

Montenegro: Construction of second unit at TPP Pljevlja cost-effective in any variant

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Due to critical and falsely allegations made by several individuals and NGOs regarding the project for the construction of second unit at coalfired thermal power plant Pljevlja, Montenegrin power utility EPCG once again emphasized that the existing state of the electricity sector can undoubtedly be developed through the economically and environmentally justified use of coal and electricity production in the Pljevlja area.

The statement from EPCG recalled that Skoda Praha, or any other partner in the project, will be obliged to satisfy the strictest limit values for emissions of flue gases proscribed by the national and European legislation in the offered technical solution. With the announced environmental modernization of unit 1 at the plant, which will include the installation of desulfurization and denitrification systems and the improvement of the existing electrofilters and waste water treatment, it will also fulfill all the abovementioned requirements. A proposal for the technical solution of the unit also takes into account the more stringent emission limit values provided for by the latest standards of the LCP BREF document in relation to the existing standards envisaged by the national legislation, namely the Industrial Emissions Directive 2010/75/EC.

On the other hand, the importance of the existence and construction of a new stable source of energy is not called into question. This was also demonstrated by the operation of unit 1 at TPP Pljevlja during the January-February period this year, with extremely low temperatures and no precipitation, as well as the current heat wave, when it stood as a backbone of the national electricity system. EPCG also reminded that the feasibility study for the project of unit 2 at TPP Pljevlja, developed by the renowned company Deloitte, confirmed that the project is cost-effective in all variants of the construction scenario.

In September 2016, a contract for the construction of second unit at TPP Pljevlja worth 324.5 million euros between Montenegrin power utility EPCG and Czech company Skoda Praha has been signed. It marked the completion of a two-year period of negotiations and this will be the first major energy facility to built in Montenegro in the last 35 years. Last year, the Government selected the offer of Czech company Skoda Praha as the best on public tender for the construction of the second unit at TPP Pljevlja. Skoda Praha offered to build 254 MW unit for 338.5 million euros, and to secure a loan for 85 % of the required investment. However, due to the request for additional works, the cost offered by the Czech company increased to 359.4 million euros, but the Government managed to lower the price by some 25 million euros through the negotiations, so the final price is 324.5 million euros.

However, in October same year, Czech Export Bank (CEB) informed the representatives of Montenegrin power utility EPCG and the company Skoda Praha that the bank is having trouble providing financing for the project for the construction of second unit at TPP Pljevlja.

The bank cited difficulties in obtaining Government guarantees as the main problem, because the Government previously refused the bank's request that the state should be a guarantor for the loan that should be used for financing the project. Czech Export Bank insisted on obtaining guarantees from both the state and EPCG during negotiations, but the state refused to provide any guarantees since it was not a requirement in the public tender in 2013.

In February 2017, Skoda Praha has selected US company General Electric as its partner in the project, also submitting an alternative proposal for financing the project.