

Montenegro: Skoda Praha selected General Electric as partner in TPP Pljevlja project

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Czech company Skoda Praha has selected US company General Electric as its partner in the project for the construction of second unit at coal-fired thermal power plant Pljevlja.

CEZ Group, within which Skoda Praha operates, announced that the two companies have agreed to work as partners with the aim of building the second unit at TPP Pljevlja and helping the power utility EPCG to find a suitable source of funding for the project. The Group also confirmed that Skoda Praha should present its final proposal for the structure and terms of financing the project by the end of February.

Montenegrin Ministry of Economy recently said that they are considering the possibility that EPCG will finance the project by obtaining a loan, along with its own funds, in case Skoda Praha fails to provide a source of funding for the project.

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, 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.