

## PRESS RELEASE

### Significant errors in the Terms of Reference document for the World Bank's Expert Panel assigned to review new Kosovo lignite based power plant

A few weeks ago, the World Bank published the Project Information Document (PID) for the new Kosovo lignite based power plant and lignite mine. The PID was published alongside the information for the establishment of an Expert Panel to review World Bank's Strategic Framework for Development and Climate Change (SFDCC) criteria that apply to coal projects. The Terms of Reference (TOR) for the work of this Panel were published as well.

Kosovar Institute for Policy Research and Development (KIPRED), Institute for Advanced Studies (GAP) and Forum for Civic Initiative (FCI) review of the terms of reference for the Strategic Framework on Development and Climate Change (SFDCC) Expert Panel assigned with assessing the World Bank proposed Kosovo Lignite Power Project reveals that several elements are missing, inadequate, or inaccurate and need to be revised or completed before the Expert Panel should commence review of the project. The following nine items are essential for the Panel to perform its task:

- 1. Ultimate Purpose of Panel and Climate Criteria** - The TOR fails to provide a fundamental explanation of the ultimate purpose of the Expert Panel and the guiding principles surrounding why WBG coal projects need to be screened against climate criteria in the first place. The ultimate purpose of the climate criteria is to ensure that the WBG is putting forth the best possible project in terms of benefits to the poor and cleanest energy options (i.e., not simply cleaner than the existing, outdated coal technology) – to ensure WBG support for coal is only as a last resort.
- 2. Sufficient Scope of Work** - The current SOW does not give the Expert Panel the freedom to reject the proposed project for non-compliance with any of the climate criteria (i.e., coal projects must comply with all six SFDCC criteria). It also implies that if there is a problem, the Panel needs to come up with a “practical” solution to fix the current project.
- 3. Accurate Kosovo Energy Profile** – The TOR does not provide a clear understanding of the power needs in Kosovo. In order to determine the optimal mix of technologies for a power project, it is essential for the Bank to include a breakdown of current demand, according to peak, non-peak, heat, etc. as well as the power capacity represented by other planned power generation projects coming on line and energy efficiency measures.

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4. **Intended End-users** - The TOR does not substantiate its claim for meeting SFDC Criterion 1 that the project impact will be “significant increase in access to electricity and/or reliability of power supply for sustained economic growth and poverty reduction”. Furthermore, documents from the World Bank’s early assistance to the Kosovo power sector all indicate an intention of developing Kosovo’s lignite resources in large part to be exported. The decision to go forward with developing the purposed coal mine and coal thermal generation was made by the World Bank, UNMIK, and other donors well before the creation of the current government of Kosovo. The TOR needs to clearly define targeted end-users (e.g., domestic, regional grid, greater Europe) and provide assurances that targets will be met.
  5. **Alternatives to Fossil Fuel for Least-cost Analysis** - The TOR claims that the proposed coal project is the least cost option. However, the Bank could not have made that determination given the financial analysis only considered fossil fuel-based options for the project. There is no cost comparison to energy efficiency measures, cogeneration, imports from the regional grid/Albania or any renewable energy alternatives. Thus, the project does not meet SFDC Criterion III or IV. New, SFDC-compliant financial and economic analyses need to be completed and publicly released as input to the Expert Panel’s review and prior to the final Request for Proposal (RFP).
  6. **Comprehensive Life-cycle Cost Analysis** – The life cycle cost analysis for the proposed mine-mouth coal power plant does not consider costs associated with the coal mine operations, including mine closure and reclamation or fly ash dump costs. Moreover, the sensitivity analysis does not adequately reflect rising coal prices.
  7. **Adequate Accounting of Environmental Externalities** - The environmental externalities for the proposed mine-mouth coal plant do not include the significant costs associated with the new coal mine operation or from emissions of mercury or lead, which are a big concern for lignite combustion. Moreover, the TOR and economic analysis do not specify the SO<sub>x</sub> and NO<sub>x</sub> abatement technology that will be required. Thus, the project does not adequately meet SFDC Criterion VI.
  8. **Resolved Technical and Commercial Losses** – Energy efficiency and conservation measures have not been implemented or adequately planned to address substantial technical losses in Kosovo’s inefficient power distribution system (17% of gross production) or commercial losses due to non-payment/theft (30% of gross production). The Bank is largely counting on privatization to remedy these issues. However, the TOR does not provide specific details on what the Bank anticipates will be in the contract terms and how much of this gained energy efficiency can go to supply Kosovo’s energy demand. Moreover, the Bank does not suggest any other energy efficiency or conservation alternatives, such as building insulation or compact florescent lights. The TOR does not provide a convincing case that the existing power generation is optimized through energy efficiency and conservation, SFDC Criterion III.

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**9. Transparent and Tangible Assistance to Low Carbon Development** – The TOR mentions several studies/activities related to low-carbon energy sources, e.g., feed-in tariffs for hydropower and wind, but does not provide the findings, expected results, and any tangible progress made towards low carbon development. Moreover, the planned wind feasibility study and low carbon growth strategy for Kosovo should have been done as part of the Bank’s decade-long energy sector assistance and served as input for the current purposed project/Expert Panel assessment. By failing to produce a Renewable Energy Options study promised in 2006<sup>1</sup>, the Bank did not meet SFDC Criterion II in good faith.

Considering the above, KIPRED, GAP and FCI request the World Bank to immediately provide a study on all energy alternatives for Kosovo, provide its support to the Kosovar Government to tackle energy losses problems and implement energy efficiency measures. At the same time, an accurate calculation of costs related to the proposed projects in comparison to any other potential project that is based on energy alternatives study and which accounts for social and environmental costs need to be provided beforehand.

Any decision of the Panel at this stage with all the above information missing will be deemed as incomplete and not based on the necessary studies and figures to develop a project of this scale in accordance with SFDC criteria. Such a decision would reflect World Bank’s aim to remain focused on lignite power projects and not consider important social and environmental issues related to the project. If this will be the case, the World Bank will breach its own policies on implementing projects.

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<sup>1</sup> LPTAP 2006 Appraisal Report Procurement Plan.