

The Ministry of Industry, Energy and Mining of the Republic of Srpska (RS) announced that it has signed a cooperation agreement on the construction of 300 MW thermal power plant Gacko 2 with the representatives of two Chinese companies - China Africa investment and Development Co and China Machinery Engineering Corporation (CMEC).

The signed agreement envisages the establishment of a coordination body which will analyze the parameters of the final agreement, including previously estimated coal reserves in the area and the value of the required equipment for the project. The cost of the TPP Gacko 2 project is estimated at some 510 million euros.

Last June, RS Minister of Industry, Energy and Mining Petar Djokic signed in Belgrade a Memorandum of Understanding (MoU) on cooperation in the construction of TPP Gacko 2 with the representatives of CMEC.

The project for the construction of the second unit at TPP Gacko started over a decade ago. In 2006, Czech CEZ and Bosnian power utility ERS established a joint venture for the purpose of the project. Joint venture was called NERS and it was 51% owned by CEZ. But, the joint venture agreement was frozen by the local court in Trebinje at the request of minority shareholders in TPP Gacko, who claimed that the joint venture agreement was damageable. Project was stalled for almost 3 years.

In January 2009, CEZ said it had withdrawn from project in Gacko after ERS failed to meet its contractual obligations, which was the main reason why the project was stalled. ERS, on the other hand, argued that the main reason for slow development of the project was the lawsuit of minority shareholders in TPP Gacko, who claimed that joint venture agreement between CEZ and ERS had violated their rights. In the same time, ERS was unsatisfied with feasibility study made by CEZ, which led to arbitration request. In September 2009, CEZ has filed a law suit against ERS, at the International Court of Arbitration (ICA) of the International Chamber of Commerce (ICC), for 58 million euros compensation. The arbitration procedure started on November 11th 2010 in Vienna.

In the beginning of September 2014, the International Court of Arbitration of the International Chamber of Commerce (ICC) reached the verdict in the lawsuit of CEZ against ERS due to stalled joint venture project in TPP Gacko.

Both companies said that they won in the dispute. According to the management of ERS, the company is satisfied with the verdict, having in mind that the compensation claim of CEZ was almost entirely rejected. CEZ demanded 58 million euros from ERS due to damages and the lost profit. However, CEZ won only 3.4 % of its claim, while CEZ was also obliged to pay 310,000 euros for arbitration expenses, the officials of ERS said. On the other hand, CEZ said in the press release it had won the arbitration, where ERS was obliged to pay 7.5 million euros to CEZ due to breach in contractual obligations. The officials from ERS did admit that ERS was obliged to take over CEZ's stake in the joint venture company, where ERS was obliged to pay some 4 million euros (interests included). However, officials from

ERS said they do not consider this as the fine but as ERS's obligation in accordance to the joint venture agreement.