

Croatia: HEP breaks HPP Ombla loan with EBRD, new HPP projects as alternative

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Croatian Electric Power Utility (HEP) has broken up a contract for financing a construction of HPP Ombla signed with EBRD.

This is a credit of 123,2 million EUR worth which was arranged in 2011 and which supposed to finance around 80% of the total value of the project.

This arranged breakup was explained in HEP as a precaution measure before announced additional procedures of HPP Ombla project harmonization with valuable Croatian legal regulation and will to decrease financial expenses that unused credit causes.

However, it is clear how this breakup represent a serious stroke to the whole project. HPP Ombla has been considered to be the first among big HEP's projects that can be realized because of ensured financial assets.

This fact was very important for Croatian government in macroeconomic context at the moment when industry was in stagnation and announced investments were being late, so it was believed that construction can begin until the end of this year despite reclamations from ecologic institutions.

This decision does not need to mean the final end of project, but chance for realization is significantly lower. Financing that HEP can get from other sources is not the only problem, reputation is also a problem considering that project opponents will use EBRD exit from the project as an argument for their beliefs that this is ecologically harmful project.

On the other side, HEP already has prepared few other hydro energy projects like HPP Dubrovnik 2 or Kosinj-Senj that are significantly bigger and profitable than HPP Ombla.

Considering circumstances, and limited expert, financial and technological resources they have and this new postponing in realization in HPP Ombla, HEP can easily decide to devote to these projects in near future.