



Independent
Project
Accountability
Mechanism

Assessment Report

Toplana Zenica d.o.o.

EBRD Project Number 49253

Case 2023/06

April 2024

The Independent Project Accountability Mechanism (IPAM) is the European Bank for Reconstruction and Development's (EBRD) accountability mechanism. IPAM independently reviews issues raised by individuals or organisations concerning Bank-financed projects that are believed to have caused or be likely to cause harm. The purpose of the mechanism is to facilitate the resolution of social, environmental, and public disclosure issues among project stakeholders; to determine whether the Bank has complied with its Environmental and Social Policy and the project-specific provisions of its Access to Information Policy; and, where applicable, to address any existing noncompliance with these policies, while preventing future non-compliance by the Bank.

For more information about IPAM, contact us or visit www.ebrd.com/project-finance/ipam.html

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Unless otherwise indicated capitalised terms used in this report are those as set forth in the 2019 Project Accountability Policy.

LIST OF ABBREVIATIONS

Abbreviation	Long Form
Board	the Board of Directors of the European Bank for Reconstruction and Development
Case	the consideration of a Request under the Project Accountability Policy following its registration
CAO	the Chief Accountability Officer of the EBRD, and IPAM head
Case Registry	the registry of Cases created in accordance with Section III, Paragraph 3.1 of the Project Accountability Policy, which can be found on the IPAM Webpage
Compliance	the IPAM function which determines whether EBRD has complied with its Environmental and Social Policy or the Project-specific provisions of its Access to Information Policy in respect of a Project
EBRD (or Bank)	the European Bank for Reconstruction and Development
ESIA	Environmental and Social Impact Assessment
ESP	the EBRD's Environmental and Social Policy in force at the time of Project approval
IPAM	the Independent Project Accountability Mechanism of the EBRD established as per the 2019 Project Accountability Policy
IPAM Head	the EBRD managing director responsible for the running of IPAM, the implementation of the Project Accountability Policy and for making the decisions that are the responsibility of IPAM under said Policy
PAP	the 2019 Project Accountability Policy
Parties	the individuals, entities, and/or organisations with a direct interest in a Case. Parties may include (but are not limited to): the Requesters; their Representatives, if any; the relevant Bank department, team, or unit; the Client; and other Project financiers or other entities responsible for the implementation of a Project
Problem Solving	the IPAM function which supports voluntary dispute resolution engagement between Requesters and Clients to resolve the environmental, social, and public disclosure issues raised in a Request, without attributing blame or fault.
PSD	Project Summary Document
President	the President of the EBRD

Executive Summary

The Request¹

On 7 May 2023 the [Independent Project Accountability Mechanism](#) (IPAM) received a [Request](#) from Eko Forum Zenica, a Civil Society Organization consisting of a group of residents from the city of Zenica, in Bosnia and Herzegovina (Requesters). Eko Forum Zenica submitted their Request as an affected organization alleging that the EBRD funded [Toplana Zenica d.o.o. Project](#) (OP ID 49253) is not compliant with the EBRD's 2014 Environmental and Social Policy as it uses as fuel residual gases from steel production that were not previously treated. Requesters also allege that the Project is causing health issues to the residents of Zenica. The Requesters expressed interest in Problem Solving and Compliance.

The Project²

The [Toplana Zenica d.o.o. Project](#) (OP ID 49253) is a long term senior loan of EUR 41 million to the joint venture Toplana Zenica d.o.o. (EBRD Client) for the construction of a new Combined Heat & Power Plant. The Project will replace and modernise the existing Combined Heat & Power Plant and provide sustainable source of power and heat for the City of Zenica and Arcelor Mittal Zenica and will substitute the use of coal with the use of process gases from the steelworks as fuel, and as a result achieve reduction in CO2 emissions, as well as improvement in dust, NOx and SO2 emissions. The Project will also significantly improve the reliability of district heating supply to the city of Zenica. The Project was approved on 14 November 2018 as category B under the EBRD's 2014 Environmental and Social Policy.

IPAM Process

The Request was registered by IPAM on 18 July 2023 under [Case 2023/06](#), initiating the Assessment stage that was conducted until April 2024 in accordance with the [2019 Project Accountability Policy \(PAP\)](#). IPAM undertook an in-depth analysis of the Request and reviewed the additional documentation provided by the Parties, held online meetings with the Bank team responsible for the Project, representatives of the Client and the Requesters. IPAM also conducted a site visit to Zenica in Bosnia and Herzegovina during 18 - 19 September 2023 to meet in person with the Requesters, the Client, and the Project Operations Leader to explore their willingness and capacity to engage in Problem Solving and visited the Project area relevant to the Request.

Conclusion and Next Steps

In line with paragraph 2.3 a) v. c. and c) ii. of the 2019 Project Accountability Policy, IPAM is recommending the EBRD Board of Directors to close Case 2023/06 based on the decision of Arcelor Mittal to close the coke plant which is the focus of the IPAM Request.

Should this recommendation be approved by the Board, IPAM would circulate this Assessment Report to the Parties and disclose it in the virtual case file for [Case 2023/06](#), in both English and Bosnian prior to closing the Case. IPAM wishes to thank the Requesters, the Client and Bank management for their time and inputs provided during the Assessment stage.

¹ The Request is available [here](#)

² EBRD's Project Summary Document is available [here](#)

1. Background

1.1. The Request³

On 7 May 2023 IPAM received a [Request](#) from Eko Forum Zenica, a Civil Society Organization consisting of a group of residents from the city of Zenica, in Bosnia and Herzegovina (Requesters). Eko Forum Zenica submitted their Request as an affected organization alleging that the EBRD funded [Toplana Zenica d.o.o. Project](#) (OP ID 49253) is not compliant with the EBRD's 2014 Environmental and Social Policy as it uses as fuel residual gases from steel production that were not previously treated.

Requesters further claim that the emissions of the coking plant are way above the limits and harmful for the environment and people's health. Requesters expressed that they see a strong connection between Arcelor Mittal and Toplana Zenica as in their view there is a supply chain relationship between the coking plant and Toplana Zenica. As such, they consider that EBRD has influence over Arcelor Mittal and could encourage the company to improve its standards and practices and reduce impacts on the environment and the population by applying Best Available Technics. The Requesters expressed interest in Problem Solving and Compliance.

1.2. The Project and its Current Status⁴

The [Toplana Zenica d.o.o. Project](#) (OP ID 49253) is a long term senior loan of EUR 41 million to the joint venture Toplana Zenica d.o.o. (EBRD Client) for the construction of a new Combined Heat & Power Plant. The Project will replace and modernise the existing Combined Heat & Power Plant and provide sustainable source of power and heat for the city of Zenica and Arcelor Mittal Zenica. Also, the Project will substitute the use of coal with the use of process gases from the steelworks as fuel, and as a result achieve substantial reduction in CO2 emissions, as well as improvement in dust, NOx and SO2 emissions.



Project location. Source: Non-technical Summary

According to the [Project Summary Document](#), the Project will comply with National and EU environmental standards

(such as Best Available Techniques Conclusion Notes) and is structured to meet the Bank's Environmental and Social Performance Requirements. The Project will also significantly improve the reliability of district heating supply to the city of Zenica. The Project was approved on 14 November 2018 as category B under the EBRD's 2014 Environmental and Social Policy.

1.3. Case Processing to Date

The Request was registered by IPAM on 18 July 2023 as it met the criteria for Registration established in Section 2.2 (b) of the PAP, and none of the exclusions set in Section 2.2 (c) of the PAP

³ The Request is available in the case summary at: [Case 2023/06](#)

⁴ The information is sourced from the EBRD's Project Summary Document available [here](#) and the Non-Technical Summary available [here](#)

applied at that stage. The registration of a Request is an administrative step⁵ establishing that the following criteria have been met:

- all mandatory information has been provided;
- issues raised relate to specific obligations of the Bank under the Environmental and Social Policy and/or the project-specific provisions of the Access to Information Policy;
- it relates to a Project that the Bank has approved; and
- the Request submitted is related to an active project or is submitted within 24 months of the date in which the Bank has ceased to have a financial interest in the project.

2. Assessment Stage

Immediately after registration, the Request was transferred to the Assessment Stage as established in para. 2.3 of the 2019 PAP, to:

- develop a clear understanding of the issues raised in the Request;
- discuss the Problem Solving and Compliance functions with the Parties, their scope, and outcomes;
- assess the Parties' willingness to engage in each function;
- consider the updated status of other grievance resolution efforts, if applicable; and
- make a final determination with three alternative outcomes:
 - the Case could proceed to Problem Solving, based on the agreement of the Requesters and the Client; or
 - the Case would be transferred to Compliance Assessment if no agreement to pursue Problem Solving is reached and the Requesters would have expressly asked for this; or
 - the Case would be closed.

The Assessment stage has a standard duration of 40 business days from the date of the Request Registration which might be extended to ensure robust processing or if translation of documents is required as per the PAP. The Assessment was initiated in the second half of July 2023 and was finalised in April 2024.

In line with the approach established in the PAP (see section 2.3 of the PAP), the IPAM team undertook the following activities during the Assessment stage:

- revision of relevant Project documents;
- virtual meetings with the Bank team responsible for the Project, representatives of the Client and the Requesters; and
- site visit to Bosnia and Herzegovina.

3. Site Visit

The IPAM team visited the Project site on 18 - 19 September 2023 and engaged in-person with the Client and the Requesters, to get a better understanding of the Project and the issues raised in the Request. IPAM wishes to thank all stakeholders for their willingness to engage with the delegation and their openness to discuss the concerns raised in the Request.

⁵ Registration of a Request does not involve a judgement on the merits, truthfulness, or correctness of its content. Nor does it have the effect of suspending the Bank's interest in a Project.

Photograph of the Project Site, source: IPAM



4. Summary of the Parties' Views

This section provides the views of the Requesters, the Client and Bank management as captured by IPAM during virtual and in-person meetings. Prior to finalising this Report, to ensure that the information included herein is accurate, IPAM shared with the Parties relevant sections and considered their comments when finalizing it.

4.1 Requesters

During the Registration and Assessment stages (May 2023 to April 2024), the IPAM team communicated frequently with the Requesters and reviewed the documentation provided by them. In addition, IPAM met with the Requesters at the Eko Forum office in Zenica on 18 September 2023 and conducted a Project site visit guided by Requesters on 19 September 2023. In addition, on 23 November 2023 IPAM facilitated a joint meeting between Requesters and Bank management where the Bank explained EBRD's role in the Project and Requesters received answers on several questions.

During these engagements, the Requesters acknowledged that the EBRD Project has replaced the outdated, coal-based steam generators with modern units using recovery gases from the steelworks at the Combined Heat & Power Plant. In their view, this constitutes an improvement over the previous system, but at the same time, they consider that the Project isn't compliant with the EBRD's Environmental and Social Policy, as it uses as fuel residual gases from steel production by Arcelor Mittal Zenica that were not previously treated.

In addition, Requesters indicated that they see a strong connection between Arcelor Mittal Zenica and Toplana Zenica as in their view there is a direct connection between the Arcelor Mittal's coking plant and Toplana Zenica heating plant through a supply chain relationship. As such, Requesters consider that EBRD has influence over Arcelor Mittal and should encourage the company to invest in modernizing the coking plant to reduce harmful emissions.

Requesters indicated that Arcelor Mittal Zenica is employing about 2200 employees in Zenica. Considering the high number of jobs being created, Requesters would like for the factory to continue

its operations, but in their view, it should improve its standards and practices and reduce impacts on the environment.

Requesters explained that the emissions of the coking plant are way above the limits and the substances that are flared in the air are harmful for people's health, as such they consider that Best Available Technics should be applied to limit harmful emissions. They also shared that would hope for more transparency on data regarding emissions.

Finally, the Requesters indicated their satisfaction with the decision of Arcelor Mittal to close the coking plant as in their view this was the main source of air pollution.

4.2. Client

IPAM engaged with representatives of Toplana Zenica d.o.o. (EBRD Client) and Arcelor Mittal Zenica virtually on 14 September 2023 and had an in-person meeting on 18 September 2023 in their office in Zenica. In addition, IPAM exchanged several email communications with them during the Assessment stage and reviewed Project documentation.

During this engagement the Client indicated that the EBRD Project replaced and modernised the existing Combined Heat & Power Plant and provided sustainable source of power and heat for the City of Zenica and Arcelor Mittal Zenica. In addition, the Client explained that the Project allowed the use of waste gasses from Arcelor Mittal Zenica's steelworks that would have been flared otherwise.

According to the Client, the Project is contributing to the process of reducing emissions and improving the air quality in Zenica, at the same time it is providing heat and power to the city of Zenica. Additionally, the Client explained that thanks to the EBRD project they have reduced the use of coal and as such, have reduced the dust emissions.

According to the Client, the coking plant belongs to Arcelor Mittal and is not part of the EBRD Project, although they admitted that the coking plant is old and obsolete and hasn't been modernized for a long time, that being the reason why Best Available Techniques can't be applied. They added that one solution could be to replace the filters at the coking plant, but this would be costly.

Regarding the Requesters concerns related to air pollution, the Client explained that Zenica is situated in a valley which causes polluted air to be maintained in the atmosphere for a longer period, particularly during winter. However, they explained that the measurements they have undertaken in 2022 are showing improvements in terms of air quality compared to previous years. The Client also mentioned that monthly they are sharing data on air quality with the Office of National Statistics of BiH and this information is also being disclosed to the public.

At the beginning of April 2024, the Client communicated to IPAM that Arcelor Mittal would close the coking plant in the following weeks due to commercial reasons as the installation was no longer viable and has reached the end of its life. They concluded that in their view the issues raised in the Request shouldn't be a concern any longer.

4.3. EBRD Management

On 21 June 2023 IPAM held a virtual meeting with EBRD management as part of the Registration stage and on 14 September 2023, 18 January 2024 and 15 March 2024 during Assessment. Bank management provided an update on the implementation of the Project and their perspective on the issues raised in the Request. The team also shared Project documents that were reviewed by IPAM. In addition, on 23 November 2023 IPAM facilitated a joint meeting between Requesters and Bank management where the Bank explained EBRD's role in the Project and Requesters received answers on several questions.

Bank management explained that the Toplana Zenica Project is a Combined Heat and Power Plant that the EBRD is supporting through a long-term senior loan. They added that this is a stand-alone Project and EBRD financing goes to Toplana Zenica and not to Arcelor Mittal Zenica.

Bank management further explained that the results of the EBRD investment have allowed the use of waste gasses that would have been flared otherwise and therefore there is a reduction of harmful emissions. Bank management shared that the Project replaced the outdated, coal-based steam generators and the Combined Heat and Power Plant which is fully operational as of 2022 and has undergone performance monitoring in 2023.

Bank management explained that that Arcelor Mittal is the biggest steel producer in the world and Arcelor Mittal Zenica is the biggest employer and taxpayer in Zenica. However, they clarified that Arcelor Mittal Zenica is not directly in the scope of the Project as EBRD does not have a contractual relationship with Arcelor Mittal Zenica, but with Toplana Zenica.

Bank management acknowledged that the coking plant hasn't been modernized for a long time and might not be in line with EU standards but clarified that the Bank has no mechanism to enforce potential investment in the coking plant as this is part of Arcelor Mittal Zenica steel operations. However, they added that have got a confirmation from Arcelor Mittal about their decision to close the coking plant at the end of April 2024.

5. Assessment Determination

Based on the Assessment activities undertaken in relation to Case 2023/06, IPAM has made the following determinations:

- After an in-depth analysis of the concerns raised, IPAM determined that the Request meets the Registration criteria.
- Given the decision of Arcelor Mittal to close the coking plant, which is the focus of the IPAM Request, after consultations with all Parties, IPAM recommends closing the Case.

6. Conclusion and Next Steps

In line with paragraph 2.3 a) v. c. and c) ii. of the 2019 Project Accountability Policy, IPAM is recommending the EBRD Board of Directors to close Case 2023/06 based on the decision of Arcelor Mittal to close the coke plant which is the focus of the IPAM Request.

Should this recommendation be approved by the Board, IPAM would circulate this Assessment Report to the Parties and disclose it in the virtual case file for [Case 2023/06](#), in both English and Bosnian prior to closing the Case. IPAM wishes to thank the Requesters, the Client and Bank management for their time and inputs provided during the Assessment stage.