

Bosnia: Energy projects FDI, projections within national economic reform program 2018

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Investment activities in the energy generation sector of the Federation BiH will be the main driver of economic development in the Federation of Bosnia and Herzegovina. According to the national economic reform program energy sector plays an important role in country overall economic development 2015-2018.

Projects of construction of the TPP Tuzla Block 7 - 450 MW (planned beginning of construction in 2015, while the deadline for completion and putting into operation is 2019), TPP Banovici Block 1 - 300 MW (planned beginning of construction in 2016 while the deadline for completion and putting into operation is 2019), TPP Kakanj Block 8 - 300 MW (possible deadline for construction by 2022), HTP Zenica with the installed capacity of 390 MW electric and 170 MW of heat energy for heating the town of Zenica (planned beginning of construction in 2015, and putting into operation in 2017) represent the highest investments in the region.

Furthermore, the implementation of the initiated projects in terms of hydroelectricity has to be mentioned too, such as construction of HPP Vranduk - 1963 MW (beginning of construction in 2015 while the deadline for putting in operation is 2019), HPP Janjici 13.3 MW (beginning of construction in 2017 while the deadline for completion and putting into operation is 2020) HPPS Vrilo - 62 MW (framework for construction by 2022). In the period 2015/2020, it is realistic to expect implementation of the project of construction of about 36 small hydropower plant (of which 20 would be implemented by private investors) with the total installed capacity of around 53 MW.

With regards to other renewable energy sources in the Federation of BiH, in the upcoming period Bosnian gov expect to see the implementation of the project of construction of WF Podvezje - 48 MW (beginning of construction in 2015 with the completion deadline in 2016) and WF Mesihovina - 55 MW (beginning of construction in 2015 with the completion deadline in 2016).

Furthermore, private sector initiated the construction of the following windfarms: WF Debelo Brdo - 54.6 MW, WF Gradina - 70 MW (first phase 26 + second phase 44), WF Orlovaca - 42 MW, WF Pakline 1 - 48 MW, WF Pakline 2 - 48 MW, WF Kupres 1 - 48 MW, WF Baljci - 48 MW, WF Jelovaca - 36 MW, WF Mucevaca - 60 MW and WF Ivovik - 84 MW. In addition, in 2014, private investors were issued 75 energy permits for construction of solar photovoltaic plants with the total installed capacity of approximately 15.7 MW, and the implementation of most of these projects is expected in 2015.

The total expected foreign investments in 2014 will amount to 270-300MEUR. Out of this amount, around 100-130MEUR would account for the usual investments based on the

average of the previous three years and the forecasts of mild economic growth in the European Union and weak growth in the neighboring countries. Foreign investments in electrical energy sector are expected to amount to 170MEUR (EFT Group would invest around 140MEUR; Comsar Energy Group Ltd. around 25MEUR).

In July 2013, KTG Zenica signed a contract with the Chinese company SEPCO III for the construction of the Heat and Thermal Power Plant Zenica. SEPCO III should finalise the HTP Zenica according to the turnkey system within 29 months, with the overall planned investments in the project of 250MEUR. According to the latest available data, the construction of the HTP Zenica is not going to start this year.

The EFT Group (Energy Financing Team) signed the concession contracts for the construction of TPP Stanari and the expansion of the existing mine as well as the construction of the Hydro Power Plant - HPP Ulog (construction is entrusted to the Chinese company Sinohydro). The total investments in these projects will reach 600MEUR by the end of 2017. Following the existing dynamics of investments, the EFT Group would secure around 150MEUR in 2014.

In Republika Srpska, the beginning of the construction of the TPP Ugljevik 3 is planned in the total amount of around 700MEUR over the period of 3-4 years, while the works should be carried out by a jointly established company "Comsar Energy RS" where the 90% owner is the "Comsar Energy Ltd" and the 10% owner is the "Mine and Thermal Power Plant Ugljevik". The construction contract is signed with the Chinese "China Power Engineering Consulting Group Corporation (CPECC)", whereas, according to the plan, the full technological and engineering process of the construction will be managed by the American company "Black and Veatch". The beginning of the construction works is planned in the second half of the year, while the assumed investments for this year would amount to around 25MEUR.

Foreign direct investments in 2015 are expected to reach the amount of 450MEUR. Investments in energy generation sector could amount to 350MEUR in total (company EFT up to 170MEUR, Comsar Energy Ltd. up to 100MEUR and HTP Zenica up to 75MEURillion).

The investments of the "EFT group" in "TPP Stanari" amount to 150MEUR, and it is expected that the construction of "HPP Ulog" by the same Group would start too with the average annual investment of up to 20MEUR. Comsar Energy Ltd. has planned to start the construction of the "HPP Mršovo" (37.3 MW) in the total value of 100MEUR. The construction would take three to four years and bring annually around 25MEUR on average. There is also the continued investment in "TPP Ugljevik 3" in the amount of 75MEUR. In 2015, the construction of "HTP Zenica" will continue with the assumed investment of up to 75MEUR.

Possible beginning of the construction of "TPP Tuzla Block 7" with total capacity of 450 MW in the total amount of 800MEUR has not been taken into account since currently the option of financing through loans is being under consideration (not foreign direct investment). Gov have not taken into account the announced investment in the amount of 10MEUR for gasification of the facilities in the "Oil Refinery Bosanski Brod" d.o.o. Bosanski Brod, which should be finalised by the end of 2015.

The beginning of the implementation of the project of construction of electricity system

"Hydro Power System Gornja Drina" is uncertain (contract on strategic partnership in research, development, construction and utilisation of hydro power potentials of the upper basin of the Drina, concluded between "Elektroprivreda RS" and a German company "RWE-Innogy" has been terminated; they are currently trying to find a new partner). The investment during the first year of construction of HPS Gornja Drina was originally planned to amount to 25MEUR, whereas subsequent average annual investments were planned to reach around 75MEUR.

Foreign direct investments in 2016 are expected to reach 550MEUR. Investments in the BiH energy generation sector would amount to around 340MEUR (investment of the EFT Group of around 115MEUR and investment of Comsar Energy Ltd. in the amount 100MEUR and HTP Zenica of 125MEUR).

In addition to the "EFT Group" investments ("TPP Stanari" up to 100MEUR and "HPP Ulog" up to 15MEUR) and "Comsar Energy Ltd" ("TPP Ugljevik 3" up to 75MEUR and continuation of "HPP Mršovo" with the investment of around 25MEUR), there is also finalisation of the main works on "HTP Zenica" with 125MEUR.

Possible investments in "HPS Gornja Drina" that would bring approximately 50MEUR in the coming period have not been taken into consideration in these projections. There are also good chances for beginning of investments in the project "HPS Srednja Drina" with investments during the first year of around 25MEUR and average investments of around 50MEUR in the subsequent period.

A project of gas supply and transmission in RS through connection to the gas pipeline network "South Stream", whose one section should come to Zvornik at the beginning of 2016 is still uncertain. The project in the total amount of EUR 500 million would be implemented by a joint company "Gas-Res" and "Gasprom". Within the project, there are plans to construct two gas plants with the total capacity 600 MW with gas supply system for municipalities while the town of Banja Luka would get a heating plant with the capacity 150 MW.

Foreign direct investments in 2017 are expected to reach 550MEUR. Investments in energy generation sector would amount to 220MEUR (TPP Ugljevik 3 with 125MEUR, and HPP Mršovo with 25MEUR as well as final works on HTP Zenica with 45MEUR, with the investment in HPS Gornja Drina of 25MEUR).

The investments in the section of the South Stream gas pipeline passing through RS, which would bring around 25MEUR in the first year, have not been taken into consideration in this projection. Neither have been considered the further investments in the project HPS Srednja Drina nor the possible investments in TPP Kakanj Block 8.

Investments in the project HPS Donja Drina have not been considered either. So far, the RS Government has signed an agreement with the American company NGP on research and development of feasibility study on hydro potentials of the lower basin of the river Drina (HPS Donja Drina with hydro power plants Kozluk, Drina 1, Drina 2 and Drina 3 with the total installed capacity 365 MW and the overall investment in the amount of 650MEUR).

Risks

According to the existing estimates, the risk would mostly reflect in reduced investments in oil sector and partly in energy generation sector, and loss of interest of foreign investors in carrying out the privatisation process of the remaining state-owned capital. Finding a strategic partner and ways of funding for the inevitable reconstruction of the FBiH energy generating system are still uncertain for the projects HTP Zenica, TPP Tuzla and TPP Kakanj, as well as strategic partners for the projects HPS Gornja Drina and HPS Srednja Drina, which also require approval from the governments of the neighbouring countries. , transmits Serbia-energy.eu