



Weekly Briefing

Slovenia Economy briefing:
The most important economic developments in 2017
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Briefing on the most important economic developments in Slovenia in 2017

Slovenian economic sphere revolved around an unexpected topic in 2017. In May, June and July on three separate occasions fire destroyed industrial plants causing serious damage to the environment. These three unrelated events opened the public debate about the environmental effects of certain industry sectors. This also became a framework for the major government led foreign investment project, the building of the Magna Steyr factory in Hoče-Slivnica, opening the questions about public interest, roles of civil society and the government, environmental safety and regulations etc.

1) Framework: Three environmentally damaging events in 2017

On May 15 a big fire erupted in the chemical factory for the recovery of waste, Kemis, in the small town Vrhnika, 21 km from the capital. The factory had a greater quantity of dangerous waste on the premises and the fire caused an environmental disaster. Fire started in the storage of toxic waste from industry, households, hospitals, building industry and agriculture. Several extremely hazardous materials such as oils, varnishes, solvents, paints and medicaments were all present in the factory at the time of the fire, including the herbicide atrazine, which was forbidden already 14 years ago. The fire was raging for a day and was only stopped with a fire brigade of more than 250 firemen, while leaving behind horrible consequences. Several neighboring houses had to be evacuated and people suffered because of the fumes inhalation – headaches, breathing difficulties and a wide range of other symptoms were reported. The fields and gardens were destroyed, scattered with pieces of molten plastic and other materials and rendered useless. All of the agricultural products had to be discarded. The greatest pollution however, was caused by a leakage into the nearby stream Tojnica, a tributary to a bigger river Ljubljanica, that runs through

the capital Ljubljana. The fish in Tojnica died in big numbers, including several protected species under the protection of Natura 2000 conservation area. It took weeks before the damage was fully assessed and analysed. The owners of the factory were very slow to cooperate with government, media and the local community in damage management.

Only a month later, on June 8, a fire erupted in the north-east of Slovenia, in the factory unit of Eko Plastkom in Ljutomer. The company also dealt with recovery of hazardous waste, focusing mainly on the waste candles. It was later discovered that the fire was due to arson, but the case has not been resolved yet. On this occasion, the environmental damage was much less dramatic than in the case of Kemis, neither the agricultural land around the factory and the water resources were affected.

On July 20 there was another fire in the waste recovery factory Ekosistemi near Novo mesto in the south east of Slovenia. The fire took a long time to extinguish, because the scope of the fire was considerable and the fire was spreading quickly, spreading from the wood waste storage to polyvinyl and other waste materials. The local population was very much affected during the fire; the heavy black smoke cloud resulted in breathing difficulties and some poisonings by the smoke.

The three fires had different outcomes, the worst damage being done in the case of Kemis fire. The three events resulted in the public debate about these and similar investments, especially underlining these points:

- **The regulations are not strictly imposed.** The Kemis factory, for example, applied for their environmental permit as a low risk facility, and were thus not subject to necessary safety requirements, such as Seveso directive.
- **The local communities want more say in such matters.** Mayor of Vrhnika, for example, organized a local initiative together with NGOs to prevent further operation of the Kemis industrial facility in their town.

- **Government and state institutions were slow to react.** A lot of criticism was directed at the slow response of the government and non-transparent policies of the state institutions, such as the environmental inspection etc.

2) Magna Hoče-Slivnica investment

In mid-2016 the government made public an investment strategy for a new industrial centre in Slovenian North East, in the Hoče-Slivnica municipality. The investment was offered by an originally Canadian automobile industry giant, Magna, which as Magna Steyr operated a technical and engineering centre just over the Slovenian-Austrian border, in Graz. In Hoče, they wanted to invest in opening a car painting facility. The promise for this region with comparatively high unemployment was to initially provide 400 jobs for the local community (and up to 3000) in perspective. The downside of the plan was that the location would require more repurposing more than 90 hectares of high quality agricultural land and forest. In December 2016 the parliament passed the law securing an investment by Magna which also enabled future expropriation procedures. This highly debated »Lex Magna« (since it was seen as a legal regulation for this very investment) was even brought to constitutional court in summer 2017, but the appeal was rejected.

The initial opposition in the first months of the year was mainly focusing on the loss of agricultural land and potential degradation of the nearby plots as well. Government strongly supported Magna plans by claiming that the proposed location was mostly low quality forest and was not a major loss for the local owners. Environmental organizations, on the other hand, argued that the forest have been previously changed into fields already and that the location is not feasible.

The debate changed completely after the three fire incidents in May-July. Especially the most damaging Kemis case was seen by environmental

organizations as a warning for any similar ticking time-bombs in environmentally hazardous industry, which a car paint facility obviously is. So the arguments against Magna investment now mostly focused on potential damaging effects on the environment. In the process of public debate about Magna's application for the environmental permit, which went on in July, several topics were emphasized by the NGO's (e. g. Alpe Adria Green, Umanotera, Movement for sustainable development and Slovenian E-Forum) and (some) representatives of the local community, especially the neighboring municipality:

- **possibility of fire damage and environmental damage** due to highly toxic materials used in the facility (potential risk for people and environment), which was allegedly not assessed in the draft for environmental permit

- **the failure to analyze the potential risk for a wider area**, not only the nearby plots

- **badly chosen location** because of the loss of agricultural land (some alternatives with better infrastructure and less environmental damage were proposed)

- **problems of water supply** (additional water requirement of Magna plant could pose a risk for the already stretched water supply in this region, especially in the summer draught season) – this could be a problem also in the case of fire

- **hazardous waste** produced by the facility (estimated 3 tons daily)

On the other hand, the government side strongly supported the project, mostly focusing on the new jobs and business opportunities it will provide for the local community. Minister for economic development Zdravko Počivalšek even supported a mediating group of former mayors from the North-East region to organize meetings of both sides. After the environmental permit was issued by the Slovenian Environment Agency (ARSO), several environmental NGO's

decide to appeal. On the other side the local community of Hoče-Slivnica started to organize as well, the argument being that comparatively the benefit of the jobs promised prevails over the potential risks to the environment. Under the pressure (Magna even threatened to withdraw and open a facility on another location in Hungary) and through the mediation process, the environmental organizations were forced to give up their appeals. On the basis of environmental permit Magna was also issued a building permit for the facility in October 2017 and already published first job advertisements in November. Promoted as one of the considerable achievements of Cerar government, Magna investment project will also provide an important example for any future foreign investment of the type. It also influenced both public opinion and media coverage of the issues related to business impact on environment issues.