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**REPORT ON THE PROCESS OF PREPARATION OF
ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT
STUDIES**

FOR THE PROJECT

WIND POWER PLANT GVOZD

11th April 2019



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1 Introduction

The Company IVICOM Holding GmbH (IVICOM), successfully led the development and implementation of the project Wind Power Plant Krnovo (WPP Krnovo) with a total capacity of 72 MW, in Montenegro. IVICOM founded the company Green Gvozd LLC (Green Gvozd or Project Implementer) in 2015, with the aim of developing a new wind power plant Gvozd (WPP Gvozd) on the territory of the municipality Niksic, with a total capacity of up to 50 MW at handover into the transmission system (the Project).

IVICOM signed a Memorandum of understanding with Elektroprivreda Crne Gore AD Niksic (EPCG) in 2018, which states that EPCG is interested in cooperating with the company IVICOM on the development of the Project, through acquisition of a minority stake in the company Green Gvozd, with an option of acquiring the majority stake in the following phase. EPCG will acquire the minority stake in the company Green Gvozd through, among other things, expropriation of the remaining land needed for the construction of WPP Gvozd, which Green Gvozd did not manage to acquire through direct negotiations with owners of land.

The process of carrying out an impact assessment for the WPP Gvozd Project has been divided in two parts, which will be developed in different studies, as follows:

- Environmental Impact Assessment (EIA) Study, which will be developed in accordance with national legislation of Montenegro, with application of best international practice and standards.
- Social Impact Assessment (SIA) Study, which will be prepared in line with international standards and requirements.

The reference standards against which the impact assessments will be carried out are the Environmental and Social Performance Standards of the International Finance Corporation (IFC), a member of the World Bank Group.

This report has been developed by the Company IVICOM, in cooperation with consultants for social issues, LINK 011, with the following aims:

- Informing and consulting stakeholders on the development of environmental and social impact assessment studies for the Project WPP Gvozd;
- A review of the already defined scope and content of the Project EIA Study;
- Determining the scope and content of the Project SIA Study.

The report is being published in Montenegrin and English, on the website of the company Green Gvozd: <http://green-gvozd.com>

2 Project Description

The location where WPP Gvozd is planned to be built is located on the territory of the municipality Niksic in Montenegro. The closest populated area to the location where WPP Gvozd will be constructed is the village Gvozd, located at the foot of the southern end of the Project footprint. Savnik is located around 9 km north of the WPP Gvozd footprint, while Niksic is located around 12 km southwest of the footprint. A map showing the approximate location of WPP Gvozd is presented in Figure 1.



Figure 1

Project activities comprise phased construction and operation of the following components:

- Up to 16 wind turbines, with an exit strength of up to 5 MW, along with construction of typical plateaus for the installation of wind turbines and foundations on which the wind turbine pillars will be established;
- Substation 33/110 kV Gvozd within the Project footprint;
- Reconstruction of the substation 33/110 kV Krnovo;
- OHL 2 x 110 kV Substation Gvozd - Substation Krnovo, with a total length of 2,919 m;
- OHL 110 kV Substation Gvozd – Substation Niksic, with a total length of 14,730 m and reconstruction of the Substation 35/110 kV Niksic.

An overview of the layout of Project components is provided in Figure 2.

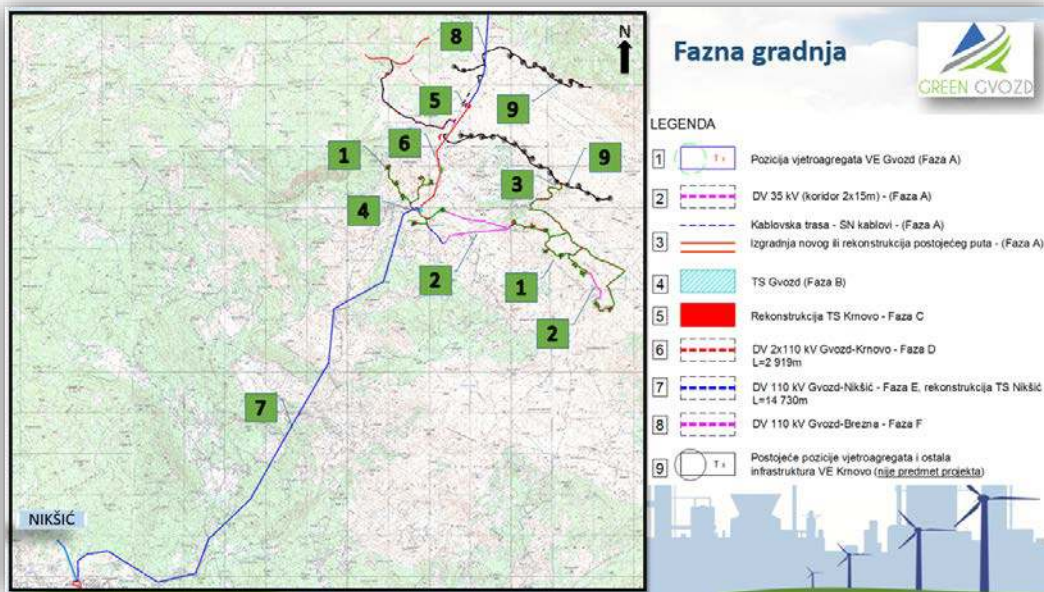


Figure 2

In addition, the Project will require the rehabilitation and construction of approximately 15 km of roads. Expropriation of the land needed for the construction of roads will be carried out by the municipality Nikšić, with funding provided by the company Green Gvozd.

The importance of constructing WPP Gvozd and benefits for local communities is expressed through the following parameters:

- Economic and technological development;
- Diversification of production and stability of supply of electricity;
- Increase in local production and reduced import of electricity;
- Export of the produced electricity after construction, through Substation (400)/110/35 kV Brezna;
- No feed-in tariffs;
- Reduction of CO₂ emissions;
- Engagement of local subcontractors for the construction of WPP Gvozd;
- Employment of the local population for construction and operation / maintenance of WPP Gvozd;
- Improvements in the local transport infrastructure;
- Compensation for the leasing and purchasing of land;
- Educational and tourist visits.

Construction of all facilities is expected to begin in 2021 and end in 2022.

At the time of developing this report, a draft Environmental Impact Assessment Study has been prepared for the Project, which will be submitted to the Agency for the Protection of Nature and the Environment of Montenegro, on April 12 2019, in accordance with the procedure regulated by the EIA Law (Official Gazette of Montenegro 75/18).

3 Consultation Process

3.1 Previous Activities

Until now, stakeholders had an opportunity to learn about the Project and its potential impacts, in general, within the process for the development and revision of the Spatial and Urban Plan of the Municipality Niksic (2014/2016) and, in more detail, within the process for the development and adoption of the Local Study for the Location 'Gvozd', Niksic (2018). Apart from that, Green Gvozd carried out meetings with individuals, with the aim of concluding amicable agreements on the purchase of land needed for the Project.

The Ministry for Sustainable Development and Tourism issued urban and technical conditions for WPP Gvozd, on 10th October 2018, while the Municipality Niksic issued urban and technical conditions for the transport infrastructure for WPP Gvozd on 1st October 2018.

Apart from that, on 1st and 2nd April 2019, a team consisting of representatives of IVICOM Consulting from Zagreb, Gvozd LLC from Podgorica, Institute for Development and Research in the Area of Labour Health and Safety (Ecology Sector) from Podgorica and LINK 011 from Belgrade, held meetings with key stakeholders, the results of which are presented in this chapter.

Meetings were held with the following stakeholders:

- A representative of EPCG;
- Representatives of the Municipality Niksic;
- Members of the Committee for Determining the Amount of Just Compensation, formed by the Real Estate Administration, in line with the Law on Expropriation of Montenegro;
- A representative of the Real Estate Administration of the branch office in Niksic;
- Representatives of the organisation Ecological Movement Ozon from Niksic;
- Representatives of the organisation Centre for Protection and Research of Birds (Centar za zaštitu i proučavanje ptica - CZIP) from Podgorica, a member of the International Union for Conservation of Nature and Birdlife International;
- A representative of the Agency for the Protection of Nature and the Environment of Montenegro;
- An owner of land purchased by Green Gvozd for the Project.

Representatives of the Municipality Niksic (Municipality Manager and the Main City Architect), expressed their full support for the Project, especially having in mind the previously implemented project WPP Krnovo, whose development and implementation was led by the same company. They pointed out numerous benefits which the previous project created for the local community, starting from new access roads in Krnovo, engagement of construction companies from Niksic and other parts of Montenegro for construction of the wind power plant, procurement of goods and services from local suppliers, improved electricity supply,

beginning of the development of local tourism, etc. There were no negative impacts of the construction of WPP Krnovo, including in relation to transport of wind turbines to the project location, which was carried out during the night and did not disrupt local traffic. They expressed their expectation that the same will happen with the construction of WPP Gvozd.

Representatives of the Real Estate Administration and the Committee for Determining the Amount of Just Compensation, explained to the team the process of expropriation and the latest changes of the Law on Expropriation of Montenegro, informed the team on the status of expropriation for project roads (the valuation of land has been completed and the project for the re-defining of land parcels is currently being developed) and expressed their view that there will be no major issues in relation to land acquisition.

During the meeting with the EPCG representative, it was confirmed that both the Government of Montenegro as well as the company EPCG, view the construction of the WPP as an exceptional benefit for the energy system of the country, which is fully aligned with the strategy for the development of that system. The fact that the state will become an owner of the Project, 20 years after it is implemented, additionally strengthens the support that EPCG and the Municipality Niksic are providing to the company Green Gvozd. Expropriation and land acquisition for the remaining wind turbines, the construction of OHLs and substations will be carried out by EPCG, in line with the laws of Montenegro as well as international good practice standards, which EPCG is well experienced with, working on World Bank projects.

Meetings were also held with two non-government organisations, Ozon and CZIP. Both organisations expressed satisfaction that the identified shortcomings during the development of the project WPP Krnovo, in relation to information exchange and cooperation, have now been overcome. They also stated that based on the experience with WPP Krnovo, they do not expect any major issues in relation to environmental and nature protection for the project WPP Gvozd, however that they hope that cooperation will continue and that they are willing to share their data to contribute to the development of a high quality EIA Study. The organisation Ozon suggested that a meeting with several more interested organisations should be organised to present the draft EIA Study, which the team accepted.

A meeting was held with a representative of the Agency for the Protection of Nature and the Environment who informed the team that the Agency is well acquainted with the Project, because Agency representatives already had meetings with the Project Implementer. The team then informed the Agency representative about other meetings which were previously held and the conclusions and agreements that were reached at these meetings in relation to next steps. What was underlined several times by the Agency representative was the satisfaction with the Company's approach to cooperation with stakeholders. The Agency representative finds this approach to be particularly good and that it is something that is strived for on all projects, to ensure the best results and that the assessment studies are of a high quality, while the number of comments on them is reduced to a minimum. It was highlighted that the Project will have full support from the Agency and that its representatives

are available to the Company for all needed assistance in further developing the Project, starting from a review of the EIA Study.

During the meeting with one of the owners who sold her land plot to the Company for the construction of a wind turbine, it was confirmed that she (and her brother who is the co-owner of the land plot) is extremely satisfied with the offered price, the process for concluding the contract and the speed at which the agreed sum was paid to her. As she owns several more land plots in the project area, she expressed her willingness to sell them under the same conditions, if the company Green Gvozd needs additional land. She also confirmed that neither she nor her brother used the land in question before the sale and that she rarely even went to this area to look after the land which she inherited. She also stated that other owners she knows, rarely go to visit their land plots, because of, among other reasons, the very inaccessible terrain (which will now be more accessible because of the construction of access and service roads), and that a small number of them have weekend houses there, however at the foot of the WPP Gvozd location, which they use only during the summer, during a short period, because of strong winds.

3.2 Planned activities

Planned future activities which will be undertaken with the aim of informing and consulting stakeholders about the Project and its impacts, will be presented within the Stakeholder Engagement Plan (SEP), to be developed by the middle of May 2019 and published on the website of the company Green Gvozd. After that, this Plan will be periodically revised by the Project Implementer, as new engagement activities are defined.

In short, the engagement activities planned in the forthcoming period are:

- The publishing of this report on the website of the company Green Gvozd;
- A meeting to be held with non-government organisations with the aim of informing them about the expected impacts of the Project on the environment and the measures which have been foreseen for their mitigation, planned for the end of April 2019;
- Publishing of the WPP Gvozd Project SIA Study and SEP on the website of the company Green Gvozd, planned for mid May 2019;
- An invitation to participate in the public hearing and the public hearing itself on the WPP Gvozd Project EIA Study, to be organised by the Agency for the Protection of Nature and the Environment in line with national legislation of Montenegro, during May 2019.
- Meetings with land owners in the process of expropriation of land needed for the Project.

4 Project Impacts

4.1 Environmental Impacts

The WPP Gvozd Project EIA Study will consider impacts and risks within the following categories:

- Air quality;
- Water quality;
- Soil;
- Local population (noise, vibrations, electromagnetic fields, shadow flicker, socio-economic impacts);
- Eco-systems and the geological environment (impacts on birds, bats);
- The purpose and use of land;
- Communal infrastructure;
- Protected natural and cultural heritage;
- Landscape;
- Accidents.

4.2 Social Impacts

4.2.1 Local Context

The closest populated area to the location where WPP Gvozd will be built is the village Gvozd which is located at the foot of the southern end of the Project footprint. The village is largely unpopulated, except during the summer, when structures are used as weekend houses. The surrounding terrain is hilly and scarcely populated. Due to the sharp climate and snow which lasts well into May, sometimes even longer, land is rarely used for agriculture and only in lower altitudes. Potatoes are mostly grown, while nearby meadows are used for cattle grazing.

A satellite image of the village Gvozd is given in Figure 3 – wider and focussed view (source: Google Earth), while a photograph of the location where WPP Gvozd will be built is provided in Figure 4.



Figure 3



Figure 4

4.2.2 Land Acquisition

Land for the construction of wind turbines has been acquired by the company Green Gvozd, through negotiated settlements in approximately 40% of cases. For other turbines, expropriation will most likely have to be carried out, which will be initiated by EPCG. The main reason for that is that there are many owners of an individual land plot, some of whom live abroad and are difficult to reach. As an example, there is one case where the last registered owner is from 1876, while today, there are more than 200 of his heirs. The owner whom the team met with was very happy with the offered price and process of purchase, which was carried out with no problems and very quickly, while the owners themselves had no extra expenses. The offered (and accepted) price is approximately four times higher than the market value of land (0,5 EUR per m² although even the demand for this land is very low) and amounts to 2 EUR per m². Apart from land needed for the wind turbines, land for a part of corner OHL towers was also bought by Green Gvozd through negotiated settlements, while land needed for the remaining towers will also need to be acquired through expropriation, which will be initiated by EPCG. On the land in question there are no structures. According to the EPCG representative, on land located below the OHL cables, a servitude will be established, with payment of compensation to the land owners.

Expropriation of land needed for the construction of access and service roads is being carried out by the Municipality Niksic. As the costs of expropriation (and land) will be borne by the company Green Gvozd, the unit price of land will be the same as for the wind turbines i.e. 2 EUR per m². There are no structures on this land either.

Generally speaking, areas of land being acquired are very small, the land is not fertile (mostly meadows and fields belonging to categories 6 and 7 and karst, as well as very little forest) and it is not used for agriculture, and therefore its acquisition will not significantly impact owners' livelihoods. On the other hand, having in mind that the construction of access roads will improve access to nearby land plots, which will increase their value and that the offered compensation is higher than the market value, it is expected that there will be no major opposition to expropriation and the offered compensation.

4.2.3 Categories of Impacts

The WPP Gvozd Project SIA Study will consider impacts and risks grouped into the following categories:

- Impacts on land use;
- Opportunities for employment and for contractors and suppliers;
- Impacts on livelihoods;
- Impacts on local infrastructure;
- Community health and safety.

Detailed information on Project impacts will be presented in the EIA Study, as well as in a separate SIA Study, which will be published on the website of the company IVICOM.

5 Conclusions

Feedback from meetings held on 1st and 2nd April will be taken into account while working on the environmental and social impact assessments for WPP Gvozd Project.

As already mentioned, the draft Project EIA Study will be submitted to the Agency for the Protection of Nature and the Environment of Montenegro for review on 12th April 2019, in line with the legal procedure. At the same time, the Project SIA Study and the SEP, as conditions for the fulfilment of international best practice requirements, will be published in mid May 2019, on the website of the company Green Gvozd: <http://green-gvozd.com>.