

Bosnia and Herzegovina: Kopac warns BiH to stop investing in new coal-fired units

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Director of the Energy Community (EnC) Secretariat Janez Kopac has warned authorities in Bosnia and Herzegovina (BiH) that they have to stop investing in coal-fired power plants because they are a source of environmental pollution and directly affect the health of millions of people across the region.

Kopac participated in a session of the House of Representatives of the Federation of Bosnia and Herzegovina (FBiH) on co-operation with the Energy Community and the harmonization of energy legislation in that country with the EU acquis, and used this opportunity to recall troubled investments in thermal power plants, especially the construction of a new unit 7 at TPP Tuzla, which should be financed through a Chinese state loan.

He recalled the results of a study which found that 16 thermal power plants from the Western Balkans pollute the environment more than 250 others distributed across the EU member states, the main reason being that outdated technology has been installed in Balkan thermal power plants that do not take into account environmental standards.

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.

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.