



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 Slovenski E-forum, Society for Energy Economics & Environment, on the planned construction of the Šostanj Thermal Power Plant (project number: 40417, abbreviated as "the Project" or identified as TEŠ 6-600), both on the content and national decision making process.

Brief presentation of the organisation, its mission and activities:

Slovenski E-forum, Society for Energy Economics & Environment is a non-for profit non governmental organisation, established in order to support processes of development of sustainable energy services both in Slovenia and in the EU. The majorities of its members are experts in the fields of energy economics, energy policy, and integrated resources planning in energy, energy efficiency, energy conservation and renewable energy.

Since its establishment in 1993 Slovenski E-forum is taking an active part in national energy and environmental policy by organizing various public events and activities addressing relevant legal and policy documents (acts, national programmes, national action plans) as well as on major investment plans in energy sector in Slovenia.

Since 2001 Slovenski E-forum is also carrying out awareness rising and promotion campaigns in the fields of climate change, renewable energy and energy efficiency and conservation, at very first for young generations.

Slovenski E-forum is a member of global sustainable energy NGO network INforSE and is taking part on energy policy at EU level both through INforSE and through cooperation with European Environmental Bureau.

Legal status of the organisation

Slovenski E-forum is registered according to the Act on Associations. In the year of 2009 the Ministry of Environment and Spatial Planning of the Republic of Slovenia issued to Slovenski E-forum a status of organisation that is acting in a public interest in the field of environmental protection.

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Status of the organisation within the Environmental Impacts Assessment procedure of TEŠ 6-600 project

Slovenski E-forum has been identified by Thermal Power Plant Šoštanj company (TEŠ) as a relevant stakeholder in its Communication Plan for construction of a new 600 MW generation unit in Šoštanj (TEŠ 6-600). In spite of the fact that we had been recognised by TEŠ as a relevant stakeholder for the environmental impact assessment process of the TEŠ 6-600 project we have never ever been directly informed on that fact neither by Termoelektarna Šoštanj (TEŠ) nor by Holding slovenskih elektrarn (HSE) nor we have been asked to take any kind of standing or provide any kind of statements on the project in question.

Position of Slovenski E-forum on the TEŠ 6-600 project

Slovenski E-forum is not supporting the project of construction of TEŠ 6-600 as presented to EBRD and as advertised on the official web site of the Project, based on the of the following considerations:

1. The Project has not been presented with any comparison to dully elaborated alternatives. From the documentation, contrary to best practice and national regulations, it is impossible to assess whether the proposed 600 MW unit is indeed the best option from the long term macro-economic and climate protection perspective, taking into account the strategic decision of the Slovene Parliament on keeping coal mine Velenje in long term operation as defined by parliamentary Resolution on National Energy Programme from 2004. We also believe that by evaluating the project also new circumstances that has been brought by economy recession and has resulted in decrease of electricity consumption for 14% in recent two years has to be taken into account.
2. Within the public discussion on the project in question that break through in mass media at the end of 2009 and on Development forum of Umanotera on TEŠ 6-600 project in January 2010 the following issues still remains to be clarified:
 - Whether reconstruction and environmental modernisation of existing power plant unit 5 (TEŠ 5) or construction of a smaller (300 – 400 MW) co-generation unit (optimised on heat generation) would not prove as a preferable solutions for utilisation of the Velenje coal from a long term perspective?
 - What will be the actual impact of the project on the mid-term financial situation of HSE? No clear answer has been provided on the direct question whether the project will within next few years demand transfer from the national budget to HSE in order to provide its financial liquidity and viability.
 - How the project in question will effect the implementation of recent resolution of the Slovene parliament that is calling for 30% reduction of GHG emission in Slovenia and EU by 2020 and 80% reduction till 2050? The parliament decision calls for such contribution to the climate challenge regardless of any emission trading schemes.
 - Is there potential conflict of interest since the study on the financial liability of the project has been provided by the institute that was in that time lead by actual financial minister of Slovenia, taking into accounts that the Ministry of Finance should provide consent to the investment? Similar doubts arise from the fact that

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the equipment tender documentation and process has been in part prepared by the company CEE, whose owner also represents the commercial interests of the company with which the major contract was concluded, Alstom.

- Why the Project is not involving any private partner in its financing, bearing in mind that in 2007 the Government enlisted the Project on the list of the projects of national importance under presumption of its private co-financing?
 - Has the price of the coal from Velenje mine as one of the major parameters of a long term economical performance of the Project been realistically assessed? In the project documentation the price is below the actual. Actual price is already considered as too low to guarantee corresponding revenues to small shareholders of Velenje coal mine (Rudnik lignita Velenje) thus they have recently announced to start legal suit against the coal mine!
 - What are the actual reasons that the costs of the investment increased from 600 million € in 2008 when the Ministry of Economy of the RS issued its consent to the contract for supply of the equipment to the actual costs of 1.200 million €?
 - Why both the former Minister of Economy and the former General Director of HSE, both in command line of the owner (the State) are denying having an insight in the terms of contract with Alstom?
 - How it could happen that the contract with Alstom is based on Swiss law and is protecting the supplier against cancellation of the contract in case that the contract based activities would be found corruptive?
3. Last but not least TEŠ and HSE have failed to provide public participation in the project based on good practices criteria that are asking for early involvement of all relevant stakeholders within the development of the project and support in cross-checking data and arguments for the project in question. To our knowledge, from civil society only the local stakeholders (municipality, local NGOs) have been actively involved in the assessment process in question respectively only the impacts on local physical and social environment have been taken into account. To our knowledge, neither TEŠ nor HSE have been actively seeking to obtain positions on the Project neither from other non governmental organisation identified by the communication plan in question nor from any of publicly recognised environmental NGOs in the country.

A specific circumstance for the Project is that at this time a new National Energy Programme (NEP) is under discussion (presently based on a governmental Green Paper), which is soon to be presented to the Parliament. We expect that alternatives to the TEŠ 6-600 will be presented and decided. A final positive decision of EBRD may be considered as a specific endorsement of the Project in its doubtful present format and would interfere with the lawful decision processes

For the reasons given above Slovenski E-forum is calling for a postponement of the EBRD decision to provide credit to the Project. We expect that the postponement will be for a period not shorter than 4 months, and that the promoters of the Project will be required to present updated documentation consistent with the pending decisions on the course of development of the energy sector in Slovenia.

Tanja Pucelj Vidovič

The president of Slovenski E-forum



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