

Croatia: Greens warn on PPA agreement for new TPP Plomin C unit

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The Greens are convinced that the EU will not let HEP to enter into a contract for the purchase of 50% electricity from TPP Plomin C. The Croatia Energy company HEP might face difficulties in concluding agreement of the electricity purchase, with the strategic partner in construction of the TPP Plomin C, warned the Green Action at the thematic debate. The Greens urge the HEP to publicly announce the agreement which is going to be concluded with the investor in a power plant; the construction and energy of this TPP they considered a big failure, mentioning the interests of consumers of electricity who will pay all that.

On the basis of the tender documents from June 2013, the Green Action sought and received a legal opinion from the Hungarian Association of Environmental Lawyers (EMLA), which have been asked to verify compliance with EU rules on state aid and public procurement. The HEP plans with investors to conclude the so-called PPA contract (power purchase agreement) which will oblige the HEP to redeem half of 3.5 to 4 TWh of electricity, the quantity which should be produced in TPP Plomin C yearly, 500 MW coal-fired.

The analysis finds that such an economic agreement must be considered as state's aid in the context of EU law, and that in certain circumstances, such aid can be allowed. However, the Greens point out that TPP Plomin C is not eligible for that aid projects imposed by the EU legislation. In order to obtain the "green light", from that aspect, the project must result by a greater reduction in greenhouse gas emissions, than it would be the case if the aid wouldn't be provided. According to EU legislation grants are possible for renewable energy projects, and in the case of high-efficiency cogeneration. "Project TPP Plomin C does not satisfy any of the three sets of goals," Bernard Ivicic, President GA said. But there are exceptions. Council of the EU would have to unanimously vote for particular circumstances justified for the project, and the HEP should demonstrate a clear goal of common interest. Ivicic said that prevent of the electricity import may not be such a goal, but for example decarbonization should be.

The Hungarian lawyers write that the European Court of Justice in 2003, in one verdict developed five criteria in one of its judgments, which must be met in order to approve the grant. These are the obligations of public service (only if using domestic coal), the parameters for the calculation of the purchase price should be fair and transparent; a fee predicted by agreement about the purchase should not be greater than the amount necessary to cover all costs or part of the costs which are arising from the public service obligation (if it exists) and there should be no discrimination in the conclusion of such an agreement; if the impact on the development of trade in the EU would not be such that it is contrary to the interests of the Union. The Green Action points out that none of the five exceptional conditions where the EU could allow signing of PPA agreement will be reached, and the entire investment would be questionable.

Furthermore, the Greens noted that the provisions in the bidding documents, according to which the HEP could think about conceding of ownership and management of TPP Plomin 2 to new strategic partner is extremely harmful for the country. Technician Robert Pasicko of UNDP said that HEP once with RWE signed a contract for harmful TPP Plomin 2, according to which the HEP obliged to pay RWE for undelivered electricity.

According to his assessment the price of electricity from TPP Plomin C will be around 70 euros per MWh, which is considerably more expensive than the price of futures on European exchanges for the next years. "Not counting the cost of emissions, the cost of production from thermal coal is around 68 euros per MWh, the production of TPP from gas is 75 euros per MWh, and from wind between 64 and 88 euros per MWh. Croatia should think about achieving Europe's low-carbon goals to 2050, and according to the current price of the system for the capture and storage of carbon dioxide is getting more expensive every MWh for 30 euros. According to low-carbon strategy of Croatia, which will be decided by the summer of 2015, it should reduce emissions by 58% to 2030, or 92% in 2050. Along with TPP Plomin it will be impossible," said Pasicko. He sees an alternative in renewable energy sources, solar thermal systems and wind power.

Zoran Tomic from Greenpeace said the calculations was made on the basis of the methodology of the European Environment Agency showing that too early lost human life lost costs two million so-called indirect costs. It is estimated that the work of TP Plomin yearly could result in the premature death of 17 people, plus the damage from climate change. It follows that Croatia will invest the indirect costs of lost for only seven years.

Source; Serbia Energy See Desk