

## Croatian Energy company HEP plans to start exporting electricity in 2017, says HEP CEO

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While presenting the Business plan for 2012-2016, which was accepted yesterday by the Supervisory Board, CEO of HEP Zlatko Koračević said that despite the current large investments electricity price will not go up, and that HEP will become a net exporter of electricity in 2017.

At the moment, Croatia is one of the largest importer of electricity in the world, and it is interesting that HEP's plan does not count on a significant growth in electricity consumption during this period. A significant increase in the price of electricity and heating will not make a particularly positive impact on the HEP score. Although HEP ended the first half with a loss of more than 300 million, CEO claims the end of the year will still be met with a positive result, but he did not want specify the exact figure, but said that they were this year, followed by numerous setbacks such as droughts.

HEP's investment plan for this year amounted to more than 3 billion, according Koračevićem about 70% of the plan was realized. At the same time, HEP, saved 50 million on procurement this year, while in 2013 on the same item they should save 170 million. When asked why the savings are so small Koračević did not answer clearly, saying "it is important to distinguish who is the payer of public procurement", but the plan shows that by the end of 2016 procurement savings would be as much as billion. He boasted that HEP is cancelled one competition canceled due to bidder associating. In addition to 50 million in public procurement, HEP saved this year to 30 million in human resources, since 350 left the company through a natural outflow of 350, and 15 million on energy consumption in power plants. In the period 2012-2016 the number of employees should be reduced by 1,400 people, mostly through natural outflow, and this year they 350 of them left. To journalistic criticism that the management did not conduct a large staff restructuring that was announced Koračević replied that he is pleased with what was done.

## Finally investments

Koračević said that over a three year period HEP is planning the revitalization of facilities to increase capacity in the system for 155 MW, while the new investments should bring new 9.21 TWh. They planned to save 1.1 TWh, at ESCO projects which equals an annual production of Plomin. In the period from 2012-2016 HEP should invest 2.1 billion in the revitalization of facilities, while the total investment by 2018 should amount to 25.2 billion. Out of that amount, HEP counts on 12 billion of its own funds and loans in the amount of 9 billion. HEP sees eco- network Natura 2000 and the alignment with the Third energy package (which according Koračević should be internally completed by 1 July 2013.) as risks to the achievement of this ambitious plan. Other risks could be the lack of access to markets for financing projects, difficulty of finding an adequate strategic partner and the price of CO2 emissions, which is now at historic minimum of 6 Euros per ton.

Joint ventures, like the one in the Plomin C are very promising, and when he was asked how HEP thinks to implement so many projects at once, Koračević said that the company would seek investment managers in a tender, for project HEP cannot manage itself.

Rodoljub Lalic, member of the board in charge of the projects said that HEP's consultant completed the draft of tender documents for TPP Plomin C which will be offered to partners who have been shortlisted. Bidding is expected in June next year and the construction of the plant is expected to start at the end of next year. "Five years is an average period for the construction of this kind of facilities," said the CEO. Koračević added that the company does not want partners in hydro power projects, but this will be an opportunity for pension funds and citizens to invest their money. When asked what is happening with the hydro power project Ombla, Lalic said that much needs to be clarified regarding Ombla, and that the claims of environmentalists are overblown. In any case, we are waiting for the completion of 3-D modeling of Vilinska spilja to estimate the impact on NATURA 2000. The decision on the construction of the plant will not be made by HEP but by the Government, added Lalic, and Koračević agreed.

Regarding the effect of the introduction of excise duty on electricity from the date of entry into the EU CEO said that "there is no excise duty", even though their use is realistic and will adversely affect the price of electricity. HEP has a contract with Prirodni plin on the supply of gas by the end of 2013, and the company saved 25 percent on additional gas which was not covered by the contract.

*Source Serbia Energy Magazine*