

✘ HEP Group plans to invest more than 27 billion in the construction of new and rehabilitation of the existing facilities, reduce the number of employees by about 3,000, and achieve savings in the operations of approximately 2.2 billion through an implementation of a restructuring plan, said CEO Zlatko Koračević at today's presentation of the Business program of HEP from 2012 to 2016.

Koračević said that, after price increases in May this year no further increase in the price of electricity is expected, but since it is a result of fuel costs it would depend on their price. According to the program HEP plans to invest 2.1 billion in the rehabilitation of existing facilities by 2016, and the value of new construction (TPP Plomin C, HPP Ombla, HPP Kosinj-Sinj) is estimated at more than 25.2 billion.

These investments would be funded with 12 billion of HEP's own funds, about 9 billion is the potential loan debt, and the remaining investment would be financed out of future profits, and through joint ventures with partners.

The implementation of the restructuring plan, which was included in the program, should ultimately result in energy independence of Croatia in 2017, when Croatia would become an energy exporter from one of the largest importers, Koračević said.

Koračević pointed out that international partners could invest in the thermal power plants (TPP), but they would be excluded from investments in hydro power plants (HPP) since those are the projects that use the country's natural resources. Therefore, the partners in the investment in HPP could be local pension funds or the citizens themselves.

One of the risks of the implementation of the plan is insufficient access to appropriate markets to finance investment cycle, which depends on the credit rating of the state. However, during the recent cuts of Croatia's credit rating agency Standard & Poor's has decided not to lower the rating of HEP, which means that the international market has recognized the seriousness of the restructuring plan, said Koračević.

Total savings envisaged by the restructuring plan are estimated at around 2.2 billion by 2016, and the cost of labor only would decrease for nearly 737 million, due to staff reductions.

Number of employees in HEP this year should be reduced by 350, while the largest outflow is expected in 2013, when 1,500 workers should leave the company. In 2015 a departure of 650 is planned and in 2016 about 500 employees should leave HEP.

Koračević points out that the majority of reductions is by natural outflow, through retirement (more than 2,000). Some of the workers would leave due to the separation of non-core companies, while the number of layoffs for business reasons is estimated at about 350, and he also announced the hiring 500 new, young professionals.

He said he expects HEP to finish this year with positive business results and profits, and that management and staff still agree that there will be no privatization of HEP.

When asked how much did HEP realize from the planned 3 billion of investment this year, he said that about 70 percent of the work on these projects is completed, but due to the nature of the work some of them will be realized in 2013.

Member of HEP in charge of development and investment Rodoljub Lalic said that the project Ombla has not yet started because they need to further raise awareness in the public regarding this project. More studies on environmental impact and impact on biodiversity and Seismo-tectonics of Dubrovnik show that this project has no significant negative impact, while another study of compliance with EU law of nature NATURA 2000 is being done, and after that a final decision on OMBLA will be made.

For the Plomin project, he said that a draft version of the tender documents was completed yesterday, which will be sent to potential investors early next year, and that some preparatory work, such as resolving the water supply or the paving of the access port have already started.

When asked how the implementation of the project is affect by the lawsuits that aim to challenge the construction of Plomin C Koračević said he believes that these suits have more of a political connotations, and that it is up to HEP to prepare the ground for the investment, while the government will make the final decision.

*Source Serbia Energy Magazine*