

## **Bulgaria: Negotiations on termination of contracts with US-owned TPPs could take months**

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**Date :** April 9, 2018

Bulgarian Deputy Minister of Energy Zhecho Stankov said at the press conference that the negotiations between the state and two US-owned thermal power plants regarding the termination of power purchase agreements will take months rather than weeks.

Stankov said that the state must be very careful and the negotiations must be conducted on a diplomatic basis so as to reach the best solution for customers, adding that the principal negotiator is the Ministry of Finance. Director of Bulgarian Energy Holding (BEH) Petyo Ivanov said that the state has developed a methodology for calculation of the return on investment which has been submitted to the plants' owners, which asked for at least three months to analyze the methodology.

Last week, Minister of Energy Temenuzhka Petkova said that the 15-year agreements, under which the National Electricity Company (NEK) is bound to purchase the electricity produced by the two US -owned coal-fired TPPs in the Maritsa Basin at preferential prices, will be terminated. The companies will be paid compensations for their investments in the construction of one plant and the operation of the other - costs that they will be unable to recover from the price of electricity in case of an early termination of their contracts. After that, the two TPPs will sell their output on the liberalized market.

These agreements were concluded before Bulgaria joined the EU, but the country failed to notify the EU for a decision on whether they were compatible with the EU rules on state aid. The European Commission did not rule that the agreements constitute unlawful state aid because, if it does so, the plant's owners will have to sue Bulgaria and the Government, in turn, will have to them, but winning these cases is very uncertain.

The termination of these agreements was also one of the conditions agreed after the meeting of the Government with the representatives of employers association on the situation in the Bulgarian energy sector.