

Minister of Foreign Trade and Economic Relations of Bosnia and Herzegovina (BiH) Mirko Sarovic said that unit 7 at coal-fired thermal power plant Tuzla will be built despite the negative opinion on the Energy Community (EnC) Secretariat and infringement procedures it might launch against the country.

Minister Sarovic said that there is some sort of fear of Chinese investments in Europe, however TPP Tuzla project, which is of utmost importance for BiH's energy independence, is already nine years old and that EnC should have intervened sooner. He added that the project financing is carried out in accordance with the regulations, rules and laws of BiH. Earlier this week, the Energy Community (EnC) 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 for the construction of unit 7 at thermal power plant Tuzla. 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 early March, The House of Representatives of the Parliament of the Federation of Bosnia and Herzegovina (FBiH) has approved a state guarantee for a loan which Chinese Exim Bank will provide to state-owned power utility EPBiH for the purpose of building unit 7 at coal-fired thermal power plant Tuzla, despite the warning from EnC Secretariat that such guarantees would be treated as a form of state aid.

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.