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

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Learn more: bankwatch.org
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

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<td>EU-wide target: 20% RE in gross final energy consumption (not electricity) by 2020.</td>
<td>EU-wide target: 32% RE in gross final energy consumption (not electricity) by 2030.</td>
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<td>National targets vary depending on starting point.</td>
<td>National Energy and Climate Plans define nat. targets.</td>
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<td>Hydropower counts as RE - large and small (10 MW not mentioned anywhere)</td>
<td>No change.</td>
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<td>Subsidy schemes optional – type was not limited until EEAG 2014-2020.</td>
<td>Still optional. Must be as market-based as possible. Small-scale / demonstration projects - feed-in-tariffs still allowed.</td>
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<td>Obligatory: Priority access or guaranteed grid access, with some exceptions to ensure stability.</td>
<td>Now under other rules, only required for tiny/existing installations.</td>
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<td>Auctions and feed-in premiums (see next slide) States have to publish a schedule for the next 3-5 years - indicative timing, capacity, budget.</td>
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<td>Old/Existing system</td>
<td>“New” system, EEAG 2014-2020</td>
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<td>Build the plant, sign a contract, get all your electricity bought at price defined in advance (feed-in tariff).</td>
<td>EU: Since 01.01.2017 subsidies only based on auction/tender. Technology-specific tenders allowed eg. for diversification</td>
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<td>Exceptions: &lt;1 MW/demonstration projects, except wind (up to 6 MW or 6 units).</td>
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<td>EnCom timeline unclear - new systems must adhere.</td>
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<td>EU: Since 01.01.2016 premium to top up the market price, not fixed buy-off price.</td>
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<td>Exceptions: less than 500 kW/demonstration projects, except wind (up to 3 MW or 3 units). For these, feed-in tariffs still allowed.</td>
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<td>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.”</td>
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Feed-in tariff vs. feed-in premium

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.

Source: JRC
What can be done?


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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