



European Bank
for Reconstruction and Development

To: Dimitar Koumanov
Balkanka Association

Fidanka Bacheva McGrath
CEE Bankwatch Network

27 February 2018

Dear Mr Koumanov and Ms McGrath,

Thank you for your letter dated 12 December 2017 regarding hydropower plants in Bulgaria. We appreciate that you bring your concerns to the Bank's attention.

The Bank has not provided any direct financing for new hydropower projects (HPPs) in Bulgaria since 2010. The Bank has directly financed one HPP project in Bulgaria in the past – the VEZ Svoghe project.

According to our Bulgarian legal counsel, there is a lack of clarity as to the applicability of the concession regime for hydropower plants in Bulgaria and this is currently being assessed by the relevant Bulgarian authorities. The Bank will take this information into account in any future projects we consider. The Bank will also make our independent local legal counsels aware of this as appropriate.

Projects financed directly by EBRD, including the Vez Svoghe plant, are subject to extensive legal and environmental due diligence before we commit, and monitoring thereafter.

In terms of local financial intermediaries, whereby we provide financing to local commercial banks for on-lending to finance small renewable energy projects, EBRD has required such banks to conduct their business in accordance with applicable laws and to meet certain specific eligibility criteria for each of the projects funded with finance provided by EBRD, including compliance with national environmental regulations including concession regime. Local banks are assisted by technical consultants (funded by grants mobilised by EBRD), but are otherwise conducting their own legal and financial due diligence on projects which they are financing.

Yours sincerely,

Alistair Clark
Managing Director, Environment and Sustainability Department

Harry-Boyd Carpenter
Director, Head of Power and Energy Utilities