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Environmental and Social Data Sheet

Overview

Project Name:	EPS GREEN FINANCING
Project Number:	2022-0716
Country:	Serbia
Project Description:	Rehabilitation of several large hydropower plants, construction of a 13 MW new hydro unit, development and implementation of greenfield renewables.
EIA required:	This is a framework loan operation. Some of the tentative sub-projects under this operation require an EIA under the relevant national legislation or as determined by the competent authority on a case-by-case basis.
Project included in Carbon Footprint Exercise ¹ :	yes

Environmental and Social Assessment

Background

The Promoter is JSC Elektroprivreda Srbije (“**EPS**”), the state-owned electricity utility. The operation is a framework loan to finance the promoter’s key green investments for the period 2024-2030 (the Project) with a view to increase ultimately the national share of renewables to the target set by 2030. At this stage the Project scope is not fully defined. It tentatively consists of a number of sub-projects such as i) the rehabilitation of 239 MW power units in three hydropower plants, ii) the construction of a new 13 MW power unit, iii) several greenfield renewables of which more than 120 MW photovoltaic (PV) solar plants and iv) the rehabilitation of the 129 MW at the Vlasinske hydropower cascade.

Environmental Assessment

In Serbia the EIA procedure is regulated by the Law on Environmental Impact Assessment. The national competent authority for the issuance of Decisions regarding environmental impact assessment is Ministry of Environmental Protection (Ministry). The tentative sub-projects are in different stages of development regarding environmental permitting. EIA reports and associated studies of sub-projects will be reviewed ex-ante by the Bank prior to any funds being disbursed as per eligibility conditions set for each allocation.

Dam safety: EPS has a legal obligation to conduct comprehensive safety measurements on the dam. These measurements are done on a daily, weekly, monthly, yearly, or three-year period. Detailed reports are issued yearly and on three-year period as an obligation under the Law of the Republic of Serbia. The Water Directorate within the Ministry of Agriculture, Forestry and Water Management checks the safety reports and conducts periodical inspection on all activities regarding dams’ safety.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.



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River basin management: All Drina-Lim HPPs (ie HPPs Uvac, Kokin Brod, Bistrica, Potpec, Bajina Bašta, Zvornik) are recognized in the Report “*Phase II Nexus Assessment for the Drina River Basin*”, which is prepared within the framework of the project “*Promoting the Sustainable Management of Natural Resources in South-Eastern Europe*”. The latter is financed by the Austrian Development Agency (ADA) and implemented by the Global Water Partnership-Mediterranean (GWP-Med) in cooperation with the United Nations Economic Commission for Europe (UNECE). All tentative subprojects are in line with the Water Framework Directive 2000/60/EC (The Law on Water, “*Official Gazette of RoS*”, No. 30/10, 93/12) and also included in all reports regarding the management of the Drina river basin. The same sub-projects are in accordance with the *Sava and Drina River Corridors Integrated Development Program (SDIP), Environmental and Social Management Framework for Serbia*, Draft Document, November 2019.

Danube river HPPs (Djerdap 1 and 2 HPPs) are included in the *River Basin Management Plan for the Danube River Basin District (DRBMP)* issued by the International Commission for the Protection of the Danube River.

Based on the existing information, the negative impacts of the tentative hydropower sub-projects are mainly at construction stage. They may include increased dust level, noise, vibrations and pollutants from machines and vehicles on site. These impacts can be mitigated via good construction management. Nevertheless, detail impacts will be analysed ex-ante by the Bank for each allocation.

The greenfield solar PV sub-projects are at very early stage of development with limited information available at this point. The Promoter intends to develop solar power plants on the ash disposal and coal storage sites of the existing coal power plants Morava and Kolubara A, after their planned decommissioning. As the PV facilities will be constructed within the boundary of the existing coal power plants, limited environmental impacts and no resettlement are envisaged at this stage. The national competent authority will determine whether an environmental impact assessment is required. Based on the information provided by the promoter, it is expected that some of the solar power plants will be screened in for EIA.

EIB Carbon Footprint Exercise

The absolute emissions from the hydropower plants’ reservoirs are negligible because no new reservoirs are built.

The estimated relative emissions savings are around 1,066,000 tonnes of CO₂ equivalent per year and are calculated based on the above absolute emissions and the following assumptions for the tentative list of projects:

- For hydropower plants baseline emissions are calculated using combined margin for firm electricity generation for Serbia (678 tCO₂/GWh). Estimated annual electricity generation is calculated indicatively considering for the rehabilitations of Bistrica (334 GWh), Potpec (240 GWh), Djerdap 2-I phase (508 GWh) and Vlasinske (309 GWh).
- Potential solar power plants’ baseline emissions are calculated using combined margin for intermittent electricity generation for Serbia (933 tCO₂/GWh). Annual electricity generation based on the preliminary data is estimated indicatively at 44 GWh for Morava and 88 GWh for Kolubara A solar power plants.

For the annual accounting purposes of the EIB Carbon Footprint, the project emissions will be prorated according to the EIB lending amount signed in that year, as a proportion of project cost and taking care of type of electricity generation (hydro or solar).

Social Assessment

Since the aim of the main tentative allocations financed by the Bank is to rehabilitate three hydro power plants and to construct solar power plants on land plot owned by the Promoter, no resettlement is envisaged. Social impacts on nearby residents will be low and could mainly be



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due to increase inflow of workforce during the execution of works. This will be mitigated through proper education and information of workers and communication with local communities.

Public Consultation and Stakeholder Engagement

Public consultation and stakeholder engagement is expected to be carried out as part of the EIA procedures. Their alignment with EIB requirements will be confirmed separately for each allocation.

Other Environmental and Social Aspects

All hydropower plants envisaged for the rehabilitation and tentative under the Project have been running safely for decades. The Promoter has good track record with the similar projects and has a capacity to implement stakeholder engagement during the construction phase. It has in house environmental and health and safety experts. In addition, a Lender's Engineer is going to monitor the technical, environmental and social aspect of the project's components during implementation.

EPS has implemented management systems in accordance with the requirements of ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 50001:2018, and ISO 27001:2013 which are certified by independent certification facilities in accordance with international certification rules.

The legislation does not force the Promoter to conduct climate risk assessment for any of the sub-projects identified. However, in line with its Environmental, Climate and Social Guidelines on Hydropower Development, the Bank will require such assessment as an undertaking for hydro power plants financed by EIB.

Conclusions and Recommendations

With the below conditions and the implementation of the Environmental & Social Action Plan for each subproject object of an allocation under this framework, the Project is considered acceptable for EIB financing in Environmental & Social terms.

Disbursement Conditions:

- Eligibility conditions will be set for each allocation.

Undertakings:

- The Promoter shall not commit any EIB funds against sub-projects that require an EIA or biodiversity assessment according to national law prior to receiving consent from the competent authority, and the Non-Technical Summary of the EIA having been made available to the public.
- For sub-projects subject to an EIA, the Promoter should deliver the environmental studies and documents related to the EIA to the Bank and to the Bank's satisfaction before the funds are allocated (including EIA report, environmental consent).
- Whenever applicable, the Promoter undertakes to fulfil the requirements of the environmental impact studies (EIA report or others) and of the associated environmental permits.
- For sub-projects that may have an impact on a nature conservation site, the Promoter shall obtain confirmation from the competent authority that the sub-project does not have a significant negative impact on any such site. Such confirmation should be delivered to the Bank and to the Bank's satisfaction before the funds are allocated. Sub-projects with significant negative impacts on a nature conservation site shall not be eligible.



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- Carry out climate risk assessment for all hydro power plants that are financed from the EIB funds. Based on the assessment results the Promoter should plan the implementation of the proposed measures.