

Serbia's **Drmno coal mine** is expanding rapidly without anyone knowing what its impact will be. Houses next to the open cast mine are slowly falling apart and sliding into it.

Windblown dust from the **coal** ash piles is a hazard to everyone in the area.

Sladan Ivanovic (35) and Dzemail Demirovski (53) are sitting on a bench in front of the small village store enjoying the pale sun. It's their day off from work at **Kostolac coal power station**, which sits a few kilometers away. Spring is on its way, the winds are softening, and the cherry trees are about to blossom.

A hollow sound from behind the store accompanies the men's conversation. Large excavators are working around the clock to fuel the power station with coal. The planned expansion of Serbia's **coal power production** has increased coal demand and the best coal is found in Drmno.

For the people in the village, the expansion has **become a nightmare**. The excavation of coal is undermining buildings, creating visible cracks in the walls of houses, and draining groundwater. Some homes have already slid into the mine and some others are at risk of doing so. For the people in the village whose houses have not been expropriated, the future is uncertain.

Sladan and Dzemail are particularly concerned about the large piles of coal ash next to the village. Strong winds carry the ash into the village, plaguing everyone who happens to be outdoors.

"You don't see anything when the wind is blowing. It gets completely dark in the middle of the day. Everything, cars, drying laundry, and your face, is blackened by the dust," says Sladan.

The coal fly ash, consisting of fine particles of burned fuel from the coal plant, is stored without covers and only a short distance from the village center, they told Just Finance International. The particles contain toxic substances, such as polycyclic aromatic hydrocarbons and silica. Several studies show that such dust increases the risk of cancer and other lethal diseases.

According to community members there is no warning system in the village to inform citizens when they're at risk of the dust. The carcinogenic fly ash can be whipped up any time of the year but it occurs most frequently in the dry spring weather. Sometimes the ash can keep the village in an oppressive darkness for two or three hours. **"It is worst for the children.** Most of them have respiratory problems," says Sladan.

Dzemail lost his son three years ago to leukaemia. He is convinced it was related to the village's polluted air. Many families in the village have experienced similar tragedies, he explains. But there has been no research in the region to determine the cause of health

problems in the village, they said.

Dzemail and Sladan complain that support from the local government has been poor. There is no health center in the village and everybody must pay for their own medicine and for the respiratory devices, like inhalators, they need due to the pollution. "The only help we are getting from the government is subsidized water. But it stinks so we cannot drink it," says Dzemail.

The expansion of coal production in Kostolac is facilitated by financing from **China**. In November 2013, China Machinery Engineering Corporation (CMEC) signed a contract with Serbia's electricity provider, EPS, to build the new coal power plant called Kostolac B3, and to expand the Drmno coal mine. A year later the Serbian government and state-owned China Eximbank signed a US\$608 million concessional loan contract for the projects.

Several concerns have been raised about the lack of transparency in the transactions. For example, no tender was done for the main contractor and no EIA was conducted for expanding the production capacity of Drmno mine from 9 to 12 million tonnes.

"The project is plagued with so many irregularities, and the communities who do not have any alternatives will continue to suffer for as long as the coal mine expansion continues," said Zvezdan Kalmar director of the Serbian environmental organisation CEKOR. His organisation has filed a complaint to Aarhus convention against State of Serbia.

Furthermore, the Serbian government took the Chinese loan on behalf of EPS, which may have been in breach of the state aid obligations Serbia agreed to under the Energy Community Treaty. Along with several other problematic provisions, the contract implies that any project arbitration would be subject to Chinese law, not Serbian.

Today, the Drmno mine in Serbia is rapidly expanding, despite there being little understanding of what its impacts on citizens in the neighbouring area will be. Despite a planned 30 percent increase in coal production volume, no figures on the surface area expansion have been made public. A complete and timely EIA is required by Serbian law. In another part of Kostolac village, JFI met with Sasa Belic in front of his house. He has fixed cracks in the building more times than he can remember. The situation is the same for his neighbors. "The expansion of the mine is threatening all these houses," he says, pointed at the others on the street.

Before the coal mine started to expand, 2200 people lived in this village. Now only 800 are left, and the population is shrinking all the time.

"People have moved abroad to get away from the pollution. The harvest has been decreasing due to the coal dust and the groundwater level is falling," he adds. Saša's children have moved abroad. He doesn't know how long he can stay in the village.

"I feel cheated and betrayed by **EPS**. Nothing of what they promised has been fulfilled. They need to compensate us, we are suffering here," he says.

A few hundred metres down the road from Saša we meet a man who's willing to talk but requests anonymity because he's concerned about the repercussions of doing so. He is not a member of the ruling party and believes this is why he wasn't offered compensation for his house and land. "President Vučić should relocate people from here. We can't live here. We are held like in a ghetto," he says.

Not far away, Aleksandar and his family live in close proximity to the desulfurization unit of Kostolac B2 coal-fired power station. His whole family suffers from respiratory problems, and the house is falling apart. He believes that **CMEC**, the Chinese company running the operation in the Drmno mine, ignores the wellbeing of the local community.

"CMEC never visited me or anyone else in the community. They never offered any money in compensation for the [environmental pollution](#) we suffer from, and they never asked if we needed support for healthcare after we became more sick from the air pollution," he says. Aleksandar said that his respiratory problems cost more than 100 Euros a month and the health facility – Kostolac clinic – sometimes does not give him the stamps he needs to get the medicine. "They ignore and disrespect me. We are to die and deteriorate with time," he says.

Source: just finance