

EBRD project briefing

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EBRD support for Kolubara locking in Serbia's CO2 emissions

For more information

Zvezdan Kalmar

National Campaigner for Serbia
zvezdan@bankwatch.org

<http://bankwatch.org/our-work/projects/kolubara-lignite-mine-serbia>

On July 26th, 2011 the EBRD approved a loan to the Serbian Electricity company (EPS) with the aim of helping EPS to reduce a number of environmental problems in the Kolubara mine area, by providing the company with equipment that would enable a coal supply of uniform quality to the thermal power plants.¹

It is evident that this investment will strengthen the already dominant market position of state-owned Serbian EPS – a vertically integrated power company with a monopoly in lignite mining, generation and distribution of electricity throughout the country². As a dominant player in the sector EPS is influencing deeply national decision making in the energy sector, thus preventing the necessary massive expansion of energy efficiency measures and new renewable energy resources in Serbia³, and solidifying the country's dependence on lignite – the dirtiest of fossil fuels.⁴

Environmental and social impacts of the EBRD project – minimal gains with enormous costs

Due to the poor quality of the lignite in the Kolubara mining complex, the production of 30 million tonnes/year that is used for around 50% of electricity production in Serbia, results in more than 33 million tonnes/year of CO2 emissions and 361 000 tonnes of SO2 emissions⁵.

The Tamnava West field has around 450 million tonnes of estimated lignite reserves of three different qualities, as the lignite there is one of the lowest quality lignite in the region.⁶ According to current emissions data of EPS thermal power plants that are burning lignite from different Kolubara fields⁷ and by extrapolation of the data to the whole quantity of coal reserves estimated in Tamnava West and Fields C, B and E and “south wings” of D field, it is estimated that these fields will produce minimum 540 million tonnes of CO2 in their lifetime.

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.

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1 <http://www.ebrd.com/pages/project/eia/41923.shtml>

2 EPS, Kolubara, EBRD board of directors report

3 http://simterm.masfak.ni.ac.rs/proceedings/14-2009/PAPERS_AND_SESSIONS/1ENERGY_SOURCES_AND_POTENTIALS/I.1.MilisavljevicV.pdf, page 4

4 Serbia has less than 1% of electricity produced from new RES. The Law on efficient use of energy has been delayed by several years and has small prospects of actually being accepted.

5 <http://www.drustvo-termicara.com/resources/files/153a90d.pdf>, page 6

6 http://www.rbkolubara.rs/index.php?option=com_content&view=article&id=240&Itemid=232, EIA for Tamnava west, page 62 with a detailed list of proven reserves of coal in Tamnava west field.

7 http://simterm.masfak.ni.ac.rs/proceedings/14-2009/PAPERS_AND_SESSIONS/1-ENERGY_SOURCES_AND_POTENTIALS/I.1.MilisavljevicV.pdf

It is very hard to see how the estimated 200,000 tons of CO2 emissions reductions – if achieved due to the EBRD investment⁸ – represent real “value for money”. The proposed reduction of about 6 600 tonnes of SO2 emissions (if achieved) will represent only 1.5% of the total emitted SO2 of all power plants in Serbia.

The Serbian electricity sector has huge problems, firstly because of the extremely wasteful energy consumption pattern, which should be the first priority for investments. The existence of an independent agency that decides on the level of energy prices in Serbia is not enough to move this sector in a positive direction until extensive demand-side energy efficiency measures are implemented.

Situation with resettlements related to EBRD investment

Vreoci community

For the last 8 years the Kolubara company has been actively attempting to remove the village of Vreoci which is located directly above the most important deposit of the best quality lignite in the whole basin.⁹ Already in 2003 the local community protested, with roads and rail blockades staged in Vreoci and on arterial transport corridors passing near Vreoci. As a result the community gained the right to have a special government programme for resettlement. The reason for this is that the local community elected representatives with full legitimacy to represent all inhabitants. The arguments of EBRD staff questioning the legitimacy of local representatives¹⁰ in Barosevac and especially Vreoci is thus highly inappropriate.

According to the government agreed and accepted document “Programmatic principles for the resettlement of Vreoci community” from 2007 it is

stated that the whole Vreoci community should be resettled (1180 households). **The EBRD should respect the demand of Vreoci community for collective resettlement, as it was principally agreed with the government. The community is now not willing to compromise with lesser proposals.**

After years of struggle for the proper implementation of the government resettlement programme, the inhabitants of Vreoci are now facing strong pressure from Kolubara mining company (supported by the responsible ministries, including the one for internal affairs) to take or leave whatever compensation the company offers. Up to this moment only about 200 families have accepted the conditions and level of compensation and actually moved out of Vreoci. **The main request of the Vreoci inhabitants is that they want to be removed collectively with all their property and social and communal infrastructure in place, all in line with the principles aligned and agreed in the 2007 government programme.**

Barosevac community

In its recent assessment the EBRD stated¹¹ that resettlement for this project is successfully finished. This project includes multiple resettlements and even in the less problematic Barosevac case resettlement is far from being implemented in a manner satisfactory to the local community. The Barosevac cemetery should be moved if EPS wants to open the C field, but this has not been done yet. In fact none of the landowners from Barosevac has signed the consent for the removal of graves. 18 houses in Barosevac that will be removed from the locations closest to the current B field to make space for the green belt are not the only houses that need to be moved. 21 more households closest to the mine will not be resettled, despite the heavy impacts from operations in C field and the cracks in their homes. These houses are only 50 meters from the open pit mine and the planned 10 meter wide green belt will be insufficient to ensure a safe and healthy environment for the

8 EPS, Kolubara, EBRD board of directors report, page 3

9 West edge of “D” field

10 Staff report from August 2011

11 Report of EBRD delegation to Vreoci from August 2011.

inhabitants.

We found during interviews with staff of the Kolubara company that the C field is planned to serve as a dumping site for overburden from the E field. In this case the operations in E field, that are expected to be initiated in 2014, will have a direct impact on the environment and health of residents of the Barosevac community. As one of Barosevac's representatives stated: „If we are not resettled from here, we will live our lives next to one of biggest deserts in Europe!“

One of the main requests of these 21 households of Barosevac is to be listed as households that need to be removed from the near vicinity of the mining operations in the C field. The EBRD should make sure that a liaison person/team for communication with the local communities is put in place immediately. This was an obligation according to the ESAP which has not been complied with so far. The EBRD should make sure that local communities are introduced with grievance mechanisms and that local communities are consulted.

Environmental situation in the local communities of Barosevac and Vreoci

The air quality is not measured in a systematic and satisfactory manner in either of the settlements. The air is heavily polluted especially with emissions from processing plants in Vreoci and with dust from the open pit in Barosevac. Measuring points are not located in the most critical locations and do not reflect the real situation of emission levels where houses are located.

EBRD staff after their visit to the waste water pond in Vreoci community stated in their notes that this pond is not located in the centre of the village of Vreoci, as it is 100 metres away from the centre. Waste water from the coal processing plant is not piped, but runs in open channels to the Kolubara river without any preliminary treatment or purification. Drinking water

supply in Vreoci is scarce with systematic shortages and Lazarevac authorities do not make efforts to provide for the improvement of water supply for Vreoci, because of the expected resettlement.

Heavy traffic transporting dusty materials such as sand, coal, and waste from mining operations without being properly covered is adding to air pollution, as it passes very close to both Vreoci and Barosevac houses. The „Protection“ company from Belgrade, specialised in measuring noise and vibrations, has measured 24/7 noise levels in excess of legally binding values.

Houses in Barosevac are heavily damaged by earth moving, soil subsidence, sliding, and vibrations from traffic (trains and trucks).

Recommendations

- The EBRD should re-orient its involvement in the development of Serbia's energy sector based on European strategies and directives especially those requiring reduction of emissions, energy efficiency and market penetration of new RES according to best available standards of environment protection and in close consultation and cooperation with local communities.
- Disclose documentation assessing the climate impacts of its involvement in the Kolubara project.
- Reconsider the scope of the EBRD's project taking into account the technological and geological interdependence of Fields C, B, D, and E.
- The bank should demand from EPS the immediate establishment of a liaison person/team for both Vreoci and Barosevac communities. A detailed plan of collective resettlement for Vreoci should be prepared, with mechanisms for following/supporting the resettlement and integration of resettled people/

families, in accordance with the agreed 2007 programme for collective resettlement.

- A renewed ESAP for Barosevac needs to be developed (consulted, formulated, implemented) which will take into consideration the resettlement of additionally at least 21 households living closest to the mining operations.
- A programme of environmental protection for Vreoci and Barosevac should be developed in a consultative and transparent manner and implemented in cooperation with the local communities.