Comments of National Ecological Centre of Ukraine on EIB's Energy Lending Policy review

By Olena Miskun
miskun@bankwatch.org
submitted on December 13, 2012

Ukraine has experience of collaboration with the European Investment Bank since 2006 when the Framework agreement was ratified by Ukrainian Parliament. Since then eight projects have been financed by the bank for the total amount of Euro 1 290 mln.

The diagram shows that 41% percent of all investments in Ukraine are aimed at energy sector. Two out of three projects financed are high voltage transmission lines and one is rehabilitation of HPPs.

According to the description at the EIB web-site both transmission line projects will form an important component of the future connection to the Trans-European Energy Networks (TEN-E). This falls in line with the objective of the bank to support the expansion of European energy networks outside the EU contributing to energy security of Europe.

**What kind of energy security will it bring to Europe?**

Ukraine plans to dramatically increase its energy production based on nuclear and coal. Both transmission lines are inseparable part of nuclear industry of Ukraine. Ukrenergo Power Transmission project will connect Khmelnitsky NPP and Rivne NPP with Kiyv region. 750kV Zaporizhzhia-Kakhovska Line will enable Zaporizhzhia NPP to work for full capacity. Moreover

---

construction of Zaporizhzhia-Kakhovska transmission line in the current design will enable construction of two more new nuclear units at Zaporizhzhia NPP, as the capacity of the proposed TL is much higher than it is needed now.

Both projects were planned more than 20 years ago, but were suspended due to different reasons. Some of the units to be connected with the abovementioned transmission lines are to reach the end of designed lifetime sooner than the lines will be constructed.

The Ukrainian government plans to extend the life-time of all existing nuclear units (construction of the transmission line to the unit that has expired creates precondition for its life-time extension). As a result the risk of new nuclear accidents increases drastically and tons of spent nuclear fuel spent without proper storages are accumulated at the borders of EU.

**Dirty coal via transmission lines**

The transmission lines not only support nuclear industry of Ukraine, locking the country in the nuclear infrastructure for another 20 years, but also connect Ukrainian coal generating capacities with the European market. DTEK, the largest privately-owned vertically-integrated energy company in Ukraine, owns up to 70% of thermal coal generating capacities in Ukraine. It regularly buys the right for the export to Europe without any competition.

DTEK considers export as possibility for booming of national coal industry. The company openly admits that electricity exports as such bring losses to the company, they allow for exporting Ukrainian coal ‘via transmission lines,’ including state-produced coal, the quality of which is often unsuitable for export. Electricity exports of DTEK in I-III quarter of 2012 amounted to 7.1 billion kW/h (112.4% more than the same period last year).

**Conclusions:**

The projects in energy sector of Ukraine financed by the EIB so far are supporting nuclear industry and stimulating development of coal industry in Ukraine. This poses nuclear risks for Europe and undermines its efforts in fight against climate change. So far no projects for the new capacities of renewable energy or no projects for energy efficiency were implemented by the EIB in Ukraine.

We believe that EIB should not follow the projects promoted by the government whose decisions are often unsustainable and politically driven. Ukraine has big potential for energy efficiency and renewable energy. The bank should be a proactive player that brings European standards to the

---

countries outside EU. In particular it should look actively for the opportunities for energy efficiency projects in housing sector and renewable energy.

We believe that EIB should not support the project of Second Backbone UHV Corridor Kakhovska-Primorska-Dnistrovska-Khmelnitska that is now under consideration of the EBRD. As it clearly support the plans of Ukrainian government to become a major electricity exporter to Europe. In its current design the Second Backbone project will boost electricity generation at nuclear and coal power plants and not renewable energy sources. This in its turn will undermine any energy efficiency measures in Ukraine, and the climate targets of EU.