

Bosnia: Small HPPs project in BiH fails

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The project of constructing small hydro power plants on rivers in the Republic Srpska failed. Six years after it was initiated only three were built out of 112 hydro power plants which were granted concessions. The companies that were granted concessions are giving up construction and they are negotiating the sale of concessions with foreign buyers. Some even made profit from this trade. First concession was granted during the Government of prime minister Pera Bukeylović, and the rest of them after January 2006, during the Government of Milorad Dodik. Concessions to build small hydro power plants (capacity up to 5 MW) were given for a period of 15 to 30 years and companies were able to apply based on self initiative or answer to a public call. They were not obliged to obtain bank guarantees, so in most cases the concessions were given to companies lacking in money and experience for the construction of energy plants. According to experts, as part of the documentation companies had to have a technical and economic study to justify the concession based on the capacity of the power plant and profits made from electricity sale. Commission and the Ministry approved these studies, but later on it turned out that some of them could not be implemented.

Concessions are given by the Ministry of Economy, Energy and Development of RS at the suggestion of the Concession Commission, whose task is to supervise the companies that were given concessions. In the annual reports for 2009 and 2010, the Commission spotted numerous problems and suggested termination of contracts with a larger number of concession companies, mostly due to their inactivity, unprofessional approach to the concession, unprofitability or inability to build in the foreseen locations. However it was not until 2011 that the Government of RS led by Aleksandar Džombić took actual steps. Ministry of Energy terminated six concession agreements, while they are negotiating agreement termination by mutual consent with 23 more companies. Ranko Goić renewable energy sources expert at Split University, said that before the concessions were granted there were bad forecasts on profitability and hydro potential of rivers that were chosen for construction. He explains that most of the locations are not suitable for the construction because the prices from renewable energy sources are still too low here. Although according to data of the Regulatory Commission for Energy of RS, the Government needs to adopt new prices, so that hydro power plants should get 0.12 KM per kilowatt hour for electricity from renewable energy sources compared to the current price which is 0.08 KM. Before granting concessions the Government did not consult any environmental associations which are opposed to these projects. Ministry of Energy and the Commission approved construction in the territory of Sutjeska National Park and other locations where municipalities did not approve any construction. That is why the municipalities did not grant building permits to concession companies. Concession owners claim that they were not aware of what they were getting

into, so today they are trying to profit on selling the concessions instead of selling electricity. At the end of 2009 the Government of RS adopted Regulations on the transfer of concessions which allows the transfer of concession from company to company. Up until then the transfer was possible only after hydro power plants were built. Although, according to Predrag Aškrić, president of the Commission, the Government adopted separate decisions in its sessions to legalize previous transfers. The market value of a company which has a concession and a construction permit is around 300.000 KM per MW. This means that you can get up to 1.5 million KM for the concession to build a power plant of up to 5 MW capacity, transmits Serbia-energy.eu