build new lignite power plants during the next few years, at a time when most EU countries are giving up building new coal capacities. Since the European Investment Bank (EIB) European Bank for Reconstruction and Development (EBRD) and World Bank have virtually halted lending for new coal power plants Chinese state banks – ExIm Bank and the China Development Bank (CDB) – have seemed like the most likely candidates for financing these plants, as well as several hydropower plants. Governments are pushing the plants as if they were becoming reality the next day, but in fact ,since the Stanari (in BiH) deal which was signed in June 2012, all the plans are delayed and Kostolac B3 is the only other new financing deal which has been signed by Chinese banks in the last 2.5 years. This deal was signed during the China + CEE Summit in Belgrade in December last year, in a ceremony which didn't go quite as smoothly as anticipated, with the Serbian part having second thoughts about going through with the deal.
The Kostolac B3 construction project is marred with several problems and is now the most recent example of an investment risk case, from all perspectives: environmental compliance, economic viability and legality. First of all, not only did the Kostolac employees have to mount a huge effort to save the Drmno mine during the May floods, but between July and September 2014 more than 2 million cubic metres of water spilled into the mine, bringing with it around 800 000 cubic metres of sludge and mud and engulfed mining machinery in mud. Therefore, claims that lignite provide energy security look ever thinner. Several other problems also plague the project. The environmental permit is being challenged in the national administrative court and the case is being considered by the Espoo Convention Implementation Committee for failure to assess the trans boundary environmental effects of both plant construction and Drmno mine expansion (which does not even have an EIA study). No tender procedure appears to have taken place, but the Chinese and Serbian governments have signed an intergovernmental agreement freeing joint projects from tender obligations – a move which would not be allowed under EU law and is being investigated by the European Commission.
5. Biggest environment projects on Balkans are slow moving Japanese loan financed 200MEUR flue gas desuplhurization in TPP TENT A Obrenovac and 100MEUR FGD TPP Ugljevik may be delayed, your opinion?
Possible delay of this projects generates great concern. The longer action is delayed in

tackling polluting emissions from coal power plants, the more external costs will be adding up every year. The same study mentioned earlier that was undertaken in 2013 for the Energy Community[https://www.energy-community.org/pls/portal/docs/2652179.PDF] shows that while the costs of compliance with the Industrial Emissions Directive of Ugljevik PP are estimated at EUR 118.4 million, the same plant has external costs (unmitigated health and social costs) estimated at EUR 1.14 billion each year! Also, for all 8 units of Nikola Tesla external health and social costs are estimated at a staggering EUR 1.7 billion, whereas IED compliance – a one-time investment – would cost approx. EUR 436 million concluded Ioana Ciuta, Energy Coordinator from CEE Bankwatch in interview for Serbia Energy magazine. Source; www.serbia-energy.eu