

BiH and Croatia to face arbitration over TPP Gacko

Categories : [SEE Energy News](#)

Date : September 14, 2017

It is almost certain that Bosnia and Herzegovina (BiH) and Croatia will face arbitration over the dispute regarding the pre-war investment in the construction of thermal power plant Gacko.

According to media, the deadline of three months for an agreement between Croatian power utility HEP and thermal power plant and coalmine (RiTE) Gacko was not enough to reach a peaceful settlement between the two sides. State Attorney of Bosnia and Herzegovina Mladjen Mandic reiterated that Croatian conditions are not acceptable for them and that HEP has no grounds for such a high damages claim. He believes that Croatia has no chance of winning the arbitration case before the International Center for Settlement of Disputes (ICSID) in Washington, and is just —fishing— since it hired the same law firm that represents Slovenia in a similar arbitration with RiTE Ugljevik.

In late May, Bosnian Minister of Foreign Trade and Economic Relations of Mirko Sarovic said that the Ministry received a request from Croatian stateowned power utility HEP for compensation for company's investments in Bosnian energy sector. He said that HEP is seeking for voluntary settlement and announced that it will start arbitration procedure if BiH fails to comply with HEP's request. He did not comment on the exact amount of the claim, but noted that tens of millions of euros are involved.

Minister of Industry, Energy and Mining of the Republic of Srpska (RS), Petar Djokic said that HEP is seeking certain financial resources that the company invested in Bosnian energy sector in former Yugoslavia and their claim is worth about 5 TWh of electricity. Minister Djokic stressed that RS could do the same regarding hydropower plant Dubrovnik, as the facility belongs to the RS, but Croatia is partially using it and the RS could seek more than 4 TWh of electricity as compensation. However, he expressed hope that the issue will be openly discussed with Croatia in order to find a suitable solution for both sides without the need for international arbitration.

For some years, HEP is seeking for a way to return part of its pre-war investment in TPP Gacko, estimated at some 400 million German marks on the basis of an agreement on joint-construction of TPP Gacko from 1986, according to which Croatia owned one third of the plant. On the other hand, HPP Dubrovnik was built as a part of system of three HPPs on Trebisnjica river in BiH. However, the plant is now located in Croatia, but Bileca accumulation and some other facilities are located in the Republic of Srpska.

BiH is already involved in similar arbitration procedure with Slovenian company Elektrogospodarstvo, in which the Slovenes seek compensation from Bosnia and Herzegovina in the amount of nearly 1.5 billion euros due to pre-war investment in the construction of TPP Ugljevik.