

Follow the money: Who is financing the dam boom? Banks and state subsidies

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Key facts

According to our research published in March 2018

- 2 112 greenfield plants planned or operating since 2005 (471 – operational, 915 – actively planned)
- 767 greenfield projects are in protected areas or internationally recognised areas of high biodiversity value
- Multilateral development banks – the EBRD, EIB and World Bank Group – supported 82 hydropower plants across Southeast Europe with €727 million in investments
- Most projects, especially the small ones, are carried out by domestic companies. Of projects involving foreign investment, Austria and Italy are the most frequently represented.
- More than 1 000 plants still lack financing

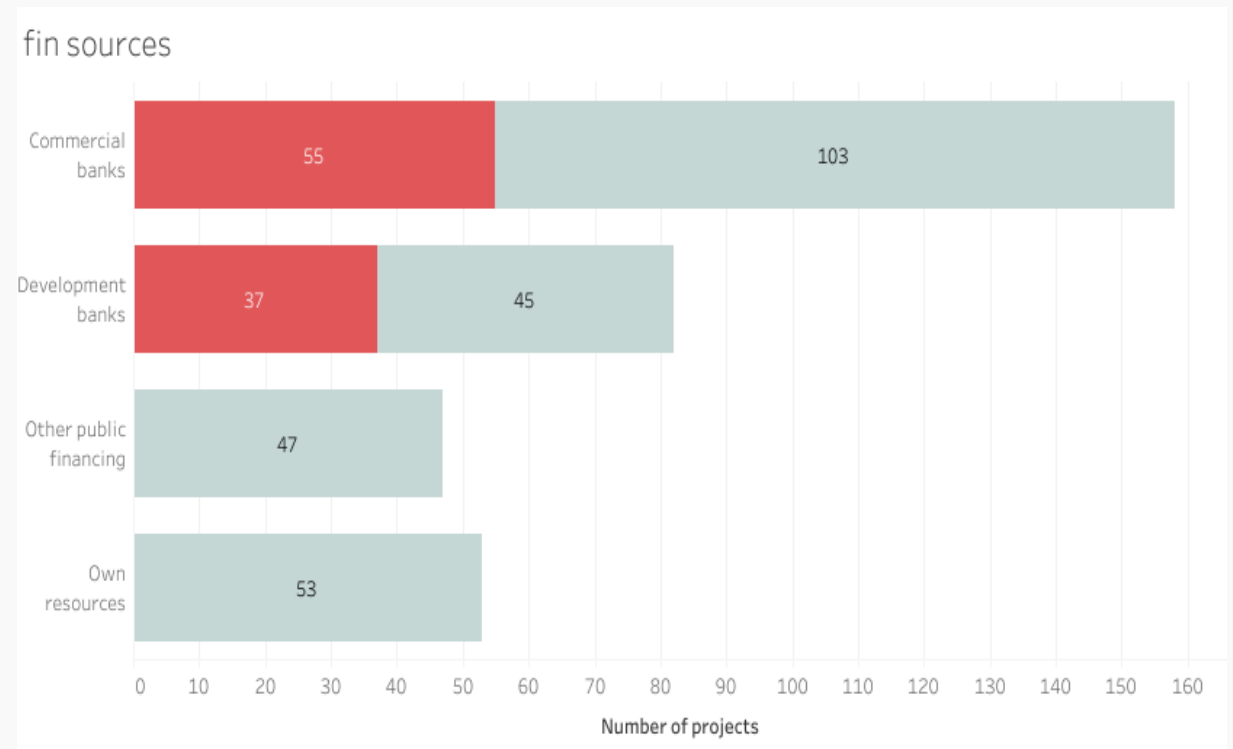


Key issues

Biodiversity-rich areas are not adequately protected from hydropower development. Nearly a third of all projects are planned or operated in protected areas.

Transparency and due diligence. Some public financing channeled through intermediaries remains hidden, despite its sizeable volume, and is subjected to less scrutiny than other public funds.

Commercial financing is largely unchecked and difficult to control. The banks need to improve the implementation of their environmental policies and in some cases the policies themselves, as well as disclosing which projects they plan to finance.



*Red represents projects in protected areas

What has been done so far?

- Complaints to banks' internal mechanisms
- Complaints to Bern Convention
- EBRD dropping Ombla & Boskov Most projects
- Petition & movie by Patagonia



What still can be done?

- More fact-based advocacy: showing how hydropower looks like in reality
- Legal work & complaints to Energy Community
- Joint work on development banks' policy revision
- Public pressure



Subsidies rules

Combination of EU level and national level

Renewable Energy Directive defines broad policy goals

Energy and Environment Aid Guidelines (EEAG) 2014-2020 give more detailed rules

New RES Directive is already agreed on, no big changes likely for several years now.



Old vs. new RE Directive

Directive 2009/28/EC

EU-wide target: 20% RE in gross final energy consumption (not electricity) by 2020.

National targets vary depending on starting point.

Hydropower counts as RE - large and small (10 MW not mentioned anywhere)

National Renewable Energy Plans.

Subsidy schemes optional – type was not limited until EEAG 2014-2020.

Obligatory: Priority access or guaranteed grid access, with some exceptions to ensure stability.

New Renewable Energy Directive (EU: to be transposed by 30.06.2021)

EU-wide target: 32% RE in gross final energy consumption (not electricity) by 2030.

National Energy and Climate Plans define nat. targets.

No change.

National Energy and Climate Plans.

Still optional. Must be as market-based as possible. Small-scale / demonstration projects - feed-in-tariffs still allowed.

Now under other rules, only required for tiny/existing installations.

Auctions and feed-in premiums (see next slide) States have to publish a schedule for the next 3-5 years - indicative timing, capacity, budget.

Energy and Environment Aid Guidelines 2014-2020

Old/Existing system

Build the plant, sign a contract, get all your electricity bought at price defined in advance (feed-in tariff).

“New” system, EEAG 2014-2020

EU: Since 01.01.2017 subsidies only based on auction/tender. Technology-specific tenders allowed eg. for diversification

Exceptions: <1 MW/demonstration projects, except wind (up to 6 MW or 6 units).

EnCom timeline unclear - new systems must adhere.

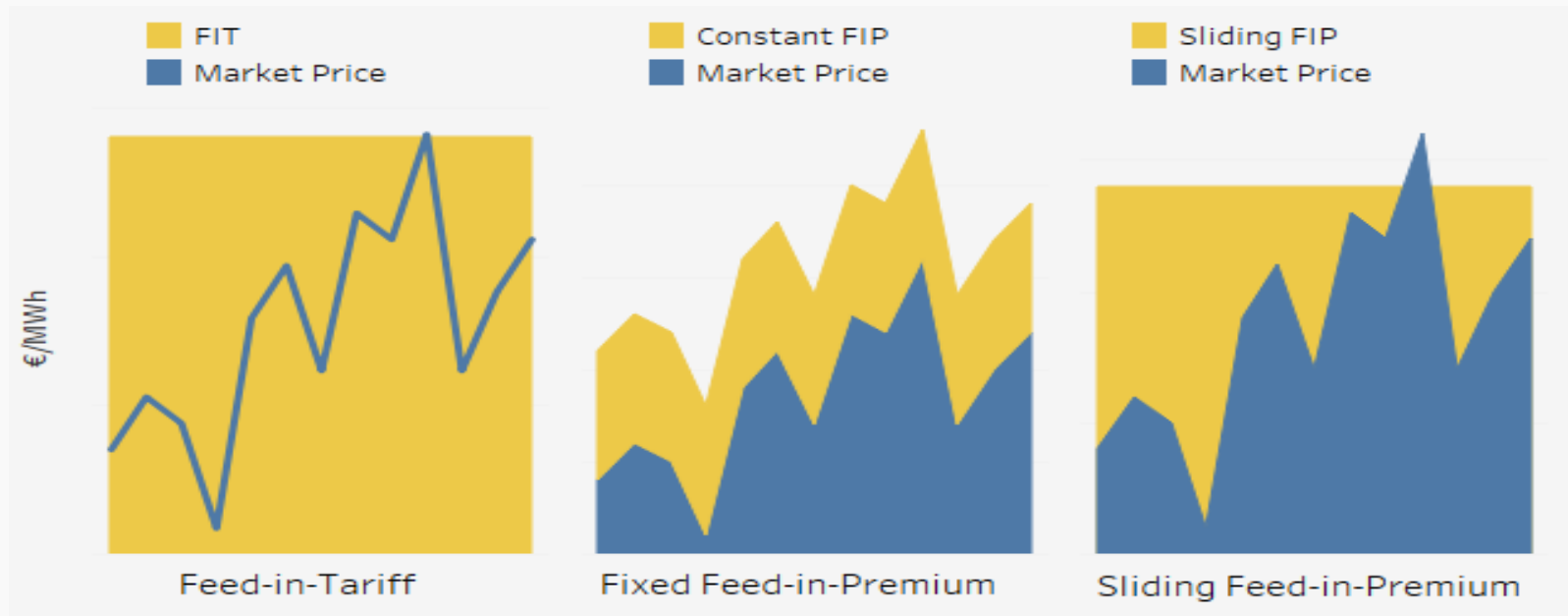
EU: Since 01.01.2016 premium to top up the market price, not fixed buy-off price.

Exceptions: less than 500 kW/demonstration projects, except wind (up to 3 MW or 3 units). For these, feed-in tariffs still allowed.

Water Framework Directive adherence requirement:

“3.3.1 ... when granting aid for the production of hydropower, Member States must respect Directive 2000/60/EC (61) and in particular Article 4(7) thereof, which lays down criteria in relation to allowing new modifications of bodies of water.”

Feed-in tariff vs. feed-in premium



Source: JRC

The producer has to get its bid right:

Too high price: won't get chosen

Too low price: won't cover the cost of production.

What can be done?

EU level: Influence EEAG 2014-2020 in 2019-2020 – strengthen environmental clauses

National level - EU countries

Challenge aid (post-EEAG) for individual plants based on WFD

Influence transposition of EEAG where not finished (eg. Croatia)

National Energy and Climate Plans - timeline not clear.

Subsidies planning 3 years ahead - timeline not clear. Push technology-specific auctions.

National level - EnCom countries

Highlight the need for change

Follow legislative changes on subsidies - complex

National Energy and Climate Plans - timeline not clear yet.

Remember: At this stage, bigger changes possible on national level than EU – eg. Bulgaria + Romania

Thanks for your attention!

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