BANKTRACK

Dodgy Deal:

Kosovo C coal power plant

Kosovo

update
This dodgy deal is updated regularly
last update: Apr 25, 2013

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Description

Kosovo's power sector is currently made up of two power plants, Kosovo A and Kosovo B, located near the capital of Pristina.

The government of Kosovo supports plans to reform Kosovo's energy sector which include: the construction of a new 600-MW lignite-fired power plant, called the New Kosovo Plant.

brief history

With the aid of international organizations, primarily the World Bank, the government of Kosovo currently supports plans to reform Kosovo's energy sector which include: to close Kosovo A by 2017, rehabilitate Kosovo B to meet E.U. standards and develop a new 600-MW lignite-fired power plant (called the New Kosovo Plant). Plans also include privatizing the distribution system and assess the ability for alternative energy development in Kosovo. Not laid out in the strategy is another element: a new lignite strip mine. There are also plans to supplement this lignite-fueled energy sector with alternative energy, such as wind and solar, once the new power plant is constructed.

what must happen

Private banks should not finance this project.

Social impact

Kosovo faces the issue of energy on an everyday basis. The population is subject to constant power cuts, which take a toll not only on daily comfort but pose a dangerous obstacle to the working of hospitals and business; they suffer health problems from the serious pollution emitted from the two functioning power plants in the country, out-of-date models that emit 25 tons of dust and ash per hour, which is 74 times the EU standard for power plant emissions..

Residents in the municipality of Obilic are subject to the worst of the effects of the existing plants, which according to Kosovo Agency for Environmental Protection, pollute the areas up to 30 km away from their locations. Many experts see this is a clear motive to build the New Kosovo Plant with better up-to-date filtration methods. That said, residents of Obilic and energy experts have criticized the government and are objecting to building the new plant on the grounds of environmental issues.

In Obilic alone, 30 percent of the town suffers from chronic respiratory diseases from the pollution of the two existing power plants.

Environment

Kosovo A is seriously outdated, built in the 1960s, and the largest point source of air pollution in Europe.

Kosovo B, built in the 1980s, is poorly maintained and also fails to meet EU emissions regulations. The two plants have a combined installed capacity of 1,487 MW, but both are run far below installed capacity. Power outages are frequent as the result of years of underinvestment, neglect and wartime damage to the country's transmission and distribution systems.

Serious pollution is emitted from the two functioning power plants in the country, as they are out-of-date models that release 25 tons of dust and ash per hour, which is 74 times the EU standard for power plant emissions. Despite receiving billions of euros in funding from outside organizations, and despite significant budgetary support, the publicly owned Kosovar Energy Company (KEK) fails to provide consumers with a reliable energy supply and has operated for 12 years with losses.

What must happen

Private banks should not finance this project.

applicable policies

Kosovar Law:

- Energy Strategy of the Republic of Kosovo for the Period 2009 - 2018, Published by Kosovo Assembly, 2008
- Law On Energy 2004/8
- Law On The Energy Regulator 2004/9
- Law On Environmental Strategic Assessment 03/L-015
- The Environmental Protection Law 2002/8

International regulation:

- Interim Strategy Note (ISN) for Republic of Kosovo for the Period FY10-FY11, by International Development Association and Itnernatonal Finance Corporation
- World Bank Group Energy Strategy Approach Paper, Sustainable Development Network, October 2009
- Treaty for the establishment of the Energy Community (EnCT) of South-East Europe

Updates

Jul 18, 2011

The two main projects that aim to reform the energy sector in Kosovo are both active. These projects, funded by the World Bank, include:

(1) The Clean Up Land Reclamation Project, which works towards cleaning up over 40 years of indisposed ash.

(2) The Lignite Power Technical Assistance Project, funded by a World Bank grant of US $10.5 million and a European Commission grant of Euros 2 million - is providing advisory services for the inclusion of private capital in a new lignite mine and the construction of a new power plant.

Plans for the construction of the New Kosovo Plant have been delayed and continue to be delayed for various reasons. There has been ongoing debate concerning the size the new power plants should be and the phases in which it should be constructed. Furthermore, there has been protest by environmentalists and concerned NGOs within Kosovo and internationally, demanding that Kosovo's energy alternatives be fully evaluated before construction of a lignite dependent plant is underway. These protesting groups argue that sufficient research has not been done into Kosovo's potential for alternative energy, specifically into wind and solar technology.

The World Bank is now hesitating to support a coal-focused energy strategy for Kosovo in light of recent criticism from its involvement with South African utility Eskon building a 4,800-MW coal plant.

financial institutions involved

multilateral development banks

World Bank (IBRD, IDA)

The World Bank Group is the main sponsor providing funding for energy sector reforms in Kosovo. Within the Interim Strategy Note (ISN) for Kosovo, released February 2010, World Bank Objectives for energy reform consisted of the five main points:

1. Phased closure of the five outdated and highly-polluting Kosovo A power generation units by the end of 2015.

2. Rehabilitation of Kosovo B to comply with EU environmental standards and privatization of that plant with support from USAID.

3. Development, through private participation, of the Sibovc SW lignite mine and a state-of-the-art power plant - the New Kosovo Power Plant (NKPP).

4. Privatization of KEK Distribution as a key element in the effort to improve its efficiency and gain better control over the rampant losses of electricity due to theft.

5. Development of the country's limited hydropower resources through PPPs.

companies

Kosovo Energy Company, KEK (Korporata Energjetike e Kosovës)
A publicly owned company and the sole provider of energy for the nation; the KEK is planned to lead energy procedures in Kosovo until the construction of the New Kosovo Plant, when the energy sector will undergo privatization.