

Kosovar Institute for Policy Research and Development (KIPRED), Institute for Advanced Studies (GAP), Balkan Investigative Reporting Network (BIRN), Forum for Civic Initiative (FCI) Youth Initiative for Human Rights (YIHR), Internews Kosova, DokuFest, Kosovo 2.0, Prishtina Institute for Political Studies (PIPS), International Crisis Group (ICG)

To: Mr. Štefan Füle – Commissioner for Enlargement and European Neighborhood Policy
Mr. Günther Oettinger – Commissioner for Energy

Dear Mr. Oettinger and Mr. Füle,

We are writing to express our concerns regarding vital major decisions on the energy sector in Kosovo. As members of civil society, we are concerned with current progress of energy projects in Kosovo. This letter comes as a response to your letter sent to Robert B. Zoellick, signed in May 2011 in Brussels. We feel very disappointed that such letters are sent from very important institutions without a proper assessment of the issue at hand, an issue that may seriously damage the future of our country. The following arguments show why we cannot agree with your letter.

The privatization process of the energy sources in Kosovo started at the time of UNMIK administration and was carried on by the Kosovo Government after the declaration of independence. The World Bank, European Commission Liaison Office in Prishtina, USAID, KfW, and the International Civilian Office, apart from the Government of Kosovo, are directly engaged or engaged only as observers in the Project Implementation Units.

Since the beginning of these projects until today, the stakeholders in this process have not been transparent and have not shown any interest to involve civil society organizations in privatization working groups.

In April 2010, the Kosovo Assembly has approved Kosovo's Energy Strategy 2009-2018. During the drafting and the approval process of the strategy, there was no involvement of civil society and there was no open debate on the content of the strategy. Moreover, the Energy Strategy 2009-2018 is solely focused on lignite power generation capacities and does not incorporate any data on Kosovo's capacities on alternative energy sources. In this way, taking into consideration only one source of energy, Kosovo's Energy Strategy remains incomplete and needs to be redrawn and amended.

An energy strategy that is valid for a period up to 2018 should contain studies on alternative energy sources. This is especially crucial when considering that in accordance with European Union requirements, EU member states and states aspiring to become part of the EU should achieve a 20 percent ratio of energy production from renewable sources, increase energy efficiency by 20 percent, and reduce CO2 emissions by 20 percent by 2020; an energy agreement known as the 20-20-20 principle. Besides this, the Energy Strategy risks to create a monopoly on energy sources by clustering in one tender package the actual generating capacities of energy, the lignite mine, and the New Kosova power plant.

Apart from the Energy Strategy, a number of other important documents such as the Energy Market Model and Business Model of the Kosovo Electricity and Supply Company were never made public. So far none of these documents has been available for the public, and despite many requests filed by the civil society organizations to have access to these documents, the Kosovo Government has never complied.

Making the concept public and including the civil society organizations in this process are basic and necessary requirements for democratic decision making. Claims that the market model will include guarantees for investors that the government will cover all their losses for 20 consecutive years contradict

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the Kosovo government's arguments that privatization of distribution and generation will bring economic development. They also contradict the EU principles of a free market economy and bring the "free market" dangerously close to a monopoly.

On September 13, 2006, the World Bank Board of Executive Directors approved the "Lignite Power Technical Assistance Project (LPTAP). This project was initially categorized as a B category project, which implies that it does not involve significant environmental issues. As such, from its initial stages the project has not focused on the critical environmental issues that accompany the development of the new power plant project named "Kosova e Re", which foresees the opening of a new lignite mine and construction of a new lignite based power plant. The consequences of this inaccurate categorization have been negative, as no attention has been paid to assessing the environmental effects and overall coal costs related to the opening of the plant or its new lignite mine. According to the Criteria for Screening of Coal Projects under the Strategic Framework for Development and Climate Change of the World Bank, an investment of the World Bank in a coal-based project can happen only if all other alternative forms of energy have been taken into consideration, such as hydro, solar, wind, and geothermal energy, and other very specific measures are taken to address energy accountability. In the Kosovo case, the World Bank, apart from conducting some limited studies on the capacities of producing hydro energy; it has never conducted a thorough study to evaluate the capacities of wind, solar or geothermal energy.

The Kosovo Government and the World Bank, supported by the European Commission, should take into consideration the environmental standards of EU. Both the Government and the World Bank are focused on implementing the projects on lignite energy, without paying enough attention on the environmental effects and air quality. Another proof that supports this claim is Government's failure to adopt the Air Quality Protection Strategy 2011-2020 in July 2011 with the justification that it is not able to bear the financial implementation cost of the action plan for protection of air quality.

Another reason for proceeding with the new projects on lignite energy mentioned by the Kosovo Government, the World Bank and the European Commission, is because "Kosova A" should be closed down by 2017. "Kosova A" is the worst single point source of pollution in South Eastern Europe, and Kosovo has committed to close this outdated plant in the context of its obligations under Energy Community Treaty, namely to conform with the EU's Large Combustion Plant Directive. However, "Kosova A" could be closed without having to build new generating capacities, that is (a) by minimizing the losses on the network (currently the losses are 43%, which is too far from the EU requirements that losses should be reduced to 7%), (b) by investing on the energy efficiency and (c) by building the 400kV network with Albania. Furthermore, if we calculate the total costs of producing energy from "Kosova A", we may conclude that Kosovo would be better off to import energy of the same capacity produced by "Kosova A" rather than produce it by this power plant.

Energy projects in Kosovo are in the final phase. Kosovo Government has prequalified four companies for each project, privatization of both production and distribution. A very disturbing fact is that the prequalified companies do not have a good record on production of clean energy and lack sufficient experience in managing projects on this nature. Despite the engagement of the World Bank and the Partial Risk Guarantee (PRG), which was supposed to ensure that companies with an international reputation would be engaged, however, this project did not succeed in attracting the interest of the biggest international companies. This indeed creates room for concern on the management of the energy sources after the privatization.

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Kosovo Government and the Kosovo society in general aspire to join the European Union. However, such an important energy project, if poorly managed and with no guarantees that it will be implemented conform EU directives, we believe, will seriously damage our aspirations for EU membership.

Therefore, the civil society organizations that have signed this letter, kindly request that you withdraw the letter sent originally to Mr. Zoellick and at the same request from the World Bank to support Kosovo establish a sustainable energy sector which is not based solely on lignite. This would ensure that energy projects in Kosovo are in accordance with the common standards of the European Union. Lastly, we would like to inform you that we have received a copy of your letter from the State Department. We would very much appreciate if a direct channel of communication is established between your institutions and the Kosovar civil society, since the future of Kosovo is at stake.

Sincerely yours,

Representatives of the Kosovo Civil Society:

Agron Demi - GAP Institute for Advanced Studies, Krenar Gashi - Kosovar Institute for Policy Research and Development (KIPRED), Jeta Xharra - Balkan Investigative Reporting Network (BIRN), Ferdinand Nikolla - Forum for Civic Initiative (FIQ), Aliriza Arenliu - DokuFest, Besa Luci - Kosovo 2.0, Raba Gjoshi - Youth Initiative for Human Rights (YIHR), Leonora Kryeziu - Prishtina Institute for Political Studies (PIPS), Faik Ispahiu - Internews Kosova, Naim Rashiti - International Crisis Group (ICG).

Prishtina, Kosovo
Sep 12, 2011