

## Montenegro: TERNA marine areas lease fees questionable says MANS

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Public Enterprise for Coastal Zone Management (JPMD) and the Government of Montenegro accepted the assessment of the company TERNAL Italy for the use of marine areas for the construction of an undersea cable that is significantly less favorable than the market value of the rent, consciously denying the enormous revenues that the state budget could have been achieved on that basis. TERNAL is the co-owner of Montenegro TSO company CGES and key project beneficiary of underwater power cable connection Italy-Montenegro.

The company Terna for the fifty-year waters and land lease in the coastal zone has offered 2.7 MEUR, while the report on the assessment of market rents for the construction of an undersea cable states that it ranges from a minimum of 5.5 MEUR, up to a maximum even 69 MEUR, depending on the calculation model applied by individual countries.

Document Assessment Report, which was made in November last year, was commissioned only by Morsko Dno.

The document lists several global models of the lease calculating, of which the Spanish brings the most revenue, which in addition of compensation for land marine parts, includes a fee based on the value of investments, transmits the investigative MANS article.

If the Spanish model would be applied, the fee for the land part of the coastal zone per year would be 17.5 thousand EUR for the marine part of 330 EUR, based on investment (projected at 85 MEUR) less than 1.3 MEUR, so the total annual income was close to 1.4 MEUR, and it reached a sum of 68.9 MEUR for 50 years.

Project of undersea interconnection between Montenegro and Italy in the coastal zone covers a total area of 55,000 square meters of the seabed, of which 43,000 square meters to set up a submarine cable and 12,000 square neglect electrodes. In addition to the coastal part, the project includes an area of 1,463 square meters of additional onshore coastal zone

Two versions of the American experience are also presented in the Report, which are based on the calculation of compensation due by miles, and according to the first, JPMD would earn 5.9 MEUR from waters issuing for 50 years, and in the second would obtain 8.4 MEUR in revenue. The calculation did not include compensation for land by which this income would be further increased.

However, the expert notes that the amount of the rent should not be a cause for stopping undersea cable project that was presented as "the capital of national importance" and proposes the compensation to be in the range of 5.5 MEUR to 6.4 MEUR for a period of 50 years but at the same time suggests that it should be considerate given to establish the

compensation in the short term, namely for a period of 25 years.

The proposal is justified by the fact that the fees for laying cables increase significantly, so in that sense it cites the example of the United States, where these prices rose by 50 percent in the mid-nineties, and since 2000<sup>th</sup> by as much as 800 percent.

The negotiations on the harmonization of the leasing price of coastal zone between Terna and JPMD have been ongoing since March 2013<sup>th</sup>. In March 2014<sup>th</sup>, the JPMD Board adopted the Report on the assessment of market rents, about which was also informed the competent Ministry of Sustainable Development. After that, the company Terna has done its analysis of the leasing value, emphasizing the "national character" of the project.

In a new letter addressed to the Ministry of Sustainable Development, Director JPMD Rajko Barovic literally denied the report, which was commissioned by his institution and by which was estimated that the budget should be far higher amount than Terna offered. Barovic states in the letter that "JPMB did not determine the public interest of the entire project and its value quantification", despite that it is still unclear what benefits will citizens have of this project and in what amount.

However, in the far-case Barovic in the report had the assessment of the expert that the lease price should be in the range of 5.5 to 6.4 million, even if it is a project of "capital national importance" and had to insist on respect of this finding.

However, after such Barovic response, the Ministry gave its approval to enter into a public company under the contract terms and the price proposed by Terna.

On suspicion of position abuse to the detriment of Montenegro budget, MANS filed a criminal complaint yesterday to the Supreme State Prosecutor's Office against the acting director of PE Morsko Dobro, Rajko Barovic, as the responsible person and the Minister of Tourism and Sustainable Development Branimir Gvozdenovic, as responsible for an arrangement with Italian Terna.

Given it is the treaty on the use of coastal zone for a period of 50 years, it must be submitted to Parliament for approval. It will be interesting to see whether the representatives of the highest legislative home will confirm the Government's decision which will undoubtedly damage the state budget.

The company Terna has reduced payments to 50 percent as much in Italy has been applied for projects of public interest, while the comparative practice used the example of Albania which is paid a symbolic fee of one euro for investments over 10 MEUR, and Greece, which does not charge for lease submarine cables that are part of the national transmission grid.

Obviously, Terna, which only emulated the profit interests, explaining the extremely low cost of renting the coastal zone, deliberately omitted indicators which would reduce the profits realized on the basis of lower lease prices.

According to the documents in which the Research Center of MANS had insight, the initial

assessment of Terna was even lower, amounting to only 1.3 MEUR to lease land for 50 years.