ISSUES OF NON-COMPLIANCE WITH THE DEPARTMENT OF TREASURY'S *GUIDANCE TO MDBS FOR ENGAGING WITH DEVELOPING COUNTRIES ON COAL-FIRED POWER GENERATION*

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KORRIK, 2012

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Introduction

In December 2009, the U.S. Treasury Department adopted its *Guidance to MDBs for Engaging with Developing Countries on Coal-Fired Power Generation ("the Coal Guidance")*.[1] The *Coal Guidance* is designed to further the laudable objective of ensuring that all no- and low-carbon alternatives are fully explored before scarce development assistance dollars are used to support coal-fired power generation.

Towards this end, the Treasury Department uses the *Coal Guidance* in two ways. First, it has proposed that multilateral development banks (MDBs) incorporate this guidance into their respective operational policies, country and sector strategies, and other procedures that are related to the public or private project cycle for coal-powered generation operations.[2] Second, Treasury has agreed that the *Coal Guidance* will "govern the Department's interactions with MDB's in forming sector strategies and operational policies as well as the U.S. position on specific proposed projects."[3]

Despite this latter purpose, the Treasury Department has not adequately considered the requirements of the *Coal Guidance* in formulating its positions on the World Bank's proposed Kosovo Power Project. The Kosovo Power Project would support the construction of a new 600MW coal-fired power plant and the rehabilitation of an existing coal plant. The World Bank recently expressed its "in principle" support for the project, and is moving it through its internal appraisal processes. The Treasury Department has consistently expressed its support for this proposal,[4] even though it is plainly inconsistent with key provisions of the *Coal Guidance.*

Contrary to the requirements of the *Coal Guidance*, the Bank has not:

1. Provided adequate technical assistance and policy support to remove barriers to and build demand for no or low carbon resources;
2. Fully considered low- and no-carbon alternatives;
3. Properly considered the higher costs and increased tariffs of the proposed project compared with alternative approaches;
4. Made any effort to assist the Government of Kosovo in securing financing for an alternative portfolio, should it entail any incremental costs;

[1] http://www.treasury.gov/resource-center/international/development-banks/Documents/COAL%20GUIDELINES%202009%2012%2014%20FINAL%20(2).pdf
[2] http://www.treasury.gov/resource-center/international/development-banks/Pages/guidance.aspx
[3] *Id.*
[4] See e.g., Letter from Marisa Lago, Assistant Secretary for International Markets and Development, to Robert Zoellick, President of the World Bank, March 24, 2011.

5. Required the use of "best internationally available technology"; or
6. Proposed a plan to offset emissions.

These shortcomings are fundamental to the project as it is currently conceived, and cannot be addressed by tinkering on the margins during the review process. Accordingly, Treasury's position that the Bank should move forward expeditiously to bring the project to a Board vote cannot be reconciled with its commitment that the *Coal Guidance* "will govern the…U.S. position on specific proposed projects." In order to comply with the *Coal Guidance*, Treasury should withdraw its support for the current proposal, and work with the World Bank, the Government of Kosovo, technical agencies of the US government and local stakeholders to develop and implement a plan that can help Kosovo meet its pressing needs for clean energy development in the most cost effective and environmentally responsible manner, and in accordance with the provisions of the *Coal Guidance*.

Issues of Non-Compliance

1. The Bank has not provided adequate technical assistance and policy support to remove barriers to and build demand for no or low carbon resources.

The *Coal Guidance* requires the MDB to work to remove barriers to and build demand for no- or low-carbon resources by providing assistance to build technical and institutional capacity (para. 1.1); and by providing policy loans to level the playing field where existing policy and market conditions may bias investment decisions against no- or low-carbon options (para. 1.3). It also requires the MDB to consider how its support for the power sector will address the borrower's greenhouse gas (GHG) emissions trajectory in its country strategy. (para 1.3).

There are a number of steps that the Government of Kosovo could take, with Bank assistance, to eliminate distortions that favor coal investment, and to facilitate investment in no- and low-carbon alternatives. For example, over 200MW of mostly small hydro and wind projects have been waiting for a year and half to gain regulatory approval from Kosovo's Energy Regulatory Office (ERO). Policy support or technical assistance could help expedite the licensing of these projects.

In addition, Kosovo has numerous policy options at its disposal to more effectively promote renewables investment. For example, Kosovo could broaden and regularize its feed-in tariff (FIT) program. Kosovo's FIT does not apply to solar power, and the FIT for wind is being improperly applied by the ERO. Thus, the first company to take advantage of the FIT was forced to shut down its operations after the ERO halved the tariff on the spurious grounds that the turbines the company had installed were not new.[5] This kind of manipulation of the FIT biases the investment climate in favor of coal by deterring other investors in wind projects from entering the market.

[5] A feed in tariff is paid based on output. The vintage of the turbines is irrelevant. Investors therefore have strong incentives to maintain turbines to ensure production.

2. The Bank has not met the *Coal Guidance* requirements regarding the appraisal of low- and no-carbon alternatives.

The *Coal Guidance* requires the MDB to give full consideration to no- and low-carbon options *before* appraising a proposed greenfield or retrofit coal project. (para. 2.0). To meet this requirement, the MDB must "seek to identify a portfolio of technologically feasible and commercially available no or low carbon resources" that can provide some or all of the energy services to be provided by the proposed project. (para. 2.1).

Such a portfolio is available. Analyses by Dan Kammen, the Bank's former Chief Technical Specialist for renewable energy, (Kammen study), and by the Kosovar Institute for Development Policy/Sierra Club (INDEP/Sierra Club study) have shown that there is a mix of efficiency and no- and low-carbon supply options that could displace the need for the Kosovo Power Project. This would include (1) reduction of transmission system losses; (2) aggressive end-use efficiency and demand-side management; (3) base load lignite-fired generation from a refurbished and appropriately controlled Kosovo B plant; (4) peaking hydropower from within Kosovo and from neighbors with high hydropower resources; (5) wind, biomass and other renewables; and potentially, (6) peaking natural gas-fired units.[6]

This portfolio offers substantial economic, social and environmental benefits over the proposed project. The Kammen study found that "[t]his path whilst delivering 38% of the energy demand through renewable resources can also provide almost 30% more jobs than a business as usual path and it does so at an estimated cost savings of 50% relative to a base-case scenario that includes a new coal power plant."[7]

Despite the fact that Kosovo needs a mix of base load, load following, and peaking capacity to reliably meet demand at lowest cost,[8] the proposed project would add only to the existing base load capacity. Because the Bank has focused its attention on expanding base load capacity,[9] it has not fully explored (1) the extent to which future base load demand could be met by reducing transmission system losses and aggressive end-use efficiency and demand-side management; or (2) the potential for a portfolio of policies and no- and low-carbon alternatives to displace some or all of the need for the proposed project and to provide the necessary load following and peaking capacity.

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[6] Daniel M. Kammen, M. Mozafari and D. Prull, 2012. *Sustainable Energy Options for Kosovo An analysis of resource availability and cost.* available at, http://rael.berkeley.edu/energyforkosovo; Bruce Buckheit, 2012. *Reevaluating Kosovo's Least Cost Electricity Option Preliminary Evaluation of the World Bank's December, 2011 "Background Paper, Development and Evaluation of Power Supply Options for Kosovo"*, available at http://action.sierraclub.org/site/DocServer/Reevaluating_Kosovo_s_Least_Cost_Options_for_Electricity.pdf?docID=8861

[7] Kammen, *et al.*, at 6.

[8] B*ackground Paper*, at iv-v.

[9] World Bank, 2011. *Kosovo: Kosovo Power Project: Terms of Reference for the SFDCC Expert Panel*, at para 10.

First, although systemic improvements in efficiency are generally the fastest, cheapest, cleanest, and most resilient way to provide energy services,[10] the Bank has not fully assessed the opportunities to capture efficiency gains. Contrary to the requirements of the *SFDCC Operational Guidelines*, the Bank has not quantified the potential energy savings from supply- and demand-side energy efficiency initiatives, nor has it calculated whether they are sufficient to avoid or delay the proposed generation expansion.[11]

Kosovo's energy supply system is highly inefficient. Over 37 percent of its generated and imported electricity is lost or stolen in the transmission and distribution process. Over 20 percent of this loss is commercial (mainly theft). Total losses equal or exceed the output of Kosovo A. If distribution and commercial losses were reduced to levels commonly experienced elsewhere in the world, a refurbished Kosovo B could supply almost twice the base load consumption of 2010, and thus eliminate the need for new lignite-fired base load generation.[12] To date, however, the Kosovo energy company (KEK) has failed to tackle this problem due to the lack of institutional support from the government. With appropriate support, however, Kosovo could bring these losses into line with those of other similarly situated countries.

The Expert Panel noted the need for "increased effort" to reduce the technical and commercial losses related to electricity supply, but did not set out what those efforts should be or why adding base load capacity should be a higher priority than reducing current losses. Rather than considering how the problem of grid losses could be urgently addressed, and the cost (if any) of doing so, both the Expert Panel and the Bank simply assume that it will be resolved over time by the owner of the grid after it has been privatized,[13] and that much of the effort to reduce technical losses will take place well after Kosovo C is brought online.[14] This is a far cry from the *Coal Guidance's* requirement that the Bank fully assess the efficiency options that could provide some or all of the energy services to be provided by the project. (para. 2.1).

The Expert Panel also expressed concerns about the need for "increased effort" to improve end-use efficiency to reduce electricity demand. It pointed to additional measures that could be taken, such as encouraging the use of solar water heaters and adopting regulations to improve energy efficiency of the private housing stock.[15] However, the Bank has yet to assess the efficiency opportunities that may be available.

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[10] World Bank Independent Evaluation Group, (2008). *Climate Change and the World Bank Group, Phase I: An Evaluation of World Bank Win-Win Energy Policy Reforms*; UN Secretary General's Advisory Group on Energy and Climate Change, 2010. *Energy for a Sustainable Future*; Amory Lovins, 2005. *Energy End-Use Efficiency*. www.rmi.org.

[11] *Operational Guidance*, at 8.

[12] Buckheit, 2012. *Reevaluating Kosovo's Least Cost Electricity Option Preliminary Evaluation of the World Bank's December, 2011 "Background Paper, Development and Evaluation of Power Supply Options for Kosovo"*, at 9, available at http://action.sierraclub.org/site/DocServer/Reevaluating_Kosovo_s_Least_Cost_Options_for_Electricity.pdf?docID=8861

[13] There is no reason to believe that a buyer will be found for Kosovo's inefficient distribution system.

[14] *Expert Panel Report*, at 11; *Background Paper*, at 54.

[15] Beér, Mielczarski and Taylor, (2011). *Kosovo: Kosovo Power Project Report of the SFDCC External Expert Panel to the World Bank*, at 11.

Second, the Bank has not adequately considered the full range of less carbon intensive options. The Expert Panel conceded that neither wind nor natural gas alternatives have been fully analyzed.[16] Although the *Background Paper* notes that over 150 MW of wind power projects are currently awaiting government approval, it assumes that no wind power will be developed until 2016, and that the vast majority of it will be brought online after Kosovo C is completed.[17] This is an odd assumption, since wind power can be brought online much more quickly than coal. Moreover, other analyses have found that Kosovo's wind potential is far greater than the *Background Paper* suggests. The Kammen study estimated that 280 MW could "easily" be brought on line by 2020.[18] Mercados has estimated the overall wind resource in Kosovo to be as high as 1,000MW.[19]

Similarly, with regard to natural gas, the Expert Panel found that "more efforts need to be made to introduce natural gas into the region and, eventually, into Kosovo." [20] But the Panel made no effort to articulate what those efforts should include or consider how the Bank should support them. The *Background Paper* noted that an earlier World Bank/KfW South East Europe Gasification Study had found that it may be viable to supply industrial and commercial load and build gas distribution networks in Pristina and Mitrovica.[21] This assessment was part of the proposed Energy Community Gas Ring project that would facilitate integration of natural gas markets in up to seven countries in South Eastern Europe (SEE) by expanding and diversifying supplies and distribution networks in the region, and would have a particular objective of bringing gas into ungasified areas.[22] Nevertheless, the *Background Paper* dismissed the Bank's work without analysis on the assumption that "Kosovo cannot depend on these proposals in the medium-term."[23] This is an inadequate treatment of the natural gas alternative under both the *SFDCC Operational Guidelines* and the *Coal Guidance*.

Despite these shortcomings, the Expert Panel declined to find that the Bank had failed to comply with the *SFDCC Operational Guidelines*, noting that grant supported assessments of CCS, wind, solar power and solar water heating are currently underway.[24] At best, this is a dubious interpretation of the *SFDCC Operational Guidelines,* but it is utterly inadequate under the *Coal Guidance*. The *Coal Guidance* is unambiguous that the Bank must give full consideration to no- and low-carbon options before appraising a proposed coal project, to determine the best way to meet demand for energy services. (para. 2.0). By allowing alternatives assessments to occur after the coal project is selected as the preferred option, the Expert Panel enables the Bank to treat the coal project as a *fait accompli*, so long as it also assesses other low carbon projects it might

[16] *Expert Panel Report*, at 11.
[17] *Background Paper*, at 36.
[18] *Kammen, et.al.*, at 34.
[19] *Background Paper*, at 22.
[20] *Expert Panel Report*, at 11.
[21] Economic Consulting Associates/Penspen/Energy Institute Hrvoje Pozar, *South East Europe: Regional Gasification Study (Draft Final Report)*, October 2007. *available at http://www.energy-community.org/pls/portal/docs/89911.PDF*. *See also*, World Bank, PPIAF (2010). *The Future of the Natural Gas Market in Southeast Europe, available at http://issuu.com/world.bank.publications/docs/9780821378649*;
[22] http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/GAS/Regional_Market/Gas_Ring_Concept
[23] *Background Paper*, at 21.
[24] *Expert Panel Report*, at 10.

consider supporting at some time in the future. This approach defeats the purpose of the rigorous alternatives assessment required by the *Coal Guidance*.

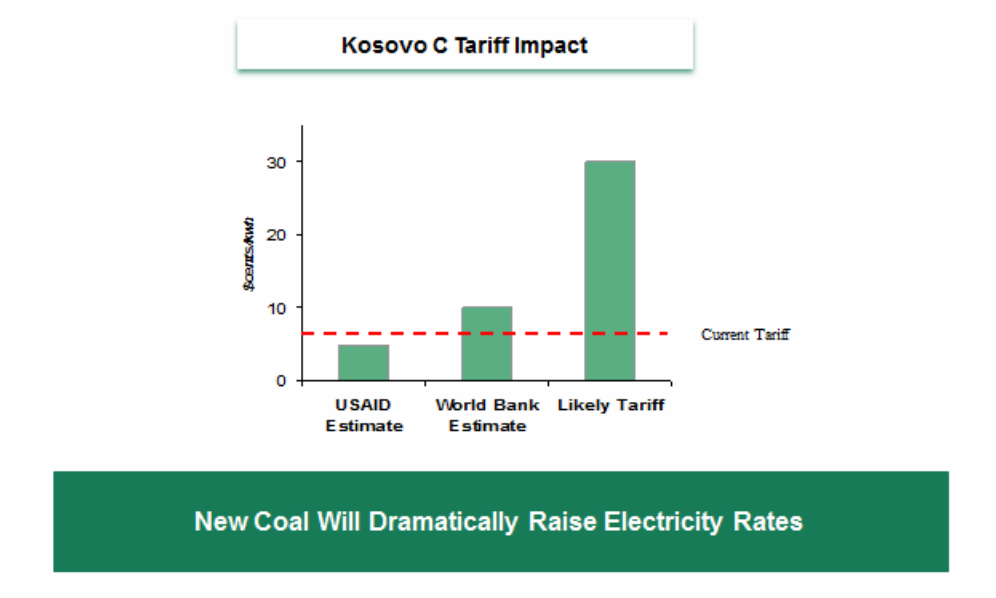
3. The Bank has not properly considered the higher costs and increased tariffs of the proposed project compared with alternative approaches.

Under the *Coal Guidance*, the MDB must determine whether the selection of the alternative portfolio would increase costs for end users over the proposed project. (para. 2.2).

Both the Kammen and INDEP/Sierra Club studies identified alternative portfolios that could provide the needed energy services at substantially lower cost than the proposed project. The Kammen study found that its alternative low-carbon portfolio would cost 50 percent less than the proposed project (and would have greater job creation benefits and much lower environmental and social externalities).[25]

Similarly, the INDEP/Sierra Club analysis found that the World Bank's *Background Paper* significantly underestimated the tariff increases that will be necessary to finance the simultaneous renovation of the Kosovo B plant, construction of the proposed new 600 MW plant, and the development of a new mine. This is so for two reasons. First, the Kosovo C plant will be encumbered with far higher debt costs than the currently operating units, even after Kosovo B is refurbished. The Bank's analysis does not calculate the short-term tariff increases that will be required to cover the increased fixed and operating cost of a $1 billion dollar investment – only the Levelized Electricity Cost (LEC). And the Bank's calculation understates the true LEC by assuming that the capital costs of the project can be repaid over the entire 40 year life of the project, even though both debt and equity investors will likely expect repayment over a much shorter time frame. Second, because the new plant and the renovated Kosovo B will produce significant excess base load capacity, Kosovo B, Kosovo C, or both will have to be run at uneconomic capacity factors, substantially reducing the amount of time they will be online and generating revenue.[26] As a result, tariffs up to four times higher than current rates may be needed to service the total new investments.[27]

[25] Kammen, et al., at 2.
[26] Buckheit, at 4-5, 7; available at http://action.sierraclub.org/site/DocServer/Reevaluating_Kosovo_s_Least_Cost_Options_for_Electricity.pdf?docID=8861
[27] Buckheit, at 7, 15.



4. <u>Assuming *arguendo* that the alternative portfolio does entail incremental costs, the Bank has made no apparent effort to assist the Government of Kosovo in securing incremental cost financing for an alternative portfolio.</u>

Under the *Coal Guidance*, if the alternative portfolio entails incremental costs and ratepayers' ability to absorb those costs is limited, the MDB must "assist the borrower in identifying public or private sources of external financing to cover them." (para. 2.3). The proposed project can be selected for appraisal only if, after "substantial effort", such financing is unavailable. (para. 2.4).

Even if we assume that the proposed project is the least cost option, the Bank has not made a "substantial effort" to help the Government of Kosovo find other sources of funding to defray any additional costs of lower carbon alternatives. Thus, in its discussion of the analogous requirements in the *SFDCC Guidelines*, the Expert Panel did not mention <u>*any*</u> efforts by the Bank to engage the Global Environment Facility, the Clean Development Mechanism, the Clean Technology Fund, other multilateral and bilateral donors, or any other potential sources of renewable energy or climate mitigation financing.[28]

In the absence of such efforts, the proposed coal-fired project cannot be selected for appraisal under the *Guidance*.

5. <u>The project does not propose to use "best internationally available technology."</u>

The *Coal Guidance* provides that if a coal project is selected for appraisal, it must use the "best internationally available technology for reducing GHG emissions for the size and duty cycle of the generating capacity that is needed to meet projected demand." It further provides that "designs using subcritical pulverized coal technology should be avoided."(para. 2.51).

[28] *Expert Panel Report*, at 11.

The Bank has not required the proposed project to meet this standard. Rather, assuming that the project is unlikely to use supercritical boilers due to unit size (2x300MW) and quality of available coal, the Bank has accepted a Request for Proposals ("RFP") that requires only subcritical designs with a generation efficiency of just 37 percent.[29] But this assumption is unwarranted. Higher efficiency boilers are fully compatible with both smaller unit sizes and lower quality fuels.[30] Hundreds of supercritical and ultra-supercritical units as small as 200MW are in service throughout the world, and they burn a wide range of coal grades.[31] Indeed, the Bank has observed that in Europe alone, Greece has a 330 MW supercritical facility that burns very low quality lignite, and other supercritical units in Germany, Poland, and Russia burn lignite or other low grade coals.[32]

Accordingly, the use of the subcritical technology allowed in the RFP would contravene both the *Guidance's* requirement that the project use best internationally available technology and the specific presumption against using subcritical technology. Of course, the proposed project would also have substantially greater GHG emissions than the alternative portfolios of policy and project options.

While the *Coal Guidance* allows some narrow exceptions to the requirement that best internationally available technology be used, none are applicable here. The project (a) does not address any national security imperatives (para. 2.61); (b) does not respond to a short-term emergency (para. 2.62); and (c) is not the only viable alternative to address Kosovo's critical energy needs (para. 2.62 (sic)), as a portfolio of viable alternatives is available that could displace the need for the new plant.[33]

In addition to the failure to meet the best available technology standard for greenhouse gas emissions, the proposed project also falls well short of best internationally available technology with regard to other pollutants that pose significant harm to human health. Thus, the new project would not meet the EU Best Available Techniques limits for dust, SO_2 and NO_x, and would not have controls designed to minimize emissions of other hazardous air pollutants such as mercury, hydrogen chloride, hydrogen fluoride, dioxins and heavy metals.[34]

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[29] World Bank, 2011. *Kosovo: Kosovo Power Project: Terms of Reference for the SFDCC Expert Panel*, at 17, 18.
[30] World Bank, 2008. *Clean Coal Power Technology Review: Worldwide Experience and Implications for India*, at 3. *available at* http://moef.nic.in/downloads/public-information/LCGIndiaCCTjune2008.pdf
[31] International Energy Agency ETSAP, 2010. *Coal-Fired Power*, at 2. *available* at http://www.iea-etsap.org/web/E-TechDS/PDF/E01-coal-fired-power-GS-AD-gct.pdf
[32] World Bank, 2008. *Clean Coal Power Technology Review: Worldwide Experience and Implications for India*, at 2. *available at* http://moef.nic.in/downloads/public-information/LCGIndiaCCTjune2008.pdf
[33] Even if one of the paragraph 2.6 exceptions were thought to apply, the exceptions set out in para. 2.6 do not affect the injunction to avoid "designs using subcritical pulverized technology" in para. 2.51. Accordingly, the presumption against using subcritical technology provides an adequate and independent basis for concluding that this project, as defined in the RFP, does not satisfy the requirements of the Coal Guidance.
[34] Buckheit, 2011. *Affordable Electricity for Kosovo? A Review of World Bank Group Cost Estimates For New Lignite-fired Plants in Kosovo*, at 5, 15, *available at* http://action.sierraclub.org/site/DocServer/Review_of_TOR_Final.pdf?docID=8341; See, European Commission, *Integrated Pollution Prevention and Control Reference Document on Best Available Technologies for Large Combustion Plants*, July, 2006. ("BAT Reference Document"). ftp://ftp.jrc.es/pub/eippcb/doc/lcp_bref_0706.pdf

6. The project will not offset its emissions.

The *Coal Guidance* provides that projects in "IDA-blend equivalent countries" must include a package of actions in the power sector that, in the aggregate, will fully offset the emissions to be added by the proposed project. Towards this end, the MDB "should either condition its support for the coal project on these actions, or finance complementary operations that do so." In order to quantify the emissions to be offset, the MDB must calculate gross and net greenhouse gas fuel cycle emissions based on transparent methodologies. (para. 2.52). Following the principles of established offset mechanisms such as the Clean Air Act and Clean Development Mechanism, offsets of these emissions must be real, "additional" or "surplus", measurable, enforceable and permanent.[35]

Since Kosovo borrows from IDA on "blend terms," it qualifies as an "IDA-blend equivalent" country under the *Guidance*.[36] Yet the Bank has not conducted the required life-cycle accounting of the emissions impact of the project. Instead, it has assumed that replacing the Kosovo A plant, which is at the end of its useful life, with the new, much larger Kosovo C plant, which will have a 40 year expected lifetime, will somehow be "carbon neutral."[37]

This is plainly untenable. In order to properly account for the life-cycle emissions of the project, the Bank must estimate the emissions that would be generated in the "without project" baseline scenario. This should be found by multiplying the annual emissions of each existing unit by their remaining years of useful life. Then, the aggregate emissions in the baseline scenario should be subtracted from the aggregate emissions in the "with-project" scenario to determine the additional emissions to be ascribed to the project. The entire difference must be offset under the *Guidance*.

Even a cursory review of the emissions impact of the project makes clear that the project will generate a substantial increase in emissions over the baseline scenario. Emissions from Kosovo A through 2017 should be included in both the baseline and "with-project" scenarios, since the Government of Kosovo has already committed to decommission the remaining units by that time to comply with its obligations under the Energy Community Treaty.[38] The baseline scenario would also include the emissions from Kosovo B through the end of its useful life without

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[35] **Clean Air Act:** Section 7503(a)(1); Regulation XIII, Rule 1309(b)(d)(e) (Offsets must be (1) real; (2) quantifiable; (3) enforceable; (4) permanent; and (5) surplus beyond existing requirements.) **Clean Development Mechanism:** Kyoto Protocol, *Art. 12(5)*; UNFCCC, Decision 3/CMP.1 *Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol, ANNEX,* para 43 ("A CDM project activity is additional if anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the registered CDM project activity.")

[36] See, http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:20054572~menuPK:3414210~pagePK:51236175~piPK:437394~theSitePK:73154,00.html

[37] IDA and IFC, (2009). *Interim Strategy Note for Republic of Kosovo for the Period FY10-FY11*, at 26.

[38] Due to these treaty obligations, Kosovo A is scheduled to close in 2017 regardless of the mix of actions included in this project. As the Bank's Interim Strategy Note for Kosovo concludes, "[s]ince the 35-year old Kosovo A generation units cannot economically be brought into compliance with the EU Directive for Large Combustion Plants, they would, in any event, need to be closed by 2017 at the latest, as required under the Energy Community Treaty. http://siteresources.worldbank.org/KOSOVOEXTN/Resources/297769-1266424306995/Kos_WB_assistance.pdf

rehabilitation. The emissions in the "with project" scenario include (1) the life time emissions of Kosovo C (approximately 40 years), and (2) the emissions of the rehabilitated Kosovo B through 2030, the end of its estimated useful life after rehabilitation.

Because Kovoso C will be in operation about 35 years longer than the remaining life of Kosovo A, and the rehabilitation of Kosovo B will both increase its capacity and considerably extend its life, the project will produce significantly higher emissions than the baseline scenario.

Offsetting the additional emissions generated by the project would require a level of commitment and investment in efficiency and renewables that is nowhere to be found in the current proposal. Indeed, there are no possible sources for such large offsets in Kosovo. More to the point, because under the proposed project the Kosovo B and C units would generate such a large percentage of Kosovo's total demand, offsets at the scale required to comply with the policy would obviate the need to build Kosovo C in the first place.

Conclusion

As it is currently conceived, the Kosovo Power Project cannot be reconciled with the requirements of *Coal Guidance*. For this reason, Treasury should withdraw its support for this proposal. Instead, it should work with the World Bank, the Government of Kosovo, other US technical agencies, and local stakeholders to develop and implement a plan that can help Kosovo meet its pressing needs for clean energy development in the most cost effective and environmentally responsible manner possible, and in accordance with the requirements of the *Coal Guidance*.