

Government is considering the possibility of signing the long-term contracts with the Electric Power Industry of Bosnia and Herzegovina which will guarantee the purchase of generated electricity, which is problematic for the same reasons and creates the uncertainty for the households that will have to pay the higher electricity price.

In the report “Critical analysis of the project for the construction of Block 7 of Thermal Power Plant Tuzla”, an economist Mr. Vladimir Cvijanović, representing the organization CEE Bankwatch Network, analyses the financial indicators of the project.

Cvijanović reminds us that the company Electric Power Industry of Bosnia and Herzegovina is developing the project for the construction of the Block 7 of Thermal Power Plant on lignite in Tuzla. The consortium of China Gezhouba Group and Guangdong Electric Power Design Institute has been selected for the realization of the project. The project will probably be funded by the preferential loan and implemented by EPC contract, by a turn-key system. Net cost of the project, VAT excluded, is about 785 million euros, while the loan is 85 percent of the project value or 667 million euros.

If the state decides to renounce the VAT, that will imply the government support to the project, which is problematic from the perspective of law and international obligations of Bosnia and Herzegovina. In addition, the Government is considering the possibility of signing the long-term contracts with the Electric Power Industry of Bosnia and Herzegovina which will guarantee the purchase of generated electricity, which is problematic for the same reasons and creates the uncertainty for the households that will have to pay the higher electricity price.

The main financial indicators presented in the report of the Electric Power Industry are ambiguous, but even them show that the project is poorly grounded, claims Mr. Cvijanović in the report. There is no profitability analysis in the reference calculations, with which the project Tuzla 7 could be compared, nor the public is informed about the possible deviations from the planned construction costs. This represents a threat to the public budget, or the citizens who will eventually provide the guarantee for this job, the value of which is about five percent of BDP of Bosnia and Herzegovina. The example of Thermal Power Plant Šoštanj in Slovenia shows how the planned construction costs can be exceeded by several hundred million euros. Furthermore, one of the main variables in this project is the coal price, which, in recent years, has reached the unacceptable level if this project is to be profitable.

The planning of the construction of the Block 7 of TPP Tuzla was carried out in a non-transparent manner. The details, which would help the citizens of Bosnia and Herzegovina to see the project more clearly, were hidden. The key indicators in the construction of TPP and the project implementation are not defined, given that the current can be changed. Besides, there is a possibility that the project receives direct or indirect support of the state, which could be even more expensive for the taxpayers.

Based on the currently available information on financial indicators, Mr. Cvijanović concludes that the project is, to say the least, problematic.