

## **Serbia: EPS's plans to hike coal production at odds with Serbia's EU membership goal**

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Serbia's national electricity company Elektroprivreda Srbije (EPS) does not plan to reduce greenhouse gas emissions or to change the structure of its electricity mix in favour of renewables, despite Serbia's obligation to align its legislation with the EU's environmental, competition, human rights and climate policies, environmental pressure group CEE Bankwatch said in a new report.

Bankwatch claims that judging from EPS's mining plans, it intends to increase greenhouse gas (GHG) emissions through the increased production of lignite, which will result in increasingly negative impacts on local communities.

This could potentially slow down Serbia's EU accession negotiation process, specifically the opening and closing of Chapter 27 which covers environment - although no delays occurred in other new EU member states in similar situations. Serbia expects to open this chapter in mid-2017 since the screening report has already been completed. However, even after closing the chapter, to completely fulfill EU's requirements, Serbia may need seek the so-called transitional criteria, or postponement of the implementation of some European standards after accession.

At the same time as preparing to ramp up coal production, EPS "has systematically exercised its manipulative power over both the institutional and legal frameworks of Serbia to reduce its costs of operating by transferring the burden to all the citizens of Serbia and especially the local communities surrounding its mining operation," the report said.

EPS is the largest producer of lignite in the country, producing coal in its opencast mines in the Kolubara and Kostolac mining basins. Kolubara produces around 75% of lignite in Serbia, and supply the Kolubara, Nikola Tesla and Morava thermal power plants, while the Kostolac power plant is supplied from local lignite resources. The installed capacity of EPS's power plants amounts to a total of 8,359 MW, including 5,171 MW from eight lignite-fired thermal power plants.

In addition to the Serbian company, Bankwatch also criticises the European Bank for Reconstruction and Development (EBRD), a long-term partner and creditor of EPS. Since the early 2000s the EBRD has invested roughly €515mn in various projects, including the reconstruction of thermal power plants, the construction of new coal mining equipment, hydropower plant reconstruction, the introduction of new ash transport equipment at Kostolac and electricity metering. Most recently the EBRD offered a €200mn loan in an attempt to finally restructure EPS and prepare it for partial or complete privatisation.

"During that period, thanks to the EBRD's investment in new mining and transportation

equipment for coal in the Kolubara mining region and an ash facility at the Kostolac thermal power plant, EPS has significantly increased production and its burning of coal,” the report said.

According to Bankwatch, this puts EPS in a position to further boost lignite production to 48 metric tonnes between 2018 and 2020, and to maintain production at this level until at least 2035. EPS is expected to produce at least 24mn tonnes of coal by 2050 or 2060 at Kolubara and a further 12mn tonnes in the Kostolac mining region by 2060.

“It is clear that Serbia will heavily rely on coal for electricity production long after 2050,” the report added.

“This could be treated as acceptable corporate policy if only it would not be for: a) climate change and the global shift in policy making to phase out coal in electricity production, where the EU is one of the champions in reducing fossil fuel emissions; b) Serbia’s efforts towards EU accession for the last 17 years; and c) the EBRD being one of the main creditors and long term partners of EPS as an institution that has itself decided to give up financing coal power and working to support its clients in decreasing GHG emissions,” Bankwatch argued.

Serbia is not the only country in the Western Balkans to continue to rely heavily on coal power. New power plants are being built in Bosnia, while Kosovo is planning to build the €1bn Kosova e Re power plant, despite questions over the economic viability over other recently built power plants in the region such as Slovenia’s Sostanj.

### Delayed restructuring

EPS, which is Serbia’s largest employer with about 36,000 workers, is currently undergoing restructuring. However, the slow progress with the reform process, including a mandatory workforce reduction, has been strongly criticised by the International Monetary Fund (IMF), World Bank and the Fiscal Council of Serbia, an independent state body. The restructuring also included the creation of EPS Supply and EPS Distribucija, handling supply and distribution of electricity respectively.

Salaries at EPS are far above the average in the country, and the prolonged restructuring has been one of the main obstacles to the government’s drive to consolidate public finances. Since local media have been reporting about “rudely” high salaries within the company at the same time as numerous citizens struggle to pay their electricity bills, EPS is disliked by many people in the country.

The Bankwatch report also accuses the Serbian energy giant of failing to protect the human rights of local residents. In all of its mining operations EPS is not interested in protecting the lives and health of inhabitants, the report claims. “It seems that the company’s only objective is to enable more mining and to reduce the price of mined coal by forcing people to live and die less than 300 metres from its mines,” it says.

### Human costs

It singles out the situation in the Kolubara mining region, where EPS was obliged to establish a 300 metre protective zone in the direction of inhabited communities and a 200 metre zone in the direction of non-inhabited areas. “That obligation was not followed, and as a consequence, a number of communities have suffered serious damages to their houses and property, and seriously deteriorated health,” the report claimed.

The 300m protective zone was not established at any of the company’s mining operations, despite the close watch of the EBRD, civil society organisations and local communities, Bankwatch said. It accuses EPS of using “informal methods of harassment” against civil society organisations and local communities.

Several villages have been “exposed to irreversible geological changes that are leading to cracks in soil and houses. In April local media reported about the case of the seven-member family Mitrovic from the village of Vreoci in the Kolubara region. The village lies on 500mn tonnes of lignite and is disappearing due to the expansion of the coal mines. The Mitrovic family was supposed to leave their home in the village, but according to Nebojsa Mitrovic refused to do so until they were given appropriate compensation.

“Officials from the local government came to to evict us from our farms, which are not paid for,” Mitrovic told regional broadcaster N1 on April 5.

“EPS and its directors ... hid from us the report of mining inspection on occurrence of landslides and which have jeopardised the safety of my family and my children.”

Meanwhile, Mining Basin Kolubara (RB Kolubara) company told N1 that the Mitrovic family had been paid about €250,000 so far for the expropriation of its property, and that the family was refusing to move out despite the payment. According to RB Kolubara in the Vreoci area safety is not jeopardised and if it was, institutions would be obligated to declare state of emergency, N1 reported.

*Source: Intellinews*