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Nuclear shadows – transparency failings persist with Ukrainian safety project

Twenty years of limited – if not downright poor – transitional progress has demonstrated the inability of European and global institutions to effectively impact development processes in Ukraine.

While the current grave political and economic crisis in Ukraine has spiraled due to a toxic combination of domestic, regional and international factors, there is no getting away from the fact that the abysmal attempts at progressive reform in the country have for far too long been tolerated by the international community and donors.

There are many factors that have proved – so far – to be insurmountable obstacles blocking Ukraine's path towards democracy and becoming even an approximation of a sustainable economy. But there is one that stands out: the lack of transparency that has dogged Ukraine's governance at all levels, with democratic accountability little more than a distant dream for those living in the country.

European institutions have a variety of instruments at their disposal to promote good practice in transparency and accountability through the programs and projects they finance. That's why there is no acceptable argument for why one such international public institution, the EBRD that has majority European state ownership, has appeared to indulge Ukrainian governmental unaccountability by concealing from the public certain important details related to a key public sector deal in the country's highly sensitive nuclear industry.

In 2013 some key details of one of the bank's biggest single energy investments in recent years – the Ukraine nuclear power plants safety upgrade program – were classified despite the requirement of the bank's own Public Information Policy. One justification for this, as understood by Bankwatch's Ukrainian member group NECU, is that it is felt that disclosure of some key information attached to this project would undermine policy dialogue generally between the EBRD and state authorities in Kiev.

The EBRD board document for the EUR 300 million loan to state company Energoatom was classified soon after the bank's approval of the project in March 2013. Meanwhile, analysis of a leak of the document, along with further investigation at the national level, has revealed that the current decision-making set up surrounding the project allows for state guarantees being given without understanding of the financial and other implications of the EBRD loan.

Some of this important conditionality attached to the loan, which if properly fulfilled would help to solve some key long-term nuclear safety issues in Ukraine, remains unknown to the public and thus the possibility of timely public oversight is being jeopardised.

Major implications, major uncertainties

In order to receive the EBRD loan, Ukraine's parliament has to ratify a guarantee agreement, a process that has stalled. At stake are sensitive issues involving, among others, the level of future Energoatom tariffs that will need to be set to cover project costs. However, governmental bodies responsible for project implementation have acknowledged to both the public and parliamentarians that tariff adjustments are to be determined only after ratification of the guarantee agreement.

Concerns about this accountability gap have prompted NECU to take up the issue directly with parliamentarians. According to Bankwatch's Ukrainian energy campaigner Iryna Holovko, "We have checked with members of parliament, and they have not been provided with any financial background for the guarantee agreement they are to ratify, including information that might be expected for determining the future Energoatom

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Inside

EBRD transition role in the spotlight again

New analysis from CEE Bankwatch Network into how the EBRD conducts its financing and economic advisory activities finds serious deficiencies in the bank's overall 'market-oriented' approach and catalogues a range of startling EBRD interventions in central and eastern Europe (CEE) and further afield that should prompt deeper examination of the bank's promotional mantra "We invest in changing lives". If the EBRD claims to be 'fit for purpose', then Bankwatch believes there is substantial evidence available to urgently ask: for what purpose, and for whose purposes?

Published just after the tenth anniversary of EU accession for ten CEE states and ahead of this autumn's twenty-fifth anniversary of the fall of the Berlin Wall, 'Stuck in the Market?' is an update to Bankwatch's 2011 report 'Are we nearly there yet? Dilemmas of transition after 20 years of the EBRD's operations'. And the recommendations of that report are more relevant than ever, chiefly:

- a serious re-think at the EBRD about its added value and a change in the bank's mandate.
- the development of a more precise definition of environmental sustainability and better measurement of the bank's environmental, social and, in certain countries, development impacts.
- more specific criteria for engagement with undemocratic countries.
- the development of a clear exit strategy for the EBRD in its countries of operation, to avoid its increasing 'mission creep' and speed up graduation.

Harsh, embedded economic realities such as widespread, high unemployment across CEE, as well as the discernible trend of democratic retrenchment in several EBRD recipient countries, are resulting in very mixed feelings about the transition process in this year of important anniversaries.

The 'resilience' of eastern Europeans, much remarked on – or relied on, some would say – by western economists, commentators and financiers, in coping with the often dramatic effects of the financial crisis is no longer a given. Social unrest has been mounting in recent times, as seen in Bulgaria, Romania, Bosnia and Herzegovina, and of course at the Ukrainian Maidan.

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tariff level..In fact the responsible governmental bodies are maintaining that the tariff rate required to repay the EBRD loan will only be determined after the national parliament ratifies the guarantee agreement."

Both the Ministry of Energy and Coal Industry and the National Energy Regulatory Committee, points out Holovko, are equally insisting that "it is not expected to agree the tariff for Energoatom's electricity with the EBRD". Thus neither the bank nor the government would appear to know at this stage what the cost-recovery tariff for Energoatom to pay back this loan will be. Although there is thought to be no direct correlation between a rise in the tariff for the national energy producer and a rise in tariffs being passed on to consumers, the general situation, believes Holovko, "is doing nothing to improve the government's accountability."

These project uncertainties come on top of the long-held contention by Ukrainian environment groups that this EBRD 'safety' loan will enable implementation of the country's heavily-criticised long-term energy strategy that is dominated by nuclear and coal power.

Analysis from Ukrainian energy campaigners has, in recent years, identified how the planned expansion of Ukraine's nuclear sector is linked to heavy dependency on Russia. Ukraine would be fully dependent on Russian nuclear fuel, heavily dependent on spent nuclear fuel re-processing and short-term storage, as well as on the technology itself.

All Ukrainian reactors are Soviet-type reactors, and even should Ukraine pursue attempts at diversifying its nuclear fuel sources (a rather risky venture bearing in mind incidents that took place involving Westinghouse fuel assemblies at the South Ukrainian nuclear plant in 2012-2013), Russia would still retain significant leverage over Ukraine's energy sector as there are no alternatives for spent nuclear fuel-reprocessing as well as key equipment needed for reactor upgrades.

At the same time, some of the conditions attached to the safety loan (as set by the EBRD) are welcome ones – for example, the establishment of a national policy and framework for spent nuclear fuel and radioactive waste management, and the setting up of an independent body to ensure sufficient funding for a decommissioning fund.

Of course key conditions such as these are part of any guarantee agreement and thus are publicly available. Yet by classifying the implementation timings and benchmarks involved in these conditions, the EBRD has placed obstacles in the way of effective public oversight.

The leaked EBRD board document mentioned above revealed that the Ukrainian government is supposed to ring-fence the decommissioning fund from using its reserves for purposes other than the decommissioning of old nuclear units, and a properly established national radioactive waste management policy should have been in place by the end of 2013. These initiatives have not been fulfilled properly to date – no changes in set up of the decommissioning fund have been introduced and the radioactive waste management policy has not been the subject of any substantial improvements.

International obligations still not being met

Ukraine is, furthermore, still some way from fulfilling its obligations under the Energy Community Treaty and under international environmental conventions such as Aarhus and Espoo. At the most basic level, the country remains in non-compliance with these international agreements as a result – principally – of not having set the legislative framework for environmental impact assessment (EIA) in line with the Aarhus Convention and the European Union's EIA Directive. The draft law to introduce a partially satisfactory EIA framework failed to receive parliamentary assent in March 2014, casting further doubt on any positive resolution happening soon due to an expected protracted legislative process.

EBRD and interim government pressing on

Meanwhile, published evidence suggests that the EBRD is proceeding with the loan for safety upgrades – a renewed procurement notice for the project was published on April 17, and a further draft law on ratification of the loan agreement was submitted to the Ukrainian parliament on April 25th. Ukraine's interim prime minister Arseniy Yatseniuk has also recently stressed the importance of ratifying the loan as soon as possible to secure European funding into the sector.

A complex situation, therefore, and one compounded by the current instability in the country. NECU is calling on the EBRD not to weaken its stand on demanding timely fulfillment of all the project conditionalities. Pressure from a government so focused on speedy investments, with already dismal Ukrainian transparency norms on the slide once again, should be withstood.

Moreover, with rising tariffs set to be imposed on energy consumers in Ukraine via strictures from both Russia and the IMF (and the wider western donor community), the EBRD is urged to be as open as possible about the price sensitivity of this checkered nuclear safety loan. Who will pick up the bill for it in the end?

AT A GLANCE – UKRAINE NUCLEAR POWER PLANTS SAFETY UPGRADE PROGRAM

Project timeline:

12 March 2013 – EBRD board decision on project.
25 March 2013 – Signing of the guarantee agreement between the EBRD and Ukrainian Ministry of Power.
6 November 2013 – Draft law (#0054) on ratification of guarantee agreement submitted to the Ukrainian parliament by then president Viktor Yanukovich.
8 January 2014 – NECU letters sent to members of parliament based on draft law #0054 and financial assumptions derived from leaked EBRD board document.
22 February 2014 – Draft law (#0054) withdrawn from Ukrainian parliament.
25 April 2014 – New draft law (#0082) on ratification of guarantee agreement submitted.

Project essentials:

The EBRD will not disburse a public sector loan unless state guarantees are provided and conditions deemed appropriate to project effectiveness are fulfilled. Guarantees are provided by national legislators ratifying a guarantee agreement.

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"However," remarks Pippa Gallop, Bankwatch's Research coordinator and author of the new report, "the EBRD's operations seem to be proceeding largely unchanged: promote the private sector and hope that everything else will follow. The bank is firmly 'stuck in the market', seeing it as the solution for everything and lacking the necessary caution to recognise that 'promoting the private sector' without adequate public participation and safeguards against corruption and human rights abuses is likely to be counterproductive."

Did you know?

'Stuck in the market?' provides a wealth of evidence that illustrates how EBRD logic and action is too often working against the interests of people – though not certain people – and the environment.

1. 'Not an efficient approach' – the words of the 2013 EBRD Transition Report following the decision to introduce free public transport for all residents of the Estonian capital Tallinn. The EBRD docked Estonia a 'transition' point on urban transport for this misdemeanour.

2. The same 2013 EBRD report praised the launch of the privatisation of HZ Cargo, Croatia's rail freight operator, as a positive development. The sale later collapsed in January 2014, raising the question of whether it wouldn't have been better to invest effort into improving the existing management of the company instead of privatising for privatisation's sake.

3. The Far Eastern Rail project in Russia was granted an EBRD loan of EUR 133 million in December 2013,

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Heavy on the process – **EBRD review** of governance policies may **disappoint** many

The EBRD's board of directors is expected, on the eve of the bank's annual meeting in Warsaw, to approve new 'good governance' policies that will have significant bearing on the institution's future activities. The EBRD's Environmental and Social Policy, its Public Information Policy and the Rules of Procedure for the EBRD Project Complaints Mechanism have been the feature of multi-stakeholder consultations across the EBRD's regions of operation in 2013 and into 2014.

Campaigners maintain that while the process attached to these public consultations was of a very good standard, several important deficiencies were witnessed, and, at the time of Bankwatch Mail going to press, it remains unclear how the consultations have ultimately affected the shaping of the new policies.

The policy revision consultations ticked almost all the required boxes: a two stage commenting process (on the old policies and on draft texts of the updated policies), a meeting between the EBRD's vice-president and leading civil society networks, six consultation meetings across the EBRD's countries of operation and one in London (all with staff), some financial support for participants to take part in these meetings, and independent facilitation of the meetings by the Regional Environmental Center. However, some concerns that have cropped up in recent months should be noted.

CSO and shareholder dialogue limited

A chief concern with this most recent policy revision process has been the weak state of dialogue between civil society organisations (CSOs) and EBRD shareholders. In recent years CSOs have increasingly sought to engage with shareholders through more requests for meetings with bank directors (outside of the traditional annual meeting CSO programme), and increased advocacy in the capitals of European countries aimed at financial ministries.

Yet with the 'good governance' policy consultation, the elaborate process, involving half a dozen meetings with staff and tight commenting deadlines, was little more than a distraction from talking to the real decision-makers. Bankwatch learned of only one EBRD shareholder country – Switzerland – that invited CSOs to contribute to its position at a workshop on March 6. The US Treasury department did release its position early on in the process, but was consequently open to hearing recommendations from CSOs. Other shareholders were approached, but these advocacy attempts could not be characterised as dialogue in any real or productive sense.

The most puzzling of all the various positions held by EBRD shareholders is that of the European Commission. To date Bankwatch has received from the Directorate General for Environment in Brussels a five bullet point summary of its comments to the EBRD policy reviews. It remains unknown whether or not the European Commission submitted a common position, synchronising recommendations from various directorate generals. In view of the fact that the position of EU director on the EBRD board remains vacant, the lack of engagement from the Commission, and certainly the lack of transparency, beggars belief.

Limitations to freedom of expression in the Former Soviet Union states needs attention

The second area of concern concerns the consultation input coming from non-EU countries.

The consultation meetings held in Casablanca, Kiev, Tbilisi, Moscow and Almaty would seem to have been well attended. Understandably, the first one in Casablanca attracted significant attention, with more than 40 participants. Yet the meeting was felt by many to have ended up being more of an awareness raising and outreach exercise for the EBRD's new Middle East and North Africa region rather than an actual policy consultation.

> “It would be worrying if, at the end of the day, a broadly positive consultation process brings into being degraded policies”

A key issue hanging over the Former Soviet Union meetings, resulting from the ongoing undermining of basic rights still very familiar to the region, was the multi-stakeholder format itself, where CSOs and representatives of state institutions were sitting together. The multi-stakeholder format by definition is welcome, however it is perhaps not best suited for use in countries where CSOs feel intimidated to speak up openly in front of state officials.

As Bankwatch has previously suggested, the format used in EBRD annual meetings – where some sessions are CSO-only and others are open to all stakeholders – would be more appropriate in certain circumstances. Additionally, in countries where collaboration with foreign partners can be used to brand CSOs as 'foreign agents', it should come as no surprise that consultation inputs are limited, and thus future innovative approaches may be needed if genuine input is to be solicited and such processes are to set an example for democratic, participatory policy dialogue.

Finally, gathering together civil society, state institutions and business into one big 'stakeholders' group does not especially make for a level playing field for the most under-represented of the three groups – civil society. Businesses, clearly, have a lot more avenues available for the conveying of policy demands to the EBRD – for example, in the day-to-day implementation of these policies in EBRD-financed projects.

The first round of the consultations indeed produced extremely disappointing, lacklustre policy drafts, so we are bracing ourselves for the final outcomes due this month.

One ray of hope has appeared in a recent email communication from the EBRD' CSO unit to Accountability Counsel, Human Rights Watch, Amnesty International, Article 19, CIEL and Bankwatch: “Many of the issues that were raised during consultation have been accommodated in the final policies that the Board will consider for approval on 7 May ... We think the policies have been significantly improved due to the extensive consultation process.”

The essence of good governance is not only inviting wide participation but also incorporating valid public inputs into modern, progressive policy formulations. An improved policy review process is encouraging, and broadly positive. It would be remarkable and worrying if, at the end of the day, such a process brings into being degraded policies.

Read more Bankwatch's final round of comments to the drafts of the EBRD's good governance policies, submitted in March, are available at: http://bankwatch.org/publications/comments-ebrds-good-governance-policies-drafts

Former EBRD president implicated in bank's controversial fossil fuel loan in Tunisia

What began as research into Serinus Energy EBRD loans that were granted to the company in July 2013 for the exploration and expansion of oil and gas fields in the Chouech Essaida, Ech Chouech, Sabria, Sanrhara and Zinnia concessions in Tunisia, has become a story that reflects both the revolving doors culture that permeates elite circles and how the EBRD is able to provide loans that provide absolutely no additionality.

A letter to the EBRD from a group of Tunisian and international NGOs (including Bankwatch), pointing out how shale gas exploration in the water-sensitive environment of North Africa's deserts might not be the best deployment of public funds in terms of environmental and social sustainability made no difference. Nor did the fact that Kulczyk Oil Ventures (in June 2013 the company changed its name to Serinus Energy), an oil and gas transnational, is hardly in need of public money.

Jan Kulczyk is one of Poland's richest people, with companies active in almost every conceivable sector – from real estate through brewing to infrastructure (highway construction) and natural resources – and spanning all six continents. Objectively, it is a hard sell to maintain that a Kulczyk company is not able to obtain financing from private sources.

With an estimated net worth of USD 3.9 billion, Kulczyk is ranked 402 on the World's Billionaire list by Forbes. Kulczyk Investments – the parent company of Serinus Energy – is heavily involved in shale gas exploration and production both through San Leon Energy, which holds 83 concessions for both natural and unconventional gas exploration in Poland, Albania, Morocco, Spain, Ireland, France, Italy, Romania and Germany, and through Serinus Energy itself. In fact the first EBRD loan to Serinus Energy (at that time still Kulczyk Oil Ventures) is believed to have allowed it to become the first company from central and eastern Europe to have carried out hydraulic fracturing.

So how is it possible that a multinational of this size – presumably possessing not insignificant capital reserves – receives loans worth EUR 100 million in total for highly controversial projects, even by fossil fuel industry standards, in two countries as remote as Tunisia and Ukraine?

Step forward former EBRD president Horst Köhler. EBRD head from September 1998 until April 2000, former President of Germany (2004-2009) and former Managing Director of the International Monetary Fund (2000-2004), Köhler has been a member of Kulczyk Investment's international advisory board since 2011. Indeed Köhler's specific role is to assist Kulczyk with African investments. He appears to be hitting his performance targets.

With this kind of linkage eminently detectable, it might be expected that the EBRD would ensure that these loans be as transparent as possible. However, according to scoping missions on the ground undertaken by Tunisian organisations, local communities living next to drilling platforms have not been consulted as of the end of this April, nine months after the approval of the loans for Serinus Energy by the EBRD's board of directors. Nor has drilling started yet.

Moreover, the EBRD has not been particularly helpful when responding to requests for information from Tunisian environmental groups concerned about the due diligence for the loan, categorised as a 'B' project by the bank.

This less than 'sensitive' categorisation has been deemed appropriate by the EBRD in spite of the groups' contention that "the exploitation of shale gas requires massive amounts of water and chemicals and could have disastrous consequences in a country that faces serious water scarcity such as Tunisia," and that "the type of shale identified in the Serinus Energy concessions in Tunisia is 'hot shale' which means that the rock is radioactive. Radioactive particles mix into the fracking fluid and drilling mud, and are brought to the surface."

Will the EBRD be able to recognise its mistakes before it is too late and resist the temptation in the future to lend to shale gas projects in the water-scarce regions of North Africa? Or will it follow its business as usual approach, facilitated and overseen by the same businessmen as usual?

These are two questions deserving of a meaningful response at this year's EBRD annual meeting in Warsaw.

PEOPLE POWER HAVING MAJOR IMPACT ON KULCZYK'S COAL POWER PLANS

Local community and NGO pressure has been making things rather difficult of late for the largest planned new coal-fired power plant in Europe.

Elektrownia Pólnoc ('North' Power Plant), planned for development in the northern Polish village of Rajkowy, is the flagship project of Polenergia – a company owned by Kulczyk Investments. With a project 2 GW capacity, 4.6 million tons of coal due to be burned and 9.4 million tons of CO_2 emitted per year (over a lifetime of at least 35 years), Elektrownia Pólnoc would be catastrophic for the climate, would increase Poland's deep dependence on coal and have major impacts on environmental and social well-being in the unique region of Pomerania.

To assist with overall costs thought to be in the region of EUR 3 billion, the company has sought – in 2011 – European public finance from the EBRD and EIB, with none forthcoming to date. Most importantly, however, strong opposition to the project has resulted in several setbacks that have moved the original construction start date back from 2012 to 2019 at the earliest, it is widely believed. And financing for the project is believed to be on increasingly shaky ground.

Planned to reach 185 metres in height, the Goliath plant would become a starkly dominant feature in the flat, agricultural surrounds of Pomerania, a region most noted for its folklore, architecture and dialect. Associated pipelines, roads, railway and electricity transmission lines would further disfigure the landscape.

The water, soil and air pollution caused by emissions from burning coal at the plant would take a heavy toll on human health and agriculture, which remains the main source of income for many families in the region. Yet it is the local wildlife that would be impacted most acutely.

The Elektrownia Pólnoc site is surrounded by several wildlife reserves and EU designated Natura 2000 sites. The most precious of these is undoubtedly the Vistula River – the largest river in Poland and one of the last major European rivers to have maintained its natural character.

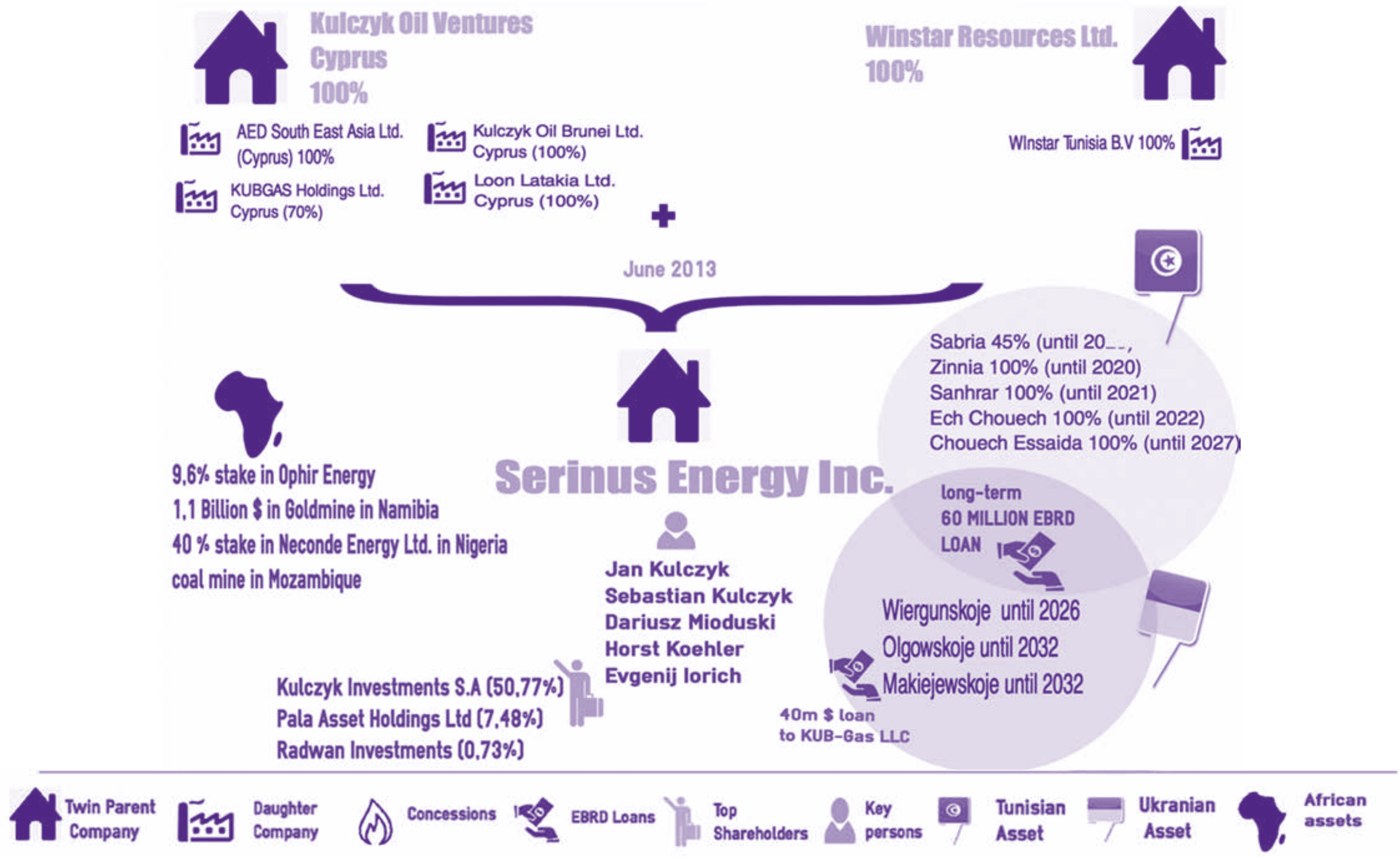
The Lower Vistula is home to many rare plant and animal species and a crucial wildlife corridor of international importance. Independent expert opinions have shown that the impact of the anticipated thermal and chemical pollution discharged from the power plant into the river would be disastrous for the Vistula's precious wildlife. Among other things, pollution from heavy metals and toxic biocides (substances used for sterilizing the plant's cooling system) would pose serious threats to the entire ecosystem.

Not surprisingly, therefore, Elektrownia Pólnoc has met with strenuous resistance from a group of local citizens concerned that executing the project in a region of unique cultural and natural values would lead to its degradation, if not worse.

An investment process that has been flawed from the outset has, with assistance from other Polish NGOs, been consistently challenged and, as a result, partially improved. A particular campaign landmark saw the General Director of Environmental Protection ruling that the power plant's environmental impact assessment permit was partially invalid, and a string of other vital procedural issues have sprung up to put realisation of the power plant increasingly in doubt.

Significantly, too, the international community has been voicing concern about the impact of the project on climate and wildlife.

As part of an ongoing action of sending letters to Elektrownia Pólnoc investor Jan Kulczyk, also the Chairman of Green Cross International's Board of Directors and a Member of the Climate Change Task Force, concerned correspondents have requested that Kulczyk withdraws from this investment and instead focuses his attention on Poland's under-developed renewable energy sector. The letters remain unanswered.



Serinus Energy is spreading its wings and starting to rack up EBRD loans for fossil fuel investments

Concrete boots already for new EBRD energy policy? Potential support for Egyptian coal projects attracts criticism

In what is shaping up to be another controversial chapter in the European Bank for Reconstruction and Development's already troubled entry into Egypt in 2012, questions are being asked of the international financial institution as to whether it intends to support coal power financing, specifically to assist Egypt's cement industry.

The Egyptian government approved the use of coal for power generation on April 2 this year. The Cairo-based NGO Egyptian Centre for Economic and Social Rights (ECESR) points out that the decision is currently being contested before the higher administrative court, lacks parliamentary approval and is provoking public discontent.

ECESR and other NGOs have been engaged in dialogue with the EBRD on this emerging issue, most recently in correspondence urging that the bank "does not partake in the move towards coal by providing funding for the cement industry which already occupies a privileged position and does not have the welfare and sustainable developmental priorities of Egyptians at its core."

The groups in fact allege that the government's coal move violates the constitution on sustainable development, and a range of experts, activists and rights groups have now lined up to counter government and cement industry claims that coal's extreme environmental and health impacts can be mitigated.

The Daily News Egypt website also reported in late April that Laila Iskandar, Egypt's environment minister, is critical of new coal developments, joining other dissenting voices such as the official doctors union, the governors of coastal cities, and Egypt's ministry of tourism. The environment minister believes that the coal plans, if realised, "will cause health problems for Egyptians after 30 years and will lead to sanctions from the international community."

Of major concern for ECESR and other groups are the clear indications that the EBRD appears to be deploying argumentation that would permit it to engage in Egyptian coal financing, this in spite of the bank's adoption last year of a new energy policy that effectively rules out EBRD backing for coal projects – unless they involve production processes where coal is essential and where its use cannot be easily replaced technologically or economically.

Mahinour El- Badrawi of ECESR commented to Bankwatch Mail: "It's pretty hard to argue that coal is an essential source of power for the Egyptian cement sector, unless you happen to be a representative of the industry. The cries for coal being heard during the frequent blackouts that continue to hit the country are absurd. The major cause of these blackouts are export agreements sending Egyptian gas to Spain, Turkey and Israel. And now we want to replace gas with coal, when these agreements could be revised to help cope with the acute domestic energy shortages?"

Kuba Gogolewski, MENA coordinator for Bankwatch, said: "It's very disappointing to see the EBRD lining up to get involved in this new Egyptian coal folly, with a range of spurious arguments and just a few months after the ink has dried on its supposedly new, progressive, coal-free energy policy. The bank needs to set its sights firmly on supporting renewable energy projects in Egypt, that have so far not received a single euro of investment from the bank, and too on the SME sector, the backbone of the Egyptian economy, that has received significantly less than ten percent of EBRD funding in its first year of operations in Egypt."

New online toolkit to tackle the Kings of Coal in south east Europe and Turkey

Last year saw international financial institutions such as the European Investment Bank, the European Bank for Reconstruction and Development and the World Bank falling like dominoes one after the other and announcing in rapid succession that they will halt – almost totally – financing for new coal power plants. These banks were also joined by other institutions such as the US Exim Bank and the Nordic Investment Bank, and governments including the US, UK, Netherlands and Scandinavian countries.

Yes, it is easy to get the impression that coal is so last century that no one is financing it any more.

Yet although new-build coal seems to be in its death-throes in most of the EU, in Turkey and the western Balkans decision-makers are still convinced that coal is the next big thing. Turkey is planning to build no less than 75 new coal power plants with over 37,000 MW capacity, making it the fourth most coal ambitious country after China, India and Russia.

In the western Balkans, the planned 6185 MW of new coal plants might seem puny in comparison. Yet, for these relatively small countries, such projects represent a direct clash with their future EU obligations to reduce greenhouse gas emissions and decarbonise their energy sectors by 2050.

There is increasing resistance to the plans both in Turkey and the western Balkans. But now, with a decrease in the involvement of multilateral banks in coal lending, the companies and banks that are potentially involved (eg. from Japan or China) are often geographically and culturally distant from the affected communities – and, too, there is a missing culture of communicating with the public. This makes it difficult to contact and communicate with the involved institutions about problems associated with the projects.

With this in mind, Bankwatch has put together the kingsofcoal.org website which explains how to contact the investors behind a project, which policies guide their decisions and how best to contact and influence them. The website is available in English, Serbian and Turkish and covers selected companies and banks from around the world.

The icing on the cake of the website's user-friendly approach is a custom dossier with information on banks and companies selected by the user that can be sent automatically via email.

For further information
Contact kingsofcoal@bankwatch.org
For visual materials View our new video clip at: http://youtu.be/JpGz32jrwac
Check out the flickr album at: https://www.flickr.com/photos/bankwatch/sets/72157644050276779/

IFIs pull out of Turkish coal project – NGO pressure integral

Coal power plants are mushrooming all over Turkey, there's no doubt about that. With the government's plan to reach 120,000 MW of installed capacity by 2023, double that of today, a 1350 MW power plant in the already heavily industrialised and polluted peninsula of Aliaga in western Turkey could easily have gone unnoticed.

This was probably what the project promoters, SOCAR Aegean Refinery, were counting on.

In 2010, SOCAR Aegean Refinery received a 'pre-licence' to start developing a USD 5.5 billion project involving the construction of a greenfield refinery in Aliaga, as well as a 'secret' 1350 MW coal plant associated with the SOCAR refinery, though not included in the environmental and social impact assessment for the project.

Looking back a few years, SOCAR, the state oil company of Azerbaijan, purchased the Petkim petrochemical plant from the Turkish government in 2007. The plant is located in the Aliaga peninsula of Turkey's Izmir region. The developer, owner and operator of the Aegean Refinery is STAR Rafineri A.S. ('STAR'), a joint stock company incorporated under the laws of Turkey which is now 81.5 percent owned by SOCAR TURKEY Enerji A.S. (a 100 percent subsidiary of Azerbaijan's oil company) and 18.5 percent owned by TURCAS Rafineri Yatirimlari A.S (a 99.6 percent subsidiary of Turcas Petrol A.S.).

As designed, the refinery and coal power plant would restrict access to a valuable geothermal energy resource. The geothermal reservoir is owned by the Turkish state, and the renewables promoting company Buhar Enerji was granted a 30 year operating licence at least one year prior to that given for the refinery. The refinery EIA makes no reference to the geothermal reservoir and no stakeholder consultations have been held.

In 2013 the EBRD announced its intention to invest USD 150 million into the project, and an EBRD board decision had been scheduled for April 2014. By involving itself in this project, the EBRD would have been both going against recent commitments – "to support the low-carbon transition in countries of operations; this entails promoting alternatives to carbon-intensive coal-fired generation" – and also putting down an important marker in Turkey, as Turkish banks would be expected to lend under any conditions should the EBRD have put its name to the loan package.

However, in March this year, both the EBRD and the International Finance Corporation (IFC, the World Bank's private lending arm) announced that they had withdrawn from funding the refinery project.

This took place not long after a February letter from Bankwatch – supported by nine other international NGOs including BankTrack, Greenpeace Mediterranean and Friends of the Earth – was sent to EBRD president Sir Suma Chakrabarti, EBRD executive directors and the IFC, calling on the potential lenders to reject this project, or at least delay its approval until proper due diligence and satisfactory public consultations had been carried out, as well as the successful resolution of legal disputes.

Unsurprisingly, the banks made no mention of NGO pressure – and argumentation – in this case, putting the withdrawal of their combined USD 300 million support for the project down to differences in the inter-creditor policies of the various lenders involved, which apparently scould not be resolved within the project's timeline. In a PR crisis, go technical – it's always a good option.

Only a few days after this announcement, SOCAR Turkey's chief executive Kenan Yavuz told Reuters the company had agreed fresh financing of USD 500 million with a commercial bank to replace the anticipated EBRD and IFC finance. Yavuz declined to name the commercial bank in question, but sources close to the deal have suggested Turkey's Denizbank, owned by Russia's Sberbank, has stepped in.

With international finance institution (IFI) support now dead, the commercial banks now expressing interest in the project should seriously consider their involvement in this type of regressive investment, with all its detrimental environmental and health impacts.

Turkey holds multiple opportunities for investments in energy efficiency and renewable energy – the country is currently among the top 10 wind energy producers in Europe, according to European Wind Energy Association – and it is to be hoped that commercial banks take up interest in these areas. Having stepped out of this Turkish coal project, the IFIs could play a major role by focusing their engagement firmly on the country's clean energy potential.

Read more A Bankwatch blog discussing a March fact-finding mission to Aliaga, featuring a selection of photos, is available at: http://bankwatch.org/news-media/blog/case-secret-coal-plant-turkey-suggests-polluted-future-country

Polish shale gas – a watery grave looms, but for who?

Tomasz Zdrojewski explains the risks to Polish water from the massively hyped fossil fuel bonanza

To date the efforts of the Polish government to ‘radically accelerate the fieldwork’ required for the exploration, testing and extraction of hydrocarbons – namely shale gas – echo the determination of previous US governments, which suspended as many as seven legal acts in favour of the development of the unconventional gas (the most notorious being the exemption of fracking fluids from the US Clean Water Act, the so-called 'Cheney loophole'). However, in an EU country, such efforts are necessarily contingent on European Community law.

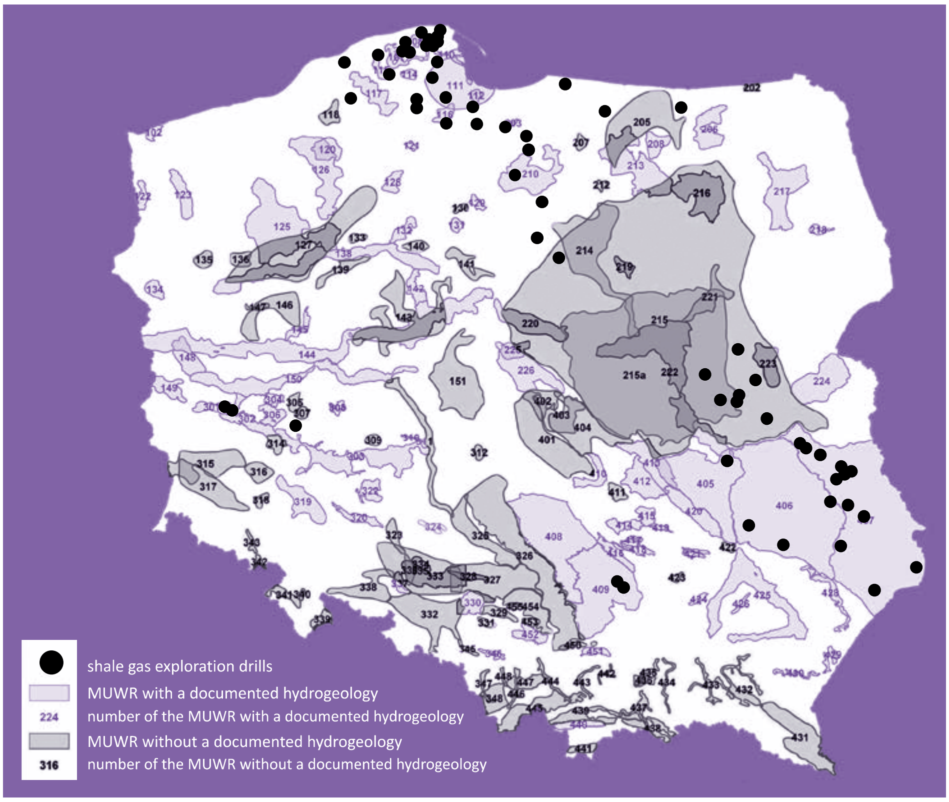
In one crucial area alone, Poland must face up to pending implementation of the Water Framework Directive (WFD) that obliges EU members to introduce special programs of surface and ground water protection by 2015. These programs may put a further dampener on the already weakened appetite of extractive companies as the country’s crucial water supplies – the Main Underground Water Reservoirs (MUWR) – cover the majority of Poland's shale gas licensed excavation sites (see map below).

For Poland, the introduction of water quantity and quality protection programs is crucial, since its water supplies are scarce. Compared to other EU countries, only the Czech Republic has lower water supply volumes than Poland – per capita, Poland is three times lower than the European average. Insufficient quantity is not the only problem. According to Poland's Main Inspectorate of Environmental Protection, “In 2006 there was no high quality water at all, and the quality of over 63 percent of supplies was inadequate or low.”

Therefore, one of the challenges set by the European Commission for Poland while implementing the WFD is the protection of national underground water reservoirs from quantitative and qualitative degradation. In practice, this means the creation of protected areas for MUWR, viewed officially to be of strategic importance for the country’s water management.

Due to their high water quality and availability, MUWR are highly regarded as water-bearing systems. A six year programme, to be realised by the National Geological Institute, has been introduced to document protected areas for 116 MUWR across Poland. MUWR's protected status is hoped to be enshrined in law by 2015, and an inevitable result of the introduction of new regulations for the Water Law would be serious limitations for the exploration and exploitation of shale gas.

A study I have authored, based on publicly available data, concludes that nine companies committed to shale gas extraction projects have already made 24 boreholes within MUWR areas, and eight more are operating close to the formal boundaries of protected reservoirs. The companies in question are Polish Oil and Gas Company (PGNiG), PKN Orlen SA, Chevron, Marathon Oil Company, Total SA, Cuadrilla Resources Limited, BNK Petroleum, Lane Energy and San Leon Energy.



Polish shale gas excavation areas in relation to Main Underground Water Reservoirs. Source: Polish Geological Institute

This number of boreholes accounts for more than half of all completed boreholes to date. Taking into account the estimates of the ministry of environment that state that more than 300 boreholes will be made by 2021 to evaluate the size of gas deposits, the scale of the threat to water quality looks set to grow.

Water and shale gas can mix, say some

Poland's environment minister Maciej Grabowski echoes the extraction companies when he seeks to assure that “During the exploration and identification of shale gas deposits the Ministry prioritises the highest standards of environmental protection and the safety of the population.” Similarly, when it comes to MUWR, the ministry of environment tends to chime with the views of the companies: “The existence of MUWR does not interfere with shale gas search and reconnaissance activity. The security of MUWR is ensured by technology used in exploration and extraction. It guarantees protection of drilling by a system of sealed, shielded piping which prevents any contact with underground water reservoirs and their contamination.”

Yet, reports and information based on hydraulic fracturing – 'fracking' – experiences from around the world are testimony to the total lack of guarantee attached to the fracking technique and process. Leaky drilling and wellhead integrity are among the risks to underground water sources that can result in, and has already, water contamination by toxic fracking substances.

And if they don't mix well?

It is estimated that shale gas exploitation in Poland could – if it goes ahead fully – last for 25-30 years. Yet there are serious concerns related to how the government has caved in to the drilling companies, significantly permitting them to pull out without consequences as soon as extraction ends.

Such a situation is possible on account of the legal character of the companies operating in Poland. All of them, with the exception of PGNiG, are daughter companies of the major extraction giants and are operating as limited liability companies, likely to be dissolved once shale gas exploitation in Poland is over. Current Polish legislation obliges the enterprise or its legal successor to pay for damage to the environment resulting from the extraction of fossil fuels and other minerals. Should neither the enterprise or its successor exist, the responsibility for remediating or compensating for potential accidents or damage rests with the Ministry of Treasury and the legal or physical person holding the legal title to the land, effectively meaning taxpayers and local communities.

The latest report of the Supreme Audit Office leaves no illusions about the current monitoring of shale gas operations being performed by Polish inspectorates – out of 34 audits carried out by the State Mining Authority (responsible for shale gas), only one concerned shale gas excavation issues.

Moreover, according to unofficial information obtained by Polish TV station TVN24 in May 2013, the drilling cement work being done in Poland is faulty. The main issue is the cement itself, used to support drilling wells and which does not withstand the 'fracking force' of pumping substances inside it.

The problem is viewed as serious as it concerns all excavation companies operating in the country. The Supreme Audit Office has identified negligence, and if such continues to prevail in this kind of extraction industry, the consequences could be disastrous.

Tomasz Zdrojewski co-operates with the Polish NGO Workshop for All Beings

How long till the next protests in Bosnia and Herzegovina?

Back in early February this year, workers at several privatised companies started protesting in Tuzla. The workers expressed outrage at how factory owners were not paying social security contributions, thus making their employees no longer eligible for health care, social security or pensions.

A huge number of people started to give support to the workers, and protests quickly spread to more than ten cities across the Federation of Bosnia and Herzegovina, sparking violence in Sarajevo, Tuzla, Mostar, Zenica and Bihac on February 7. Meanwhile, in Republic of Srpska, another entity of Bosnia and Herzegovina (BiH), only a few, small, non-violent protests were organised.

For people living in BiH, it was not a question of whether people would start protesting, but when? And, moreover, given the level of pent up frustration, just how violent any protests would be.

Some BiH economic data speaks for itself:

- 45 percent of the workforce are without an official work contract.
- 75 percent of young people want to leave the country.
- youth unemployment, according to the World Bank, now stands at over 57 percent.
- EUR 800 million a year is disappearing due to manipulated public tenders.
- 50 percent of the population is living on the brink of poverty, while 700,000 people are living in poverty.

BiH is a dysfunctional state, according to many representatives and observers from the international community. State finances are low while public expenditure and debts are climbing ever higher. The political parties control the judiciary and the police, while running corrupt privatisation schemes.

The country is in political deadlock over structural and constitutional reforms that are deemed to be essential if the path towards the European Union is to be found. But unlike neighbouring countries in the region, BiH is at a standstill when it comes to EU integration, and this is giving rise to a variety of political and financial intrigues.

The root of the protests – dubbed, of course, the 'Bosnian Spring' – lies in the country's staggering unemployment, nepotism, widespread corruption, institutional paralysis and poor governance, but they were also a reaction against the manipulation of the ethnically divided people of BiH.

Some 200 people were reportedly injured in clashes with riot police, and it has been viewed as the worst unrest since the end of the war. Protesters managed to topple four out of 10 cantonal governments in BiH – in some cantons the ending of the 'white bread' perk came about, a privilege enjoyed within officialdom whereby salaries are paid for a year after leaving office.

Demands for a review of privatisation across the country, an increase in the minimum wage and the prosecution of corrupt politicians were also to the fore. Those demands are now in jeopardy.

Official push back

In the first few days of the protests, the panic among the political class was palpable – how, and in which direction, would the protests develop and perhaps spiral?

Refuge and then push back, needless to say, were found via the familiar trick of inventing plots against particular ethnic groups, as well as plots from unidentified foreign interests. Even though these accusations and manipulations have no relation to reality, to some extent they produced the desired result for the elites, especially in Republic of Srpska, where large protests failed to kick off at all.

After the initial violence and confusion, protesters continued with street protests but also turned their energy into citizens' assemblies called 'plenum', where they practiced direct democracy in decision making over issues that should be discussed with the institutions.

Even though at their peak the plenum were able to conceive a decent number of citizens' positions on topics of wide public interest, they gradually experienced a drop in numbers. This was somehow inevitable, given that the 'professional' politicians used all means necessary to dilute and redirect people's anger, not to mention the fact that most of the protesters expected quick solutions for their economic and social issues, while direct democracy most often takes time to bear fruit.

EBRD needs to do better

It would be foolish, though, to think the protest spirit has disappeared for ever in BiH. And perhaps in this period of calm an institution such as the EBRD may pause to reflect on its role and past interventions in BiH society – and a few specific, problematic areas need to be addressed by the bank.

First, various EBRD loans to BiH projects have had, at best, questionable value for the people of BiH, but have also had substantial potential for corruption. This is relevant to most public projects, and transport projects in particular often spark controversies.

We've seen EBRD loans that supported projects threatening local communities (Blagaj and Pocitelj on corridor Vc), post-bid price increases (the Banja Luka-Gradiska motorway), building without construction permits (the Prnjavor-Doboj motorway), putting future national parks at risk (corridor Vc), and excessively polluting environment in local communities (Arcelor Mittal).

Second, the EBRD's willingness to support dirty energy projects, such as the lignite-fired power plant in Stanari – though ultimately the project was not financed, the EBRD's initial presence helped to build the credibility of the project.

Finally, it is important to mention the institution's lack of constructive communication with other stakeholders, including civil society organisations, regarding its activities in the country – an inefficient two-hour meeting with CSOs only reveals the bank's lack of awareness about the fragile state of the country.

If BiH is to survive and prosper, both its legislation and leaders must heed and respond to the needs of its population. The international community, including the EBRD, must help to ensure that this iis realised, and support BiH citizens as they lead their own transition.

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yet the bank has been unwilling to list the name of the Far Eastern Rail Ltd owner on its website. Forbes reports that the company was registered in Cyprus in November 2013 and that 92.2 percent of the company belongs to Linea Ltd (Bermuda) and 7.8 percent to Altmirco Enterprises Ltd. Billionaire Andrei Melnichenko, who has hit the headlines with his submarine-like yacht and extravagant wedding, reportedly owns Linea, while his long-term associate Vladimir Rashevsky owns Altmirco.

4. In 2010 the EBRD approved a EUR 37 million loan for the redevelopment of the Sveti Stefan island hotel complex in Montenegro by the Greek shipping company Restis Group. The deal became controversial as Restis allegedly failed to keep to deadlines and constructed buildings outside of the approved zones. In July 2013 the controversial billionaire Victor Restis was arrested on suspicion of fraud, throwing the project into further disarray.

A host of other egregious EBRD projects and questionable beneficiaries, as well as critique of the EBRD's make-it-up-as-you-go-along approach to changing people's lives across eastern Europe and in new recipient countries such as Egypt, can be found in the new report. **Read it at:** http://bankwatch.org/EBRD-stuck-in-market

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