

Bosnia: LCD-IED NERP plan implementation triggers construction of new power plants, Chinese financing

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National Emission Reduction plan which Bosnia submitted to Energy Community includes the plan of decommissioning the old coal fired power plants units, also the modernization of some. However long term energy independence strategy and electricity balance projections presume the construction of new power plants.

The construction of new production facilities is important both for the stability of the electric power sector and for the survival of mines in Bosnia. Gov strategic objective is to build replacement thermal power capacities and the capacities from renewable energy resources reads the Gov of BiH federation energy action plan.

The units 3, 4, 5 and 6 within the TPP “Tuzla” will be shut down periodically as from this year until 2027. Their lifetime slowly expires, and the construction of new Unit 7 has not started yet. The construction of one plant takes from four to five years. If the construction does not begin during this or the following year, BiH could have problems with electricity supply.

PE “Electric Power Industry of BiH” has done a part of the job when it comes to the documentation and the fourth final phase of the tender procedure is underway.

- We have submitted our application with Exim bank from China for a preferential loan. The loan is requested within the funds that the Chinese Government has earmarked for the Central and East European countries. Last year in December, the government of BiH and the Export-Import Bank of China – EximBank concluded a Memorandum of Understanding for financing the Project of Construction of Block 7-450 MW in the TPP “Tuzla”. At the Third Meeting of Heads of Government of China and Central and Eastern European Countries, held in Belgrade on 16th and 17th December 2014, the Memorandum was signed by Ante Krajinina, Federal Minister of Finance, and Li Ruogu, Exim Bank Governor – said Midheta Kruspahić, the spokesman of PE “Electric Power Industry of BiH”.

Waiting for Government and Parliament Approval

The Memorandum represents the continuation of activities conducted by the government of FBiH aimed at securing the bank loan for the construction of Unit 7 in TPP “Tuzla” and it represents the basis for speeding up the procedure of approving the loan application, submitted by the PE Electric Power Industry of BiH with Exim bank to the amount of 667.8 million EUR, which accounts for 85% of value of the Contract for the construction of Block 7.

- The Unit 7 in TPP “Tuzla” is a project with high priority implementation which is supported by the Council of Ministers of BiH, which has a key role in the development of the electric power sector in BiH, in electricity production and which enhances the economic and

commercial cooperation between the PR China and BiH, it is written in the Memorandum. Exim bank is currently carrying out the evaluation of the project and the loan application guaranteed by the FBiH Government. The Block construction will start after the FBiH Government and the FBiH Parliament have approved the Loan Agreement – Kurspahić added.

Last year in July, the House of Representatives of FBiH approved the proposed selection of the Consortium Gezhouba Group Company Limited (CGGC) and Gunagdong Electric Power Design Institute (GEDI) China as the preferred bidder in the procedure of choosing the project partner for a joint investment in the project of construction of Unit 7 in TPP “Tuzla”. The House of Peoples also approved it afterwards. Thereby, the conditions were created for the beginning of the Fourth phase of the tender procedure – the process of finalization and the beginning of construction. The fourth phase of the tender procedure involves the signing of the Project Cooperation Agreement – PCA, by which the Basic principles of partnership for construction are established, as well as the Implementation Plan for the entire project of Unit 7 construction. On the basis of the principles adopted by the Project Cooperation Agreement, the agreements on construction, financing, electricity sale, coal supply and the Agreement on Operation and Maintenance will be harmonized.

The signing of Project Partnership Agreement and the beginning of construction will ensue after the statement of the FBiH Parliament about the project (on the basis of the Law on Electricity and the Law on Debt, Borrowing and Guarantee in FBiH) and the response of the Government of FBiH and the Assembly of the PE “Electric Power Industry of BiH” to the proposed Project Partner selection.

– The construction of new production facilities is important both for the stability of the electric power sector and for the survival of mines. Our strategic objective is to build replacement thermal power capacities and the capacities from renewable energy resources. The implementation of strategic objectives of the “Electric Power Industry of BiH” will contribute to the stability of the electric power sector, the increase in electricity production, a reliable and stable supply of customers, the increase in the level of utilization of available resources and satisfying environmental requirements. New investment projects of the Electric Power Industry of BiH are a contribution to the economic health, sustainable development and prosperity of the social community as a whole, growth of domestic economy and creation of new jobs – said Kurspahić.

Units to be Shut down by 2022 or 2027

As it can be concluded, the statement of the FBiH Government and Parliament about the Loan Agreement, as well as the response of the Government of FBiH and the Assembly of the Electric Power Industry of BiH to the proposed project partner selection, are waited so as to start the construction. By then, the Unit 3 will be shut down, Unit 4 was supposed to be shut down in 2018, but, as Jerlagić says, it will probably operate until 2020 considering that the Unit 7 is not under construction yet. Unit 5 will be shut down in 2022 or 2023, whereas Unit 6 will be shut down in 2027. However, the expiration deadlines of plants operation are already exceeded thereby.

– If the construction started tomorrow, it would take from four to five years considering all

the time for designing and studies, like in the case of EFT's owned TPP "Stanari" done by the Chinese Dong Fang company. If the construction began now, Unit 7 would possibly start operating in 2020 – said Amer Jerlagić, former director of PE "Electric Power Industry".

The maximum lifetime of a plant is 40 years, i.e. 25 years after commissioning and 15 years after reconstruction. A source close to this public company says that any plant operation after the deadline is risky, but that, currently, we have no other options.

Old power gen Plants

Unit 3 with the capacity of 100 MW was built in 1966, Unit 4 of 200 MW in 1971, Unit 5 of 200 MW in 1974 and Unit 6 of 215 MW in 1978. When you add the years with the number 40, you will realize that some plants should already have been decommissioned, however, with additional repairs, they operate, but with the risk. By 2022, BiH should lose three Units (3, 4 and 5) with the total capacity of 500 MW. Unit 7 which is yet to be built would have the capacity of 450 MW. If it is not built in time, the power capacity that the TPP "Tuzla" will have amounts to 215 MW, which means that FBiH will have a small amount of electricity for consumers.

The TPP "Kakanj" which has 7 units is also in a critical state. Units 1, 2, 3 and 4 are out of operation, Unit 5 of 110 MW was built in 1968, Unit 6 of 110 MW in 1977 and Unit 7 of 230 MW in 1988. By 2028, they should also be out of operation.

It is hoped that the Government of FBiH and the Parliament of FBiH will approve the agreement so that the construction could start as soon as possible, otherwise, consumers will have to face electricity reductions or BiH will have to import additional electricity, which would again affect the budget of end users, transmits [Serbia-energy.eu](http://serbia-energy.eu)