

# 2020 ANNUAL REPORT

June 2021

# ABOUT US AND VISION

Bankwatch Romania is an environmental NGO set up in 2012, with the goal of monitoring large infrastructure projects which are financed by International Financial Institutions, especially in the energy sector, in order to prevent harmful environmental and social impacts.

Coal is the most harmful fuel for the environment and it is the first that needs to go. Our vision is for Romania to achieve coal phase out before 2030, in a sustainable and just way. We have been campaigning successfully to prevent the construction of new coal capacities, illegal operation of coal power plants and lignite mines expanding, defending the right of people in coal regions to a healthy environment.

As many communities are at risk, we work towards preventing the negative social impacts of an unmanaged coal phase out at the local level. We are active in mining regions' redevelopment and just transition, the results of our campaigns being visible since 2019, when the local communities acknowledged the importance of energy transition for economic development.

Another pillar of our work is supporting the transition to a clean energy system, one that will not harm the environment, nor the people. We believe that Romania's huge potential for renewable energy can be tapped with the right policies and with the participation of the entire society in decision-making.

# THE TEAM IN 2020



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The **board members** are Cătălina Rădulescu (lawyer), Crisanta Lungu, Ioana Ciută, Mihai Stoica (2Celsius) and CEE Bankwatch Network (represented by Petr Hlobil).

# SUMMARY

2020 was the year of public participation, even though most of the time we could not interact face to face. We moved our activity in online conferences and continued advocating for a clean energy system from home. We thought this would not be efficient, but it turns out that the Covid-19 pandemic brought another important shift: green recovery and climate change at the centre of the public discourse. Romanian authorities became more aware of the role of nature in people's wellbeing and started to align strategies to the European Green Deal agenda.

Although there is still a lot to improve, the first steps for a cleaner 2030 energy system and better life in coal regions in Romania have been taken.

We focused on our watchdog role and followed up on all the important documents developed at EU and national level for energy transition, ensuring, together with other NGOs, the civil society's voice at the debate table. We advocated for sustainable financing in the next EU budget, coherent with the decarbonisation objectives, while supporting public participation and promoting successful examples of energy transition.

We also continued our coal work, acting through legal means when authorities refused to comply with domestic environmental law or European directives. We kept pushing for a coal phase out by 2030. Although we had significant wins and decision makers increasingly agree that coal has no future, a unifying vision for the energy transition is still missing.

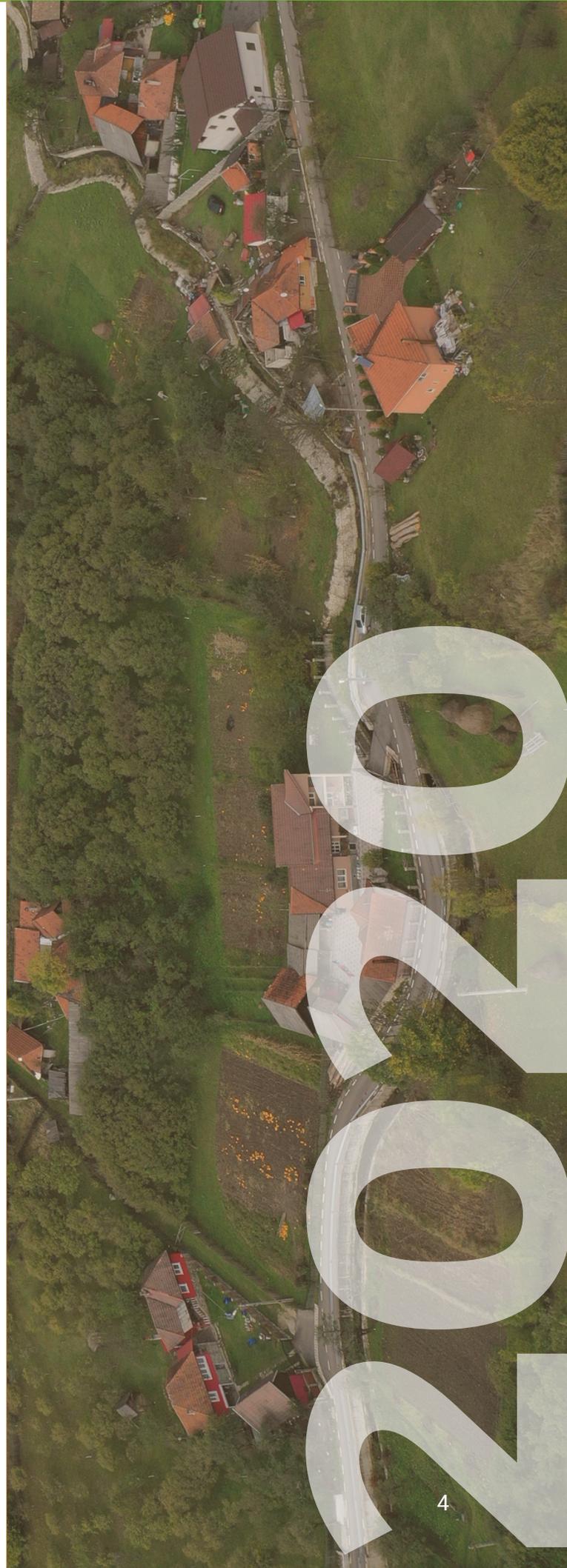
# OUR CAMPAIGNS

Mining and powerplans

Just transition

Energy transformation

Coal in the Balkans



# MINING AND POWERPLANTS

The European Union is on a path to phase out coal by 2030. Eleven EU countries established phase out dates for their coal capacities, nine Member States have no coal in their energy mix, while seven have not set a phase out date yet.

In Romania there are eight coal power plants left. Some are planned to be closed by 2030, but a significant part will keep running, while coal mines continue their expansion, harming the environment and communities. The coal campaign is the central activity of Bankwatch Romania, focused on coal phase out advocacy and preventing mine expansions through legal action.

## Legal action on coal

We continued our work on litigation against coal power plants and mine expansions. In March, we sent [a new complaint](#) to the European Commission reporting illegal state aid for the lignite mine expansions of Jilț Nord, Jilț Sud, Roșia and Roșiuța. The Romanian Government offered state aid on multiple occasions through Government Ordinances for property expropriation. Oltenia Energy Complex also received state aid in different forms to pay its CO2 allowances, in contradiction with the purpose of the EU-ETS system and offering unfair competitive advantage to the public coal company.

Roșia is the largest lignite mine in Romania and in 2019 we managed to stop its expansion through a final court decision. The company applied for a second expansion in 2020. In order to prevent the expansion we filed an administrative complaint against the screening decision issued for the new expansion of the coal mine and one on the EIA permit issued again in September 2020. Further legal efforts

are needed to avoid deforestations and environmental impact on Coridorul Jiului Natura 2000 site.

The European Commission issued two infringement notices for the improper application of the Industrial Emissions Directive, one in [July 2020](#) and one in [February 2021](#), for the two coal power plants, Mintia and Govora, which are constantly breaching emission limit values for Sulphur dioxide and particulate matter, while no judicial action was taken. The infringement process was opened after a series of complaints sent by Bankwatch Romania in 2016. Since then, no sanction was applied to Romania on this matter.

Locally, we filed a court case against the Environment Fund Administration for failing to collect the fines from Hunedoara Energy Complex accumulated for not purchasing its CO2 allowances. In court, the Environment Fund Administration submitted the evidence that they issued the decisions concerning the

financial obligations of Hunedoara Energy Complex related to ETS allowances. The Complex became insolvent again and the Administration introduced all the debts in the procedure of insolvency, as the law states.

### **Time for public participation**

In February, the Ministry of Energy launched a second round of consultations on the National Energy and Climate Plan (NECP). To support the coal phase out in the NECP we published a [policy briefing](#) highlighting the lack of a coal phase out strategy and low ambitions for renewable energy. We launched with Declic a petition which gathered over 4000 signatures in just a few days. Then we [met up](#) with the Energy Minister to deliver the community's message – coal phase out by 2030 and more support for renewables.

In 2020, a new version of the National Energy Strategy was also published, as it is traditional for every new government since 2012 to update but never finish the document. We participated in the consultation procedure for the National Energy Strategy, its Strategic Environmental Assessment process and to the normative act drafted to approve the strategy. We filed an administrative complaint against the SEA permit because it was not carried out in compliance with the legislation in

force and contains incorrect or incomplete data on the impact on the environment of the proposed projects.

The Rovinari 600 new coal unit was an important project that we opposed for almost a decade. The project was iconic as this was the last planned new coal plant in Romania. All our reports and comments on the National Energy and Climate Plan (NECP) and the National Energy Strategy or debates and other public events showing the failed economics of the project contributed to it being removed from the NECP. The Minister for Economy, Energy and Business also declared in an interview with Euronews that no new coal plant will be built in the country. This finally puts an end to the discussion regarding new coal capacity in Romania.

But Romania is still not ambitious enough when tackling climate change. Our analysis of the [EU-ETS emissions](#) for 2019 showed that coal energy has the highest CO2 emissions in the entire economy and in the current policy scenario, there are no prospects to reduce coal's impact on the environment. Much more ambition and coherent policies are needed for Romania to be coal-free. In the report 'De aici începe totul' ("[It all starts here](#)") we show how the decarbonisation of the economy can be financed and why the planning phase is crucial for successful climate policies.

# JUST TRANSITION

Given its high climate impact, coal must be phased out from the energy sector as soon as possible. The European Union set up in 2020 a Just transition mechanism comprising the 17.5 billion euro Just Transition Fund (JTF) to support coal regions in mitigating the social impact of the transition and boost sustainable economic development.

From the JTF, Romania will receive almost 2 billion euro for six regions, of which Hunedoara and Gorj are the most affected. The first has a long history with hard coal and suffered from massive lay-offs of over 50,000 coal workers in the last 30 years. Together, the two regions currently employ 16,000 people in the coal sector and other tens of thousands in related sectors.

## Jiu Valley, ready for just transition

In 2020, we were an active part in the elaboration of the Strategy for Development of Jiu Valley produced by PricewaterhouseCoopers. The Strategy will provide an overview for the future of Jiu Valley, outlining development directions, whereas START will focus on identifying 10 projects that are financeable and on governance options for the just transition. We are also members of the monitoring committee for the newly set up Just Transition Operational Programme after we pushed for this operational programme to be set up in the past. We are among the 29 entities (out of 230) selected for the committee. We participated in meetings and submitted suggestions for its improvement.

The consultations on the Strategy for Jiu Valley enabled higher stakeholder participation in 2020, as the region is planning an Integrated Territorial Investment mechanism. Both the civil society and the public authorities got involved in these discussions. More so, we supported the NGO coalition

Valea Jiului Implicata - comprising all the relevant NGOs in the region - in their aim to become a watchdog of the just transition process.

In 2020 we produced two short films to support the just transition process in Jiu Valley. [One about the Fara Limite climbing gym](#), a social project by New Horizons Foundation where children from Vulcan's poorest neighbourhoods can learn to climb and also get help with homework. This project supports children to stay in school and provide alternative education methods to discover their passions. [The second film focuses on the transition](#) so far, interviewing local civil society and public administration. To promote the films, we organized two debates: the first was in English and aimed at audiences in the Central and Eastern European region, focusing on the making of the film and insights on working with the local stakeholders. The second one was in Romanian and included most of the film interviewees, discussing visions for the future of Jiu Valley.

### Territorial just transition plans

To ramp up the involvement of the civil society in the just transition in Gorj county, we organized a roundtable meeting with Fridays for Future Gorj where we invited representatives of local civil society; it was the first time some of them heard about the concept of just transition. With the same purpose we published in March [a report](#) analysing the situation in Gorj regarding employment, previous projects implemented with European funds and recommending some steps to be taken for a just transition. Considering that Oltenia Energy Complex is the largest coal electricity producer in the country, Gorj is one of the most affected regions and can benefit largely from the Just Transition Fund if it will provide a clear path for decarbonisation.

In order to ensure the proper development of Just transition territorial plans, we published a [Territorial just transition plan checklist](#), providing guidelines for sustainable development in each section of the plans, in line with EU principles. In Romania, some of the recommendations were included by the Ministry of Investments and European Projects in their own guideline for the local administrations responsible to elaborate the plans. The working groups for the elaboration of the TJTPs were set up in November. We enrolled and are part of the working groups in Hunedoara and Gorj counties. The TJTPs are going to be developed during 2021 through multiple rounds of public consultation.

# ENERGY TRANSFORMATION

In 2020 the financial and legislative frameworks were established at the EU level to support an accelerated energy transition. The Multiannual Financial Framework (MFF) for the 2021-2027 and the Next Generation EU recovery plan were set up.

In Romania, new Operational Programmes and the Recovery and Resilience Plan were developed by the Ministry of Investments and European Projects. Our focus was to make sure that future EU financing provides proper public participation and a good framework for energy transition that avoids fossil-fuel lock-in.

## European Green Deal and the Recovery and Resilience Package

The activities at the national level revolved around disseminating the implications for Romania of the Green Deal's implementation, advocating for the decarbonisation of the national economy coherent with all the climate and energy objectives and asking for an improvement in terms of transparency and public participation of all interested stakeholders in this process. We participated at [various events](#) on this topic conducted by national authorities, and we organized [a debate on the decarbonisation needs of Romania](#) in collaboration with the Swedish Embassy in Romania. We tackled issues such as available financial resources for energy transition in Romania, the coherence of the main policies and strategic documents of the energy sector or the just transition of Romania's coal regions and their economic sustainable redevelopment. The Swedish Embassy also presented their experience regarding decarbonization in Sweden, which can serve as a good practice example for Romania.

EU officials proposed effective and sustainable measures to tackle the negative effects of the pandemic on the European economies. [The Recovery and Resilience Package](#), together with a consolidated version of the MFF, became a central point on the European and national agendas. At the national level we [advocated](#) for an economic recovery designed on the basis of the Green Deal's principles that will support the transformation of the economic system into a zero-carbon one. We joined forces with the most relevant national NGOs and specialists in the areas of environment, economy, health, education and democracy under the *Mâine se decide azi* ([Tomorrow is decided today](#)) platform and explicitly asked for a prioritization of sustainable recovery investments in five sectors: environment, economy, health, education and democracy, while contributing with input on the assessment and elaboration of Romania's Recovery and Resilience Plan.

During the elaboration stage of the Recovery Plan, Bankwatch Romania participated in all public consultations organised for this process, stressing the need to place the green and digital transition at the core of economic recovery and to steer away from unsustainable investments such as those for the expansion of the gas distribution system. In addition, we kept close communication with different European officials involved in the Recovery process, such as members of task forces responsible with this process, members of the European Parliament and other EU institutions.

#### **Joining Monitoring Committees of the 2021-2027 Operational Programmes**

A focal point of our campaign was continuing to engage in the programming process of the new European budget for the 2021-2027 period at the national level and participating in the consultations on the new Partnership Agreement and Operational Programmes. A first step in this regard was submitting our candidatures for the establishment of the partnership structures related to each Operational Programme. Bankwatch Romania was selected as a member in the Monitoring Committees for the Just Transition, Sustainable Development and Regional Operational Programmes.

We joined the consultation sessions dedicated to the Partnership Agreement and Operational Programmes we are part of, which concentrate investments dedicated to the economic redevelopment of mono-industrial regions, energy efficiency, waste management, air quality, biodiversity, digitalization and urban mobility. Our [main requests](#) focused on the explicit exclusion from funding of the fossil fuel-based projects (coal and fossil gas), the inclusion of NGOs and other associations as eligible beneficiaries for funding and on the reconfiguration of the output and result indicators to reflect a clear contribution to climate and energy national objectives.

To help improve the management and the absorption capacity of the financial resources available for the 2021-2027 period, we published a [Guidebook on financing the European Green Deal](#) and on making these funds work for people. The publication details the funds available for the next financing period and explains how citizens and social partners can participate in the selection and monitoring of investments made with European funding. Given the importance of prioritizing public investment in green and digital transition, a more active involvement of the citizens is needed so that the projects eligible for funding reflect the exact needs of the communities.

A large offshore oil rig is visible in the background, situated in the middle of the sea. The rig is a complex structure with various towers, cranes, and pipes, supported by several thick legs. The sky is blue with scattered white clouds, and the water is a deep blue with some ripples.

### Advocating for the exclusion from funding of fossil fuel based projects

An overarching advocacy point of our activity represented the exclusion from all financing sources of fossil fuel based projects. In this regard, we formulated our [comments to the EBRD's Country Strategy for Romania](#) for the period 2020-2025, asking for the financing of natural gas transmission and distribution projects to be halted, given their inconsistency with the climate and energy objectives Romania has to achieve. In addition, we pointed the fact that the Bank's investments designed for the transition of the energy system from coal to clean energy sources should be made in accordance with the needs specified in the Territorial Just Transition Plans and should aim at reducing the socio-economic costs of the transformation process and promote measures and programs for the retraining of the workforce.

# COAL IN THE BALKANS

The Western Balkans are on a slow but sure path to align to the European Green Deal. Serbia, Bosnia-Herzegovina, Kosovo and North Macedonia still have alarming air quality issues due to numerous polluting coal power plants, but the EU started to take the problem more seriously and created a Green Agenda for Western Balkans. Compared to only three years ago, when all Western Balkan countries were planning new coal capacities, in 2020 only Bosnia and Herzegovina and Serbia are still actively pursuing this path, albeit with serious delays and investigations for breaches of international and local laws.

## The only planned coal power plant in Kosovo is dropped

After a decade-long campaign against the construction of the planned 500 MW Kosova eRe power plant in Kosovo, in March, we received the news that concession-holder ContourGlobal pulled out of the project bringing the saga to an end.

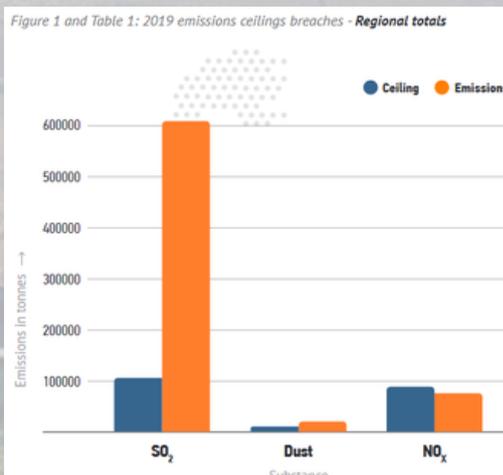
ContourGlobal failed to find new financing for the project after the [World Bank](#) and [EBRD](#) confirmed they would no longer support it. With the details of the power purchase agreement (which would have massively increased consumer prices) gradually becoming public, domestic political opposition to the deal grew too.

Kosovo and international civil society groups have opposed the project for almost a decade, and as time has worn on, their arguments have been proven right. The parties forming Kosovo's new government declared opposition to the Kosova eRe contract and were expected to terminate it in the coming months, but finally ContourGlobal made the first move.

## Coal power plants in the Western Balkans still nowhere near compliance with pollution limits, for a second year in a row

A [report](#) published by Bankwatch in June found that the Western Balkans coal plants included in National Emissions Reduction Plans continue emit 6 times the total sulphur dioxide (SO<sub>2</sub>) limit allowed under the Energy Community Treaty, two and a half years after these standards went into force.

Dust emissions from these power plants – in Serbia, Bosnia-Herzegovina, Kosovo and North Macedonia – also remained at 1.6 times the combined threshold.



As Western Balkan countries are trading electricity with the EU, the report recommends that the EU and Energy Community need to develop mechanisms, such as a tax on CO<sub>2</sub>, or a carbon border tax, to ensure that heavy polluters cannot so easily use their lack of investments in pollution control as a market advantage in exporting electricity to the EU.

Romania imports electricity from Serbia - whose emission limit breaches are eye watering, therefore Bankwatch is [advocating domestically](#) as well for the swift adoption of a carbon border adjustment mechanism, applicable to the electricity sector.

### **Green Agenda for the Western Balkans**

The EU understood that to maximise the impact of the European Green Deal for the whole continent, it should make the Western Balkans a part of it and ensure the countries are given equal opportunities and weight. That's how the "[Green Agenda for the Western Balkans](#)" emerged.

In April 2020, 18 environmental organisations working in the Western Balkans put forward a [set of recommendations on the EU's Green Agenda](#), covering the five areas set out by the European Commission - decarbonisation, circular economy, pollution reduction, sustainable farming and biodiversity.

Later, during the Western Balkans Sofia Summit, held on 10 November 2020, the region reached an important milestone by endorsing the Leaders' Declaration on the Green Agenda that aligns with the EU Green Deal. It supports and promises to accelerate changes and processes in the region with the overarching goal of addressing climate change. While the devil is in the numerous details that are yet to be hammered out, what sticks out overall is that the Green Agenda has plenty of good ideas, but a conspicuous absence of enforcement mechanisms. Another issue is a lack of coherence between the Green Agenda and the Economic and Investment Plan for the Western Balkans. Our [recommendations](#) were partially addressed, showing us the uphill battle is only yet starting.

# BUDGET AND DONORS

## Income

**European Climate Foundation:** €70,277.19

**European Climate Foundation via CEE Bankwatch Network (subgrant):** €43,121.87

**ClientEarth:** €29,529.52

**German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (EUKI) via CEE Bankwatch Network (subgrant):** €21,708.06;

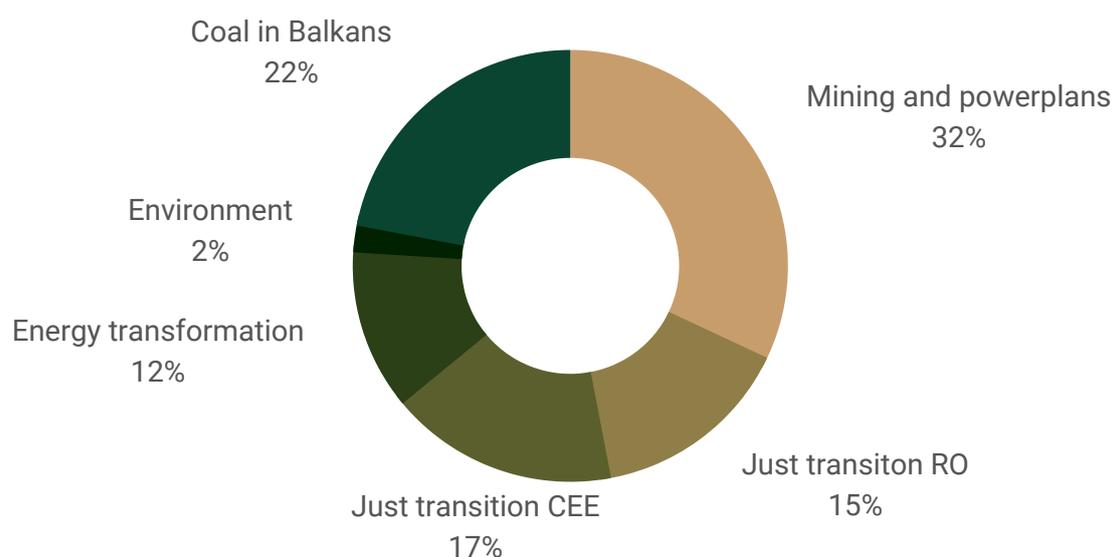
**Friedrich Ebert Stiftung (consultancy for energy transition in Balkans):** €7,470

**European Commission – DG Environment – Life+ via Justice & Environment Network (subgrant):** €4,212.15

**E3G (Climate KIC):** €599.14

- **Total: €176.917,93**

## Campaigns spending



*Bankwatch Romania is grateful to all the donors for their trust and continuous support that made the work in 2020 possible.*



Supported by:



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