

TO:

President Thomas Mirow
&
Executive Directors of the
European Bank for Reconstruction and Development

Bulgaria:

Centre for Environmental
Information and Education
(CEIE)
For the Earth

Czech Republic:

Centrum pro dopravu a
energetiku (CDE)
Hnutí Duha

Estonia:

Estonian Green Movement–FoE

Georgia:

Green Alternative

Hungary:

National Society of
Conservationists – Friends of
the Earth Hungary (MTVSZ)

Latvia:

Latvian Green Movement

Lithuania:

Atgaja

Macedonia:

Ekò-svest

Poland:

Polish Green Network (PGN)
Institute of Environmental
Economics (IEE)

Serbia:

Center for Ecology and
Sustainable Development
(CEKOR)

Slovakia:

Friends of the Earth – Center
for Environmental Public
Advocacy (FoE–CEPA)

Ukraine:

National Ecological Centre of
Ukraine (NECU)

CEE Bankwatch Network's
mission is to prevent
environmentally and socially
harmful impacts of
international development
finance, and to promote
alternative solutions and public
participation.

11 October 2010

Dear President Mirow,
Dear Executive Directors,

According to the information on the EBRD website, the South Ukraine Transmission Project is scheduled for board meeting approval on 12 October 2010. We fully respect the EBRD's striving to maintain good relationships with the Government of Ukraine and EU, who are both interested in the financing of this project, however the controversy accompanying this project and the negative record of the bank's client Ukrenergo raises serious concerns about the propriety of the EBRD's decision to move it further.

Since the South Ukraine Transmission Project was brought to public attention our organisation has been concerned by its strong potential to harm the environment, and the illusive social and economic benefits promised to the local population and Ukrainian citizens generally. These concerns have been communicated to the EBRD board and staff members on several occasions. Thus during the process of public consultations conducted last year the project was criticised by not only our group representatives but also local NGOs and citizens.

Today, just less than one day before the board date, we have received a response from the EBRD that Ukrenergo has made some minor adjustments to the project and that these are encompassed by the Environmental and Social Action Plan. However the letter does not provide any particular details, e.g. on the measures that will be taken to avoid harm to protected areas. I'll be looking forward to use the earliest opportunity to provide wider comments on the received response.

Therefore we still believe that the South Ukraine Transmission Project should be rejected from financing according to the provisions of paragraph 16 of the EBRD Environmental and Social Policy that says: "The EBRD may refrain from financing a proposed project on environmental or social grounds, for example when a proposed project fails to address

environmental and social issues in a satisfactory way and cannot be expected to meet the requirements set out in the applicable PRs of this Policy over a time frame considered reasonable by the Bank, or where residual impacts remain unacceptable."

Apart the project's own deficiencies there are also other issues concerning EBRD-financed Ukrenergo projects that still have to be formally resolved before bringing the new project for the Board's consideration.

The Rivne Kyiv High Voltage Line Project that was approved for financing by the EBRD in 2007, as well as the Adjalyk – Usatove transmission line, is suffering from delayed implementation. According to the loan agreement for Rivne – Kyiv Project, Ukrainewill have to start re-payment in May next year while the physical works on more than 500 km of 750 kV lines are just about to start despite plans to do so in 2008. Apart from the other controversies around the project, we do not see any benefit in freezing for 2 years Euro 150 million of taxpayers' money aimed at positive changes in the region. Today's response from the EBRD power and energy department has asserted that Ukrenergo's implementation capacity is increasing, however we still believe it would be better to wait until there is more proof of this before approving any new loans. Can the EBRD be sure that the same delay will not happen again?

In addition, new deficiencies in the Environmental Impact assessment (EIA) for the Rivne – Kyiv Project are being uncovered, in spite of the fact that the EIA successfully passed the required procedures in the EBRD. From the first kilometres of the line, Ukrenergo decided to re-route the lines after failing to receive approval from the village council of Korolivka village in the Kyivska oblast, now planning the lines through the Urochische Mutvytske landscape reserve of national importance. According to the legal status of this type of protected area, such construction involving serious interference with the forest is prohibited. It is hard to believe that it was a mistake that this particular reserve was not mentioned among the natural protected areas in the EIA. This problem was already communicated to Environmental Department and we are looking forward to its solving.

Another example of the Rivne-Kyiv EIA deficiencies requires your particular attention. Two double circuit 330 kV transmission lines aimed at connecting the Kyivska substation to further consumers, and comprising an inseparable part of the project, were not assessed by the EIA, and indeed were not even mentioned in the documentation. However as according to the Annex 1, paragraph 2 of the Loan Agreement ("Construction of the Rivne – Kyiv 750 kV Transmission Line" Project) between Ukraine and European Bank for Reconstruction and Development the loan includes financing for "Construction of two 60-km long 330 kV lines from the 750/330 kV substation Kyivska aimed at securing the electricity supply of the Borrower's central regions".

Thus significant part of the project was not assessed prior to the project approval and the relevant information was not disclosed to the public for consultations. The complete silence regarding two 60-km long 330 kV lines clearly contradicts with requirements of 2003 Environmental Policy (or indeed any of the EBRD's Environmental Policies)and creates precedent of financing the A-category project without any relevant assessment.

Until these issues are resolved, we re-iterate our request to the EBRD Board of Directors to refrain from approving the South Ukraine Transmission Project for EBRD financing.

With kind regards,
Yury Urbansky, National Ecological Centre of Ukraine,
National coordinator of CEE Bankwatch Network in Ukraine.