To: The President and Executive Directors of the EBRD

CC: Hildegard Gacek, Managing Director, Southern and Eastern Mediterranean (SEMED), Philip ter Woort, Director Egypt

13 December 2013

Subject: EBRD support to the IPR Development Facility Project in Egypt

Dear President Chakrabarti and Executive Directors of the EBRD,

We are writing to you in your capacity as Directors of the EBRD to express our serious concerns regarding the USD 50 million loan proposal for the IPR Development Facility Project in Egypt currently being considered by the EBRD.

Given the insufficient information to independently assess the project's environmental and social impact by the civil society, the lack of additionality of the EBRD and the current violation of the basic principles of democracy and pluralism set out in Article 1 of the Agreement Establishing the Bank in Egypt, we urge you to reject the loan at the next Board meeting on the 17th of December 2013.
At a minimum, we demand you to delay your decision to allow a stabilization of the political situation in Egypt. The project also needs to be thoroughly reassessed to address a number of issues we detail in the briefing paper attached:

- The political situation in Egypt is extremely violent, and the government is moving away from compliance with Article I. The EBRD's financing of this project will not create any move towards the principles of Article I, but instead assure the government that it can get away with continuing the current trend of increased repression and authoritarianism.

- The nature of the project conflicts with the stated objectives of the EBRD in the SEMED region. The Bank claims to be prioritizing renewable energy in its new countries of intervention. Its support to an oil & gas projects in Egypt, which is one of few sectors that do not have difficulty in attracting investment, is seriously undermining this claim and the reputation of the Bank.

- The loan is one of the first tests facing the Bank after the approval of the energy strategy earlier this week. It will be a test of how seriously the Bank treats the commitments enshrined in the policy to foster the transition to a low-carbon economy and prioritise energy efficiency, rethinking the energy system and setting standards and best practice in the energy sector (three of the seven pillar on which the new energy strategy is supposed to be based on).

- The additionality of the EBRD is dubious. First, Kuwait Energy Documentation disclosed on April 2012 shows already committing under Performance Standard 3 to a process of negotiating with the Egyptian government over reducing gas flaring, regardless of EBRD financing. Secondly the EBRD already has included the policy dialogue on the reduction of gas flaring with the Egyptian government already as a condition of the loan to Kuwait Energy loan approved in May 2013. Since then, the EBRD has not provided any information or evaluation on how effective has been the political dialogue with the Egyptian government on gas flaring reduction after the deterioration of the political situation in Egypt. What is more the undersigned organisations express serious doubts as to the influence the EBRD can have in this regard given the current political situation in Egypt. We are therefore requesting information concerning the evaluation of the achievements of the policy dialogue with the Egyptian government on gas flaring reduction as an effect of the loan to Kuwait energy before another loan aimed at obtaining gas flaring reductions is approved by the EBRD.

- The “gas flaring” part of the project is unclear. Documents produced by IPR Transoil Corporation, IPR Energy Red Sea, Inc. and IPR Energy Suez and existing financiers make no references whatsoever to any plans to reduce flaring in Egypt. It is also unclear which portion of the $50 million EBRD loan would go towards reducing gas flaring beyond the €65,000 of Technical Co-operation funding to assess potential reductions in gas flaring provided already for the Kuwait Energy loan in May 2013.
- The project was miscategorized as B on the basis of a supposed focus on a reduction of gas flaring and “environmental improvements” whereas it is likely that the “field development” element will be the real focus of IPR Transoil Corporation, IPR Energy Red Sea, Inc. and IPR Energy Suez activities in Egypt.

- There is no additional transition impact. The Transition Impacts listed in the PSD are almost all either already taking place in Egypt [(I) Competition in the oil sector in Egypt The only potential additional Transition Impact would be increasing disclosure of payments. However, in the oil sector, the best practice is broader than merely disclosure of payments to authorities and also includes online publishing of contracts signed. Therefore, EBRD demand is a weakening - not a strengthening - of international best practices on transparency.

With so much at stake, we hope that you will reject the loan to the IPR Development Facility Project in Egypt or at least postpone your decision on the project and address the issues we have raised. We look forward to hearing from you at your earliest convenience and we count on your utmost attention to the project.

Yours Sincerely,

CEE Bankwatch Network

Platform-London

Counter Balance

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