



Umanotera, The Slovenian Foundation for Sustainable Development
PO Box 4440, 1000 Ljubljana, Slovenia
Phone: +386 1 439 7100
Fax: +386 1 439 7105
<http://www.umanotera.org>

Georgios Gkiaouris, Operation Leader
EBRD
One Exchange Square
London EC2A 2JN
United Kingdom

Ljubljana, 12 February 2010

Subject: **Position on Sostanj Thermal Power Plant Project** (Project number: 40417)

Dear Mr Gkiaouris

Hereby we would like to present the position of Umanotera, The Slovenian Foundation for Sustainable Development, on the planned reconstruction of the Sostanj Thermal Power Plant Project (project number: 40417), with respect to both content and process.

Background

On 6 November 2009 we received a message from the NGO Unit at EBRD about the EIA for the SOSTANJ Thermal Power Plant (STTP). It was very interesting as there had been a lot of confusion about the actual status of the project up to that point and your message with all the documents that became available it finally allowed for some transparency. We immediately took some actions:

- registered with Sostanj TPP as a stakeholder (as suggested in the Stakeholder Engagement Plan: Umanotera was surprisingly not on the list of NGOs in the Plan),
- studied the documentation on the web,
- notified a number of NGOs (some which are on the "stakeholder list" but were totally unaware of the EIA process and had never heard from the Sostanj TPP),
- with our Austrian partners we discussed the project as the plant is relatively close to the Austrian border and there is a transboundary air pollution impact that should be taken into account, but hasn't been, and
- discussed how to prepare for the EIA consultation after the COP15 conference in Copenhagen (any serious climate commitments would not be compatible with the Sostanj lignite plant - Sostanj represents over 20 % of all GHG emissions in Slovenia)

In mid-December an article in the newspaper revealed that while the NGOs were busy with the Copenhagen conference, the government quietly issued the EIA consent for the new

Sostanj Unit. We were shocked and indeed found the Environment Agency had issued the consent document for the project on 11 November (4 days after we received the message from EBRD).

We then decided to organise a public forum on the project. The event took place on 26 January in Ljubljana and over 130 people participated. It was the first event of its kind dedicated to the Sostanj Thermal Power Plant Project. There had been a number of local community meetings, but nothing organised at the national level. The project is definitely of national importance, as Sostanj Thermal Power Plants generate about a third of the total power in Slovenia. The event was filmed and is posted on the internet [here](#). In addition we organised an internet forum and we will send you a summary report from both of these discussions by the end of this week.

(Un)Transparency of the Project

The lack of transparency has been the trademark of the process of planning the new unit of the STPP6 project. This ranges from the lack of involvement of stakeholders beyond investors, owners, government and local community, to manipulation of data regarding CO2 emissions.

- (1) It was only the EBRD EIA consultation last November that opened the process to the public - for the first time in the four years of the process. All the documents were made public, the timetable was announced, NGOs were notified. This is unacceptable for two reasons:
 - almost all of the important decisions have already been taken (e.g. SEA, EIA, supply contract signed and deposits paid),
 - EBRD is clearly setting higher standards of participation and transparency than our own institutions, which makes us feel we are living in some kind of a »Banana Republic«, even though Slovenia is an EU member.
- (2) Neither Umanotera, nor national NGOs who are actually listed as stakeholders in the Stakeholder Engagement Plan <http://www.ebrd.com/projects/eias/40417sep.pdf>, dated October 2009, were ever invited to participate in the planning of the project – neither at the stage of the Strategic Environmental Assessment in 2007, nor the Environmental Impact Assessment in 2008-09.
- (3) Even after Umanotera registered as a stakeholder on 9 November 2009, we were still not informed of any opportunities to participate, such as the EBRD EIA consultation that was taking place just at that time.
- (4) The documentation that is published on the internet gives confusing and sometimes misleading information regarding CO2 emissions:
 - The Table in Annex #6 of the full EIA Report <http://www.te-sostanj.si/filelib/ebrd/pvo.pdf> clearly states that the CO2 emissions of the Sostanj Thermal Power Plant complex in 2015 (when STPP6 starts operating) will be 4.486 kt/year (compared with 4.423 kt/year in 2008), which would actually mean a slight increase. In reality CO2 emissions of STPP in 2008 as declared by STPP to the Environment Agency of Slovenia were 4.798 kt.
 - The EIA Non-Technical Summary <http://www.ebrd.com/projects/eias/40417.pdf> states on page 13 that »estimated emissions after 2015 will be at a level of around 4 mln ton«, but doesn't provide any details on CO2 emissions, despite the facts that for all other pollutants there are detailed graphs of projected emission levels by year through 2050.

- In the Environmental Impact Assessment Addendum http://www.te-sostanj.si/en/filelib/ebrd/eia_final_eng.pdf it is stated »With the beginning of operation of Unit 6 and by taking account of the planned use of coal, the emission of carbon dioxide will not be reduced and will stay at the same level (approximately 4 million tonnes of CO₂).«
 - Throughout the communication of the project – both in the official documentation and the PR in the press, the emphasis has been on the reduction of CO₂ specific emissions per unit of generated electricity, without making clear what this means in real terms.
- (5) During the last month (since the announcement of the Umanotera forum and the NGO press conference on 25 January 2010) representatives of STPP and of HSE (owners of STPP) have fundamentally changed the dynamics of the project. While the entire official documentation clearly states that with the construction of Unit 6 old Units 1-4 will be closed and Unit 5 will continue to operate until 2027, while Unit 4 will serve as a cold reserve. The new scenario introduces the following sequence: in 2015 when Unit 6 starts operating, all old units (1-5) close down, with Unit 5 remaining in cold reserve. According to the new scenario, presented also at the Umanotera Forum, the total emissions from STPP would be »only« 3.100 kt CO₂ after 2015, while the generated power would remain the same, 3.500 GWh/year. Such a shift in the project is confusing for all stakeholders, many of whom are wondering whether this is just a PR trick, given that all official documents (and permits) support the »original« scenario.
- (6) In the last month there has been a lot of discussion in the media about suspected corruption, as the estimated value of the project went from 600 mio EUR in 2006, up to 1.200 mio EUR last year. It also turns out that the contract for the equipment that was signed with Alstom in 2008 is according to Swiss law and is without adequate ant-corruption provisions. The case is now being investigated by the Slovene Anti-Corruption Commission.

Position on the Proposed Project

(Note: only the »original« scenario, as presented and elaborated in the official documentation is discussed here)

(1) Climate Targets

The Sostanj Thermal Power Plant complex currently represents about 20 % of total greenhouse gas emissions in Slovenia. Under the »original« scenario, according to the Environmental Impact Report (which should be the only reliable source of information on projected CO₂ emissions) after the construction of Unit 6 in 2015 total carbon emissions of STPP would remain about the same as they are now, and it would emit 3.100 kt CO₂ even after the closure of Unit 5 in 2028 until 2050. Slovenia is currently in the process of elaborating a Climate Law and National Climate Strategy, expected to define short- and long-term carbon reduction targets, and to be passed by the Parliament after the summer this year. The EU Climate & Energy package adopted in 2008 clearly states that the ETS controlled polluters should reduce their emissions by at least 20% by 2020, or even 30% if an adequate international agreement is reached. The project doesn't support these targets. Furthermore, Slovenia has committed to reduce its carbon emissions by at least 80% by 2050. The STPP project is not in line with these long-term targets either. Related to the European climate targets is also the carbon trading and expected price of carbon. There is a lot of uncertainty about the future carbon price, resulting in financial uncertainty of the investment.

(2) Energy Policy

Slovenia is in the process of preparing the new National Energy Programme (NEP), expected to be adopted by the Parliament by the end of 2010. It would make a lot of sense for the energy scenarios to be done first, before the final decision on STPP is taken, rather than the national energy policy to be hijacked by this single project. An important question to be addressed by the NEP will be “what is the most environmentally, economically and socially appropriate energy source in the transition towards a low-carbon economy?”. We should be looking for a source that will be in line with a growing production of renewable energy, decentralised and smart grid, promoting innovation and technological development. Many international cases show that centralised coal power plants are not a good choice considering the challenge for the future.

(3) Alternatives

It should be normal practice to study and compare alternative solutions before committing to one single one. In the case of STPP this was never done: neither alternative technologies, nor alternative energy sources or investing into efficiency were seriously explored to prove that Unit 6 is the optimal solution for Slovenia.

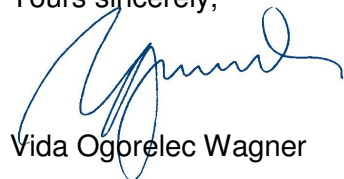
(4) EBRD Climate & Energy Policy

It is surprising that at this point in time EBRD, with a strong overall environmental policy and transparency standards, doesn't hold a coherent and progressive policy on climate and energy. Rather than financing further exploitation of fossil fuels, shouldn't the bank focus on investments into energy efficiency, renewable energy resources and intelligent, decentralised grids?

Considering all of the above, there are sufficient arguments for the request for the loan for Sostanj Thermal Power Plant Project in its present form to be turned down. At least until the Climate Law, Climate Strategy, National Energy Programme are passed, and serious alternatives are explored.

We would be happy to provide you with any clarifications or additional information regarding our position.

Yours sincerely,



Vida Ogorelec Wagner
Managing Director