

20 March 2013

President Hoyer, EIB  
President Chakrabarti, EBRD  
cc. Executive Directors of the EBRD  
cci. Directors of the EIB

Dear President Chakrabarti,  
Dear President Hoyer,  
Dear Directors,

## **Sostanj must never happen again**

On 8 March 2013 the European Bank for Reconstruction and Development and the European Investment Bank confirmed that decisions had been made to disburse funds for the Sostanj 6 power plant in Slovenia, which together with the syndicated loans from commercial banks are worth no less than EUR 750 million. The approval of this project has proven to be a serious mistake, and we are writing to urge you to ensure that your banks learn from this experience.

As both banks are now undertaking Energy Policy reviews, there is no better time to reflect on what went wrong with Sostanj and how this can be prevented in the future:

- Slovenia will now have to choose between failing to reduce its emissions by 80-95 percent by 2050 and closing Sostanj 6 before the intended date.
- No alternatives to a lignite or coal unit were seriously examined. Having invested so much public money in a new lignite plant, the development of energy efficiency and renewables in the country will be crowded out.
- Health impacts from the project were not taken into consideration and it was left to civil society to find out that Unit 6 will annually (from 2016 on) cause between 33 and 48 deaths and create between EUR 168 million and EUR 242 million in damage to the national economy.<sup>1</sup>
- Corruption allegations about the project were public knowledge when the EIB approved the second tranche of its loan and the EBRD approved its loan in 2010. Even now OLAF has not yet concluded its investigation into the case, which still threatens to cause further problems for the project.
- When the project originally went to the EIB for financing consideration, most people in Slovenia did not even know it existed. This failure to ensure adequate public consultation seriously back-fired later when the project became highly controversial to an extent that threatened its continuation.

While we have been heartened by the fact that the EIB did not approve financing for any coal projects in 2012, unless the bank commits not to finance any more coal projects the positive trends witnessed in 2012 may remain an anomaly. We were disappointed to hear President Hoyer's statement at the EIB's annual press conference that the EIB still believes that Sostanj 6 is not a bad project. This does not give the impression that serious lessons are being learnt.

The EBRD, meanwhile, looks even less like it has learnt the lessons from Sostanj. At this very moment it is considering a loan for the Kolubara B lignite plant in Serbia, and has recently published a draft country strategy for its newest member, Kosovo, which features as its centrepiece none other than a new 600 MW lignite power plant. The parallels with Sostanj here are clear: a large power plant in a small country that aspires to join the EU will surely prevent Kosovo's sustainable development and cause difficulties in meeting EU climate and renewables targets.

We therefore urge the EBRD and EIB to do the following in order to avoid repeating the mistakes from Sostanj:

- Ensure that the new Energy Policies prioritise the use of precious and limited public money for financing energy efficiency and sustainable renewable energy and prevent its use for financing fossil fuels, especially coal, in order to contribute to global greenhouse gas reductions of 50-70% by 2050 and the EU's decarbonisation agenda.
- Examine more carefully project alternatives instead of accepting project sponsors' claims that none of them are viable.
- Exclude the new Kosova e Re power plant from the new Country Strategy for Kosovo (EBRD).
- Ensure that wide public participation on large and potentially high-impact projects takes place at a stage when

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<sup>1</sup> Greenpeace: Družbeni strošek energije iz Šoštanja, June 2012,  
<http://www.greenpeace.org/slovenia/Global/slovenia/Dokumenti/Poročilo%20končno%20s%20hiperlinki.pdf>

all options are open, in line with the Aarhus Convention, and includes all relevant stakeholders. Most importantly, the banks need to seriously listen to the concerns raised, not just pass on the project sponsors' reassurances.

- Write into all financing contracts a clause stating that funds will not be disbursed in case of ongoing national or European level fraud or corruption investigations.

Thank you for your time. We look forward to seeing what action you will now take to make sure that a mistake like Sostanj does not happen again.

Yours sincerely,



Lidija Živcic,  
Senior Expert, Focus Association for Sustainable Development, Slovenia

This letter is supported by:

1. Mark Fodor, Executive Director, CEE Bankwatch Network
2. mag. Nina Štros, Head of Greenpeace CEE in Slovenia, Greenpeace Central and Eastern Europe
3. Gunnar Boye Olesen, INFORSE-Europe Coordinator, INFORSE-Europe (European network of 80 non-governmental organisations working on sustainable energy).
4. Garret Tankosic-Kelly, Principal, SEE Change Net - Fondacija Mreža za promjene Jugoistočne Evrope - Rrjeti për Ndryshimin e Evropës Juglindore
5. Jason Anderson, Head of Climate & Energy, WWF European Policy Office
6. Xavier Sol, Co-ordinator, Counter Balance
7. Xhemal Mato, Executive Director, Eco Movement Group, Albania
8. Ermelinda Mahmutaj, Executive Director, EDEN Center, Albania
9. Lavdosh Ferruni, Executive Director, Organic Agriculture Association – Albania
10. Inga Zarafyan, President, EcoLur, Armenia
11. Amalia Hambartsumyan, Head, Khazer Ecological and Cultural NGO, Armenia
12. Johannes Wahlmüller, Climate and Energy Campaigner, GLOBAL 2000, Austria
13. Sanjeev Kumar, CEO & Founder, Change Partnership, Belgium
14. Džemila Agić, Director, Centar za ekologiju i energiju, Tuzla, Bosnia and Herzegovina
15. Miodrag Dakic, Center for Environment, Bosnia and Herzegovina
16. Rijad Tikveša, President, Udruženje za zaštitu okoliša, prirode i zdravlja "Ekotim", Sarajevo, Bosnia and Herzegovina
17. Zoran Ivančić, Chairman of the board, Public Interest Advocacy Center/Foundation CPI, Bosnia and Herzegovina
18. Daniel Popov, Board member, Centre for Environmental Information and Education, Bulgaria,
19. Genady Kondarev, Campaigner on European Funds And Clean Energy, Za Zemiata/For the Earth, Bulgaria
20. Bernard Ivčić, President, Zelena akcija/Friends of the Earth Croatia
21. Dusica Radojčić, President, Udruga Zelena Istra, Croatia
22. Martin Mikeska, Senior Energy Campaigner, Hnutí DUHA, Czech Republic
23. Klára Sutlovičová, Director, Centre for Transport and Energy, Czech Republic
24. Jan Šrytr, Lawyer, Environmental Law Service, Czech Republic
25. Triinu Vaab, Estonian Green Movement, Estonia
26. Ronack Monabay, Chargé de Campagne Institutions financières internationales, Les Amis de la Terre, France
27. Manana Kochladze, Chairwoman, Green Alternative, Georgia
28. Dr Katharina Reuter, Executive Director, Klima-Allianz, Germany
29. Regine Richter, urgewald, Germany
30. Tömöri László, E-misszió Természet- és Környezetvédelmi Egyesület, Hungary
31. Zoltán Demeter, Chairman, Zöld Akció Egyesület - Green Action, Miskolc, Hungary

32. Istvan Farkas, Executive President, NSC-Friends of the Earth Hungary, Hungary
33. Sergey Kuratov, Chairman, Ecological Society Green Salvation, Kazakhstan
34. Mr. Kushtrim Kaloshi, Executive Director, Advocacy Training & Resource Center – ATRC, Kosovo
35. Mr. Eroll Bilibani, Programme Manager, Dokufest, Kosovo
36. Ms. Dajana Berisha, Executive Director, Forum for Civic Initiative – FCI, Kosovo
37. Mr. Agron Demi, Executive Director, Institute for Advanced Studies – GAP, Kosovo
38. Mr. Fisnik Korenica, Executive Director, Group for Legal and Political Studies – GLPS, Kosovo
39. Ms. Dita Dobranja, Acting Executive Director, Institute for Development Policy – INDEP, Kosovo
40. Mr. Visar Azemi, Coordinator, Kosovo Civil Society Consortium for Sustainable Development – KOSID, Kosovo
41. Kalia Moldogazieva, Director, HDC Tree of Life, Kyrgyzstan
42. Alda Ozola, EU funds campaigner, Latvian Green Movement, Latvia
43. Linas Vainius, Board Member, Atgaja Community, Lithuania
44. Sonja Zuber, Research and Management Coordinator, Analytica, Macedonia
45. Ana Colovic Lesoska – Executive Director, Center for environmental research and information Eko-svest, Macedonia
46. Petru Botnaru, President, NGO Terra-1530; Editor of Adevarul (Truth), Moldova
47. Dejan Milovac, Deputy Executive Director, Mreza za afirmaciju NVO Sektora – MANS, Montenegro
48. Pieter Jansen, Both ENDS, The Netherlands
49. Marina Rikhvanova, Co-Chair, Irkutsk Nongovernmental Organization "Baikal Environmental Wave", Russia
50. Askhat Kayumov, Ecological Center Dront, Nizhny Novgorod, Russia
51. Vladimir Slivyak, Co-chairman, Ecodefense, Moscow, Russia
52. Irina Reznikov, Initiative group of citizens Nerekhta "For Green Energy," Kostroma region, Russia
53. Andrey Laletin, Chairman, Friends of the Siberian Forests, Russia
54. Tamara Dobretsova, Kostroma regional public environmental movement "In the name of
55. life', Kostroma, Russia
56. Sviatoslav Zabelin, Socio-Ecological Union - all-Russian NGO, Russia
57. Mukhachev Sergey Germanovitch, Co-ordinator, Socio-Ecological Union of Tatarstan, Russia
58. Olga Senova, Coordinator, Climate Secretariat of Russian Socio-Ecological Union, Russia
59. Julia Klippert, Programme Co-ordinator, Friends of the Baltic NGO, St.Petersburg, Russia
60. Srđan Matovic, Project Manager, udruženje Arhus centar, Kragujevac, Srbija
61. Budimir Babic, Ekološko udruženje Avalon, Vršac
62. Aleksandra Knez-Milojkovic, Bells Movement, Beograd, Serbia
63. Besim Šabani, Centar za pozitivne promjene – CPP, Presevo, Serbia
64. Anna M. Plesztovics, President, Center for Regional Research, Subotica, Serbia
65. Viera Turčanova, Udruženje ekologa "EKOS", Gložan, Serbia
66. Olivera Radovanović, Green Network of Vojvodina, Novi Sad, Serbia
67. Bojan Milovanović, GM Optimist, Gornji Milanovac, Serbia
68. Hadzi Zoran Jovanović, Grupa za razvojne projekte-GDP, Novi Sad, Serbia
69. Igor Jezdimirović, Inženjeri zaštite životne sredine, Environment Engineering Group, Novi Sad, Serbia
70. Ana Ranković, Deputy Director, NGO Fractal, Serbia
71. Ivana Drndić,  
General Secretary, Kombinat AG, Beograd, Serbia
72. Mirjana Gavrilović, Udruženje građana "Kormilo"/Helm citizens' initiative, Zrenjanin, Serbia
73. Bratislav Poprasic, Krusevacki ekoloski centar - KEC, Krusevac, Serbia
74. Srđan Petrović, Moj lepi grad, Udruženje gradjana, Beograd, Serbia
75. Sinisa Jovanović, National Forestry Cluster, Beograd, Serbia
76. Milisav Pajević, President of the Board, Udruženje \*NEC – RP\*, Kragujevac, Serbia
77. Aleksandra Velimanović, UG "NIMBUS", Loznica
78. Ilija Stojanović, Centar „Novi Svet,, Beograd, Serbia
79. Nenad Nikolić, Co-ordinator, NVO "Lokana Agenda 21 za Kostolac – OPŠTINA"
80. Mara Vlajković, SAN EKO, Serbia
81. Vladimir Janković, UNEKOOOP, Paraćin, Serbia
82. Magdalena Gramblickova, Director, Friends of the Earth-CEPA, Slovakia
83. Janez Matos, Board member, Društvo Ekologi brez meja, Slovenia
84. Senka Vrbica, Environmental Officer, Legal-informational centre for NGOs - PIC, Ljubljana, Slovenia
85. Vida Ogorelec, Managing Director, Umanotera, The Slovenian Foundation for Sustainable Development, Slovenia

86. Alfons Pérez López , Observatori del Deute en la Globalització, Catalonia, Spain
87. Dr. Andreas Missbach, Head of Commodities, Trade and Finance Department & Joint Managing Director, Berne Declaration, Switzerland
88. Chaim Nissim, noe21, Switzerland
89. Niklaus Ruedisuehli, President, Zukunft statt Kohle, Switzerland
90. Muazama Burkhanova, PhD Chair, Public Ecological Organization "Foundation to support civil initiatives" (FSCI, Dastgiri-Center), Tajikistan
91. Andriy Martynyuk, Chair of the Board, EcoClub Rivne, Ukraine
92. Oleg Savitsky, Energy Campaigner, National Ecological Centre of Ukraine, Ukraine
93. Olga Monchak, Head, Ukrainian Youth Climate Association, Ukraine
94. Emma Hughes, PLATFORM London, UK
95. Karen Orenstein, International Policy Analyst, Friends of the Earth US, USA
96. Elizabeth Bast, Managing Director, Oil Change International, USA
97. Justin Guay, International Climate and Energy Representative, Sierra Club, USA