

Montenegro: Construction of unit 2 at TPP Pljevlja is not called into question

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Montenegrin Prime Minister Dusko Markovic said that the activation of the put option, namely the withdrawal of Italian company A2A from power utility EPCG, has not called the project for the construction of unit 2 at thermal power plant Pljevlja into question.

PM Markovic said that the Government is committed to this project and the activities regarding the contract concluded with the Czech company Skoda Praha are ongoing and the solution for a number of open issues is being actively sought. He added that the partnership with A2A was good and successful project for Montenegro, as A2A purchased 41.7 % stake in EPCG for 434 million euros in 2009, while now the Government will buy it back for 250 million euros.

On 1 July, following the expiration of shareholders agreement, A2A has offered its stake in power utility EPCG to the Montenegrin Government for 250 million euros. A2A submitted the put option notice in which it informs the Government that it intends to sell its entire stake in EPCG for 250 million euros. The amount is to be paid in seven annual installments starting at 1 May 2018. Following this decision, Executive Director of EPCG Tonino Maglio and three other Italian executives have submitted their resignation to the company's Board of Directors.

It was speculated earlier that Serbian state-owned power utility EPS could be interested in acquiring A2A's stake in EPCG. It was already interested in the purchase of shares of EPCG in 2009, when the stake was sold to A2A. EPS' Board of Directors approved the participation in tender to purchase 18.3 % stake in EPCG, but the company did not submit the offer, although it purchased tender documentation for 50,000 euros. In April 2015, Serbian Prime Minister Aleksandar Vucic said that EPS will not be privatized, but instead it will try to purchase stakes in neighboring power utilities, primarily in Bosnian ERS and EPCG.

In 2009, A2A bought 43.7 % stake in EPCG for 434 million euros, which was later reduced to 41.7 %. The Montenegrin Government owns 57 % stake in national power utility and in case the Italian company decides to leave EPCG, has the option to buy 41.7 % of EPCG's shares for 250 million euros in seven installments. According to unofficial information, with the annex of the shareholders agreement, which was signed in late 2016, A2A got managerial rights in the company for another six months, possibly a part of 40 million euros worth of dividends, as well as guarantees that their share in Pljevlja coalmine will be redeemed at the offered price, or 6.5 euros per share. This means that if it chooses put option, A2A will leave EPCG with significantly more than 250 million euros.