

## Social

One of the key arguments behind pushing this project further is that it will preserve about 3000 working places in Šaleška valley (about 1500 jobs in the Velenje lignite mine, about 700-800 in TEŠ itself and about 700-800 in related support companies). However, this means that with the 1,2 billion EUR investment we are saving about 3000 jobs, which means that we invest about 0,4 million EUR into each one of these jobs. Investing the same amount of money into energy efficiency and renewables would certainly open more jobs - maybe not only in the region of Šaleška valley, but also elsewhere in Slovenia. The fact is also that in the long-term these jobs are going to disappear because the lignite mine will run out of lignite. What we do today to save these jobs will only postpone the real problem solving to the next generation, who will inevitably have to face the problem.

## Environment

Operating TEŠ6 without carbon abatement will result in emissions of 3.1mtCO<sub>2</sub> a year, which is close to being equivalent to all of Slovenia's emissions in 2050 (if it cuts emissions by 80% in line with European targets) (Note that the agreed EU target is actually 80-95% reductions on 1990 emissions.). The EIB and EBRD supporting this project with light conditions around CCS (or alternatives to coal) may leave an open door to many more coal projects.

Although the project is promoted as an environmental investment, because it will reduce the emissions per produced kWh, it is far from that.

## The EIA

The EIA does not examine any alternatives, as is required by the EU EIA Directive 97/11/EC. This does not only refer to alternative sites for a new thermal power plant or alternative coal technologies, but alternatives refer also to use of renewables, energy efficiency measures as well as considering the 'do nothing' option. The EIA also does not elaborate on the impacts of CCS technology on efficiency, the environment, economic aspects, potential consequences of leakage or liability issues.

## The CCS Directive

Article 33 of the CCS Directive (Directive 2009/31/EC) requires that operators of combustion plants, like TEŠ 6, assess whether suitable transport options and storage sites for carbon dioxide produced by the plant are available. The investor (TEŠ) actually made a document called "CO<sub>2</sub> Capture and storage potential of unit 6 of the Šoštanj Thermal Power Plant" that should allegedly have represented the CCS assessment. Nevertheless, a) the content of the document does not meet the requirements of Art. 33 of the CCS Directive, b) it was submitted in the wrong stage of the permitting process and c) the competent

authorities have never assessed its quality, correctness and adequacy. Consequently, the conditions of Art. 33 of the CCS Directive have not been met. The Slovenian competent authorities did not require the effective rectification of the CCS study, did not even include the incorrectly made assessment into the running proceedings on the environmental permit, and persisted on the fact that TEŠ 6 did not fall into the scope of Art. 33 of the CCS Directive.

#### The economic viability of the project

The main problem of the proposed project is that its economic picture shows low reliability and high dependency on hidden state support. In October 2006, the Ministry of the Economy announced the project of constructing Block 6 and estimated the project value to be roughly 600 million EUR. Roughly a year later, in September 2007 the project price tag reached 780 million EUR (an increase of 30%) and the investors approached EIB with a request for a loan. Approximately two years later, in October 2009, the price tag is at 1.1 billion EUR and the investors are not only applying for a loan at your institution, but also considering an application of additional 200 million EUR at the EIB.

A report issued by the consultant CE Delft reveals that there are several methodological mistakes in the calculations included in the investment plan. Lignite prices used are too low, the estimated lignite consumption in Unit 6 is artificially lowered from 2028 onwards, and CO<sub>2</sub> costs are underestimated. An unsubstantiated claim of increasing mine efficiency in the investment programme resulted in an underestimation of lignite prices by the project promoters. The other unsubstantiated claim is that there will always be a demand in the market for the extra electricpower output produced by the new unit (1000 GWh).

A close analysis of the internal rate of return for TEŠ 6 shows that corrections for the methodological mistakes lower the rate from 7.59% (as stated in the investment plan) to 6.91%. The unsubstantiated assumptions in the investment programme open the door to even higher risk exposure. If all risks materialized, the rate would drop to near 5%. This is well below the threshold value of 7% aimed for by the project promoter and even further from the 9% value that was requested by the Slovenian government in April 2011.

#### Lack of public consultation

Although according to the EU and Slovene legislation a project of TEŠ Unit 6 range would have to be a subject of a comprehensive public consultation, such a consultation was not done.

#### Irregularities in the tendering procedure

The procurement notice for the execution of civil works for the main technological plant of the new Unit 6 of TEŠ had substantial shortcomings and lacked crucial information required

by the Directive, including criteria for selecting the applications and information about how and when the interested parties could lodge the appeal against the results of the tender. On top of that, the project promoter failed to send a notice to the Office for Official Publications of the European Communities, thus violating another article of the Directive. TEŠ also violated the Slovene Public Procurement Act, which transposes the obligations laid down in Articles 42 and 44 of the Directive. Consequently, some of the important information about the contract might not have reached all the tenderers who may have been willing to apply for the contract.

Šoštanj in North Slovenia 30km from the Austrian border, is the location of an existing lignite-fired power plant - Termoelektrarna Šoštanj or "TEŠ" owned by HSE (Holding Slovenske Elektrarne d.o.o.) a 100% state-owned electric utility. The plant is presently comprised of five blocks. Units 1 and 2 built in the 1950s have closed, unit 3 is about to close and units 4 and 5 are set to close in 2016. A new sixth block of 600MW - known as TEŠ 6 - is under construction.

The project's cost has risen massively since 2007 when the EIB approved its first loan, and is now expected to total around EUR 1.44 billion - double what was originally cited, and the Slovene media has reported that the plant is expected to make EUR 50 million in losses yearly. All this is bad news for the Slovene state which - in spite of fierce debate on the topic - provided a guarantee for an EIB loan of EUR 440 million.

The project has for years been plagued with allegations of corruption and has been investigated by the national authorities, the European Anti-Fraud Office (OLAF), the EBRD and EIB. On 14 October 2014, 10 people were charged with fraud offences relating to the project.

Source; coalbanks.org