

Negotiations over A2A partnership with state owned power utility EPCG is still unclear. Construction and financing of new power plant Pljevlja unit is the main issue.

The meeting of the representatives of the Government and representatives of the Italian company A2A regarding the future relations in EPCG is scheduled for the next weeks.

Right before New Year, the Government sent a letter to the co owners in Elektroprivreda, Italian company A2A to inform them that on December 15, the annex of the contract on management has expired and that EPCG will continue to operate on its own.

The letter says unofficially from the Government, that the existing working group will continue negotiations on the construction of the second block of the thermal power plant, while EPCG will give a guarantee for its construction to the Czech Exim Bank which is supposed to grant a loan.

It was the Governments response to the definit stand of Italians that they do not wish to participate in the funding of the second block of the thermal power plant which was the main issue in the negotiation on the new contract, which would allow the representatives of A2A to continue to lead the management team of EPCG. The Italians have not responded to the letter from the Government but they have announced the arrival to Podgorica next week, to try to arrange the future relations, because the main issue remains who will be running Elektroprivreda.

The Government sent a clear message that EPCG will operate according to the law, meaning that as a majority owner with 55% of the capital, it intends to take over the management of the company.

Currently the ratio of powers in the board of directors is four representatives of the Government compared to three representatives of A2A, which owns 41.7 percent of the capital. The decision to build a second block is made according to the law, and as the Government warned in its letter, by a simple majority of members of the board. It is evident that there will be no continuation of the contractual relations between A2a and the Government in the next week negotiations so that the only remaining question is who will manage Elektroprivreda.

Currently it is done by the Italian team, the executive director Stefano Pastori, the financial director Flavio Bianco and director of development and production Fulvio Ivo Guido.

There are three options to solve the issue of managing Elektroprivreda. The first is to form a Montenegrin management, the second is to create a new contract providing a mixed management and the third is that if A2A remains a share holder and the Government allows for a representative of the Italian company to participate.

Pobjeda finds out that the Government is ready to offer the Italians the key management position in case of long term cooperation. The solution to the problem of co ownership in EPCG is either for A2A to leave or to stay in this national company.

In negotiations on the management contract that lasted for two years, there was even an

escape option provided according to which the Italians would sell their share in EPCG to the Government for 250 million euro, to be paid in seven equal yearly payments which is also an option.

According to the minister in the previous Croatian Government Ivica Vrdoljak the Italians negotiated with the Croatian Elektroprivreda about selling their share in EPCG to them.

The problematic Issue

From the beginning in the Government and A2A relation the problem was the state investment plan and developing energy sector. The Italians however which invested 635 million euro in EPCG in 2009 only want to know whether their investment would pay off. They still have to collect 16 million euro from profits from 2014 which has not been distributed yet. A2A is not interested in building a second block of the thermal power plant, but it is also not interested in building green electricity objects so they showed no interest in the construction of hydro power plants system on Morača , or power plants on Komarnica nor the use of the Bilećko lake accumulation.

The biggest issue to the Government is the fact that the first block of the thermal power plant in Pljevlja will have to be shut down in 5 years. If the second block is not built by then the electric power system in Montenegro will depend on the rain and help from the neighbors when there is a draught. A thermal power plant gives stability to the system, because it can stop when the accumulations are full, and electricity is cheap or to start operating when they get empty or when kilowatt hours become more expensive in the exchange.

Škoda Praha was selected to build the second block for 388 million euro and since the contractor is obliged to obtain up to 85 percent of the investment to the investor this Czech company arranged for a loan from the Czech Exim Bank. A negotiation team was formed to negotiate with the bank and it consists of representative of EPCG, Ministry of Economy and Coal mine. An SPV company was formed, which is a daughter company of EPCG, where the Government owns 55 and EPCG 45 percent of the share, but Exim Bank wants more solid guarantees which can be provided by EPCG or the Government, transmits Serbia-energy.eu