

Mr Štefan Füle
*Commissioner for Enlargement
and European Neighbourhood Policy*

Mr Günther Oettinger
Commissioner for Energy

Brussels, 19 May 2011

AKES 573484

Dear Mr Zoellick,

As members of the European Commission responsible for Energy and Enlargement and European Neighbourhood Policy we would like to express our support for continued involvement of the World Bank in the New Kosovo Power Plant project (NKPP), as this will allow pursuing environmental, energy and social economic development objectives in a mutually reinforcing way.

We are aware that the Bank's advisors have been staunch advocates of adopting EU environmental standards, as well as best available technology, in the conception of the new plant. The Bank has accompanied its work on NKPP with promoting energy efficiency and renewable energies in Kosovo. Should the Bank discontinue its involvement by withdrawing the foreseen Partial Risk Guarantee (PRG) for the forthcoming generation tender, we believe that the Kosovo government would nevertheless go ahead with the project and not give proper attention to its environmental standards in order to ensure financing and that it would be very difficult without the PRG for Kosovo to comply with its Energy Community Treaty environmental commitments. In addition, in the absence of the PRG, Kosovo would not be able to attract the same quality of investor, which again would have negative repercussions on the technology choices taken by Kosovo in this project.

Furthermore, we see the Bank's involvement in the NKPP as part of a larger energy strategy. Building new generation capacity (using best available technologies and conforming to EU environmental standards) will allow Kosovo to implement its commitment to close the 'Kosovo A' power plant. 'Kosovo A' is the worst single-point source of pollution in South-Eastern Europe, and Kosovo has committed to close this outdated plant by 2015, in the context of its obligations under the Energy Community Treaty, namely to conform with the EU's Large Combustion Plant Directive. The European Commission has argued forcefully for the closure of the plant that can never conform to EU standards, and which is an environmental and health issue to Kosovo's population. Should the Bank withdraw from NKPP, we foresee the risk that Kosovo would renounce on its commitment to close 'Kosovo A' by 2015 and move to prolong the lifetime of the power plant (as one of the few remaining viable solutions). In addition, it is highly unlikely that other European financial institution similar to the Bank could take over and support this generation project.

We therefore urge the Bank to continue its involvement in the New Kosovo Power Plant, as the best and only way to improve Kosovo's environmental outcomes. Studies from the Bank's own services have calculated that implementing Kosovo's energy strategy (bringing NKPP online according to EU standards, closing Kosovo A, and rehabilitating Kosovo B) would be carbon neutral. It would also see a considerable improvement in other pollutants (95% reduction of annual dust emissions, 70% of sulphur and nitrogen oxides).

Beyond environmental objectives, this project is also crucial to secure Kosovo's stable energy supply of the country, something that Kosovo is currently lacking. The constant blackouts and load shedding as a consequence of inadequate supply capacity are the biggest obstacle to Kosovo's economic development, therefore to its social and political stability.

For Kosovo's development, but also to improve the environmental impact of its energy sector, we hope that the Bank will be able to provide the foreseen partial risk guarantee for the New Kosovo Power Plant and proceed with the project as foreseen.

Yours sincerely,



Štefan Füle



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