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Zagreb/Dubrovnik, 26th October 2011

Open letter on the planned Ombla hydroelectric plant (HPP)

Dear staff and Executive Directors of the EBRD,

On 8th November the EBRD Board of Directors is due to approve a loan of up to EUR 123 million for the construction of the Ombla hydropower plant by Croatian state-owned power company HEP near Dubrovnik.

Having examined the documentation for the Ombla HPP, we ask the EBRD not to approve this project, on environmental, procedural and economic grounds. We are aware that the EBRD often hopes that its involvement in projects will increase their quality, but we do not believe that this project can be adjusted sufficiently to make it acceptable any time in the foreseeable future.

Experts and CSOs have for a long time been concerned about the **environmental impact** of the project. As it involves building a hydroelectric plant in a cave, which is part of a proposed Natura 2000 site, the impact on flora and fauna is expected to be significant. Among the issues of concern are five species of protected bats and *Proteus anguinus*, the cave salamander (IUCN Red List (VU); FFH Directive: Annex II, IV; Bern Convention: Annex II), *Troglocaris anophthalmus*, the cave shrimp, (IUCN Red List (VU)) and *Congerius kusceri*, the cave clam (FFH Directive: Annex II, IV). Among other cave species four taxa are found only in the cave Vilina špilja – Ombla izvor, and nowhere else in the world: *Horatia knorri*, *Lanzaia kusceri*, *Plagigeria nitida angelovi*, (all three are aquatic cave snails) and *Eukonenia pretneri*, the cave paligrade. The proof that the cave is far from being explored is a new Genus of terrestrial isopod found in the cave in 2009. Other issues include the fact that the cave is part of a complex karst landscape about whose water flows little is really known, and a proper study on the transboundary impacts on groundwater (the project may impact on the territory of Bosnia and Herzegovina) has yet to be undertaken. While the *Environmental and Social Action Plan*¹ lists further measures to be taken to study and mitigate the impacts of the HPP, these will be of little use if the decision to build the plant is in any case already made, irrespective of the number of affected species and the unlikelihood of avoiding harm to them.

1 <http://www.ebrd.com/english/pages/project/eia/42219esape.pdf>

2 Tractabel Engineering; Projektni Biro Split: Ombla Hydropower Project – European Bank for Reconstruction and Development – Technical Due Diligence – Final Report Rev. C September 2011, p.122-123.

3 Ibid p.130.

4 Ibid p.127.

5 Ibid p. 9-10

6 HEP representatives have appeared in the media in recent days claiming that the consultants' report is merely a draft that needs to be further discussed. This is clearly not true, as the first page of the report clearly states: "*This is the*

Indeed, **the environmental assessment procedures for this project are extremely chaotic**, with several additional studies being needed but with no united procedure where all the evidence can be discussed. The piecemeal approach being taken **does not comply with Croatian law or the EBRD Social and Environmental Policy**. At the beginning of September Zelena akcija / FoE Croatia submitted comments to the EBRD and to the project sponsor, HEP, on the Environmental Impact Assessment (EIA) for the plant. The comments, which are attached in an annex for the benefit of the Board of Directors, involved the following five issues:

1. The EIA is outdated – from 1999 - and no longer valid.
2. Failure to include the public in the decision making: the public presentations of the project that have taken place in the last few days cannot be a substitute for a real EIA process and are not compatible with the Aarhus Convention because by now *public participation is neither timely nor effective and major options are no longer open*.
3. Compromised legitimacy of the EIA due to pressures exerted upon an expert member of the EIA evaluating commission - One member of the EIA evaluating commission, Professor Bonacci, Ph.D. was dismissed from the commission, most likely due to his opposition to the project.
4. Poor EIA quality: The EIA lacks a long list of basic analyses, including analyses of all cave fauna, protected by Nature Protection Act from 1994 and 2005 (invertebrates and *Proteus anguinus*, the cave salamander). Some of these are due to be carried out as part of the Environmental and Social Action Plan, however it is no use to do further studies when the main decisions are already taken.
5. Lack of Strategic Environmental Assessment on the National Energy Strategy from which this project is taken. This is an EU and Croatian legal requirement. Thus, the EBRD risks violating its own Environmental and Social Policy if it goes ahead with the project.

Further comments have been submitted by the Croatian Biospeleological Society and NGO Grad from Dubrovnik. The Croatian Biospeleological Society stated that it strongly believes that *“the proposed construction plan for HPP Ombla is biospeleologically utterly unacceptable and we appeal to expert and environmentally aware public to utilize its authority and influence to prevent the construction and irreversible destruction of the cave system.”* The NGO Grad has highlighted insufficiencies in research of the Ombla as a serious problem of the Environmental Impact Study.

We, hereby signed, organisations find it very unclear how a project implying such deep ecological changes could conform to the Ecological Network (Natura 2000). In any case, assessing this issue was not the aim of the Study. While the Environmental and Social Action Plan for the project includes a requirement to conduct further research and undertake an 'appropriate assessment' regarding the project's impact on the Natura 2000 site, this needs to be examined *well before* consideration by the EBRD Board.

Neither does the project look promising in financial and economic terms. A study commissioned by the EBRD and carried out by *Tractebel Engineering* and *Projektni Biro Split* has found that: *“the project fails to recover both investment outlays and recurrent costs, in fact yielding a considerable cost in commercial terms.... the project could only be implemented if it was heavily subsidized by the government”*.² A further calculation shows how the situation could be changed by increasing the feed-in tariff by 200% (p.123). This may be useful if large hydropower plants presented a social good that needed to be promoted in order for the market to mature, but this is not the case and doing so may well distort competition. In economic terms, the report finds that *“the project's direct and indirect benefits significantly fail to recover all investment and recurrent costs calculated in economic terms, and the project yields an economic deficit.”*³

All of the above issues are particularly alarming considering that the project may never fulfill its goals. While it is promoted as providing additional electricity and drinking water for Dubrovnik, the consultants' study points out that *“as the tourist season in Dubrovnik coincides with the dry season, the impact of Ombla on the development of tourism in terms of alleviating the water shortage and power deficit in summer time*

2 Tractebel Engineering; Projektni Biro Split: Ombla Hydropower Project – European Bank for Reconstruction and Development – Technical Due Diligence – Final Report Rev. C September 2011, p.122-123.

3 Ibid p.130.

can be considered as peripheral".⁴

Even the technical aspects of the problem are questionable. The Tractebel study has concluded that:

"The very concept of the project – raising the water pressure in a karstic massif and keeping it there for energy generation purposes – is very daring.... All the actors of the project must be aware of its experimental nature and accept higher levels of risk and less control of the construction time and cost than in "common" hydroelectric projects. Undertaking the project in full, as designed at present, carries a high risk of the project not achieving its objectives. The risk is to see the project, after its completion, not functioning as planned or being blocked, during construction, after the whole investment required by the project has been mobilised".⁵

The consultants propose to do the construction in stages, which from an engineering point of view sounds quite wise. However according to the public presentations of the project which took place on 7-8 October, HEP does not appear to have any intention of adopting this suggestion⁶.

Moreover, considering the high environmental risks, we believe it is unjustified to cause significant disturbance to a proposed Natura 2000 habitat for a project that may never go further than the first stage, in which no electricity would be produced. We therefore ask the EBRD to withdraw from the project.

Yours faithfully,

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Croatian Biospeleological Society, Croatia

Branka Franičević
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Mark Fodor
Executive Director
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Magda Stoczkiewicz
Director
Friends of the Earth Europe

4 Ibid p.127.

5 Ibid p. 9-10

6 HEP representatives have appeared in the media in recent days claiming that the consultants' report is merely a draft that needs to be further discussed. This is clearly not true, as the first page of the report clearly states: *"This is the Final Report as defined in the Due Diligence contract for the Ombla Hydropower Project. It follows the inception report submitted in June 2001 [sic] and the Draft Report submitted in August 2011, on which the Bank (EBRD) communicated their comments"*

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