

After the Energy Community (EnC) Secretariat has terminated negotiations with the Government of the Federation of Bosnia and Herzegovina (FBiH), it also announces the initiation of proceedings against the state, over the state aid for the financing of the construction of unit 7 at coal-fired thermal power plant Tuzla.

Director of the Secretariat Janez Kopac said that, although it is unknown whether this will affect Chinese financial institutions, any European or US bank that might be interested in financing the projects will know to stay clear of it, because opened infringement procedure means that there are serious issues regarding the project.

Last week, EnC Secretariat terminated negotiations with FBiH related to the construction of unit 7 at coal-fired thermal power plant Tuzla without having reached an agreement. The negotiations became futile after the entity signed a guarantee agreement in November, without prior clarification of compliance with Energy Community state aid rules. In April, the House of Peoples of the Parliament of the Federation of Bosnia and Herzegovina (FBiH) confirmed that the FBiH will provide a guarantee for the 614 million euros loan from Chinese Exim Bank for the purpose of the construction of unit 7 at thermal power plant Tuzla. The guarantee was previously approved by the House of Representatives. Previously, the Energy Community Secretariat has sent an Opening Letter to Bosnia and Herzegovina in which it addressed its concerns regarding the state aid compliance of a public guarantee granted in favor of Chinese Exim Bank for a loan by the latter to the state-owned power utility EPBiH. This guarantee has been found by the State Aid Council of Bosnia and Herzegovina not to contain elements of state aid. By sending the Opening Letter, the Secretariat initiated a preliminary procedure, the purpose of which is to give Bosnia and Herzegovina the opportunity to react to the allegation of non-compliance with Energy Community law within two months and to enable the Secretariat to establish the full background of the case.

In November 2017, EPBiH signed a loan agreement with Chinese Exim Bank for financing the construction of unit 7 at TPP Tuzla on the sidelines of a meeting of the heads of Governments of China and 16 Central and East European countries held in Budapest. The net agreed price under the EPC contract is 722.35 million euros (without VAT). The maturity of the loan from China's Exim Bank is 20 years, with a 5-years grace period. The loan will cover 85 % of the investment, while the remaining 15 % will be provided from EPBiH's own funds. TPP Tuzla has 6 units with overall output of 715 MW. New unit 7 will be replacement capacity for units 1 and 2 (32 MW each), which have already been shut down and units 3 (100 MW) and 4 (200 MW) which should be put out of operation in 2018, but will most likely continue to operate until 2020. When unit 7 is completed, it will provide almost a quarter of electricity produced by EPBiH.