

Republika Srpska: New TPP Gacko with Chinese contractor Dongfang to be financed-owned by RS Gov and power utility ERS

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The Republic of Srpska will build from its own funds the new power unit of the Thermal Power Plant Gacko, in the construction of which the Chinese company "Dongfeng Electric" has also been interested, by which the Republic of Srpska will have a one hundred percent ownership of the plant.

As it has been earlier announced in the Ministry of Industry, Energy and Mining of the Republic of Srpska, a memorandum of understanding should be signed between the Government of The Republic of Srpska and this state-owned Chinese company, which already has successfully implemented project of constructing the thermal power plant in Stanari.

In addition, the construction of the new power unit of the TPP Gacko, with the installed capacity of up to 350 MW, is expected to commence already in the spring of next year.

Srđan Milović, the executive director for coal production and development affairs in the Mine and Thermal Power Plant (RiTE) Gacko, said that this had been their initiative, which had been taken seriously, and that the signing of the memorandum of understanding ensued.

"This is going to be a great thing for Gacko and for the entire Republic of Srpska. However, in my opinion, the most important here is this orientation towards personal investments and not towards strategic partners", Milović said and added that this would be a TPP of which The Republic of Srpska would have a one hundred percent ownership.

Talking about the state of stocks in the Mine and TPP Gacko, he said that it was satisfactory for the time being, and that there were no interruptions in the TPP operation.

However, in the "Electric Power Industry of the Republic of Srpska" (ERS), they did not reveal much to us when it came to the funding of this project, or to the building concept itself.

"The Electric Power Industry of the Republic of Srpska" has never given up on the construction of the new block in the Thermal Power Plant Gacko. This is the determination of the Government of the Republic of Srpska and this project has been included in the strategic development documents of the Republic of Srpska", it has been said in the ERS.

According to them, the approach of project funding will depend on the determination of the Government of the Republic of Srpska. They reminded that the preliminary talks had been carried out with the Chinese company "Dongfang Electric" in the Ministry of Industry, Energy and Mining of the Republic of Srpska.

"We expect the continuation of negotiations with this company, in order to consider all aspects of possible cooperation", they said in the ERS and added that the building concept would be defined after the required considerations of both sides had been performed, and after the studies showing the economic justification of the project had been conducted.

Liang Yongbin, Head of the Office for Central and East Europe of the Chinese company "Dongfang Electric", delivered to Petar Đokić, the Minister of Industry, Energy and Mining of the Republic of Srpska, a letter of intent regarding cooperation in the implementation of the project of constructing a new power unit in the TPP Gacko. On this occasion, Đokić said that, in the implementation of such important projects in the electric power system, it was very important for the Republic of Srpska to have a partner who guaranteed a quality and rapid construction of the thermal power plant and who already had successfully implemented project of constructing the thermal power plant in Stanari.

"At this moment, there is a strong interest and determination of the Government of the Republic of Srpska to build a new, modern thermal power plant in Gacko, which, through the implementation of the highest European standards in terms of harmful gases emission and energy efficiency, would significantly increase the volume of generated electricity, contribute to the economic development of the Republic of Srpska and to the creation of new jobs", said Đokić. On this occasion, Yongbin stressed the company's readiness to implement this project rapidly, and he particularly thanked Minister Đokić for the bestowed trust.

In the letter of intent, sent to Mr. Đokić by the Chairman of the company "Dongfang", Wen Shugang, among other things, it is said that the development of the energy sector in the Republic of Srpska, also including the construction of the new block of TPP Gacko, is very important to this Chinese company. Otherwise, the project of constructing the 300 MW thermal power plant and modernizing the mine in Stanari, financed by the company EFT, amounts to over 600 million euros. If this investment is taken as a parameter for the possible new thermal power plant in Gacko, then it could be concluded that the worth of the investment in the Herzegovina basin could be around 750MEUR.

ČEZ Share Purchased

In ERS, they said that, in September of the previous year, the Arbitration Tribunal had made the final decision in the arbitration procedure conducted in Vienna between the complainant, ČEZ Prague, and Mixed Holding ERS - Parent company Trebinje and the Subsidiary Company Mine and TPP Gacko.

The Arbitration Tribunal almost entirely (96.6%) rejected the claim for damages of ČEZ and obliged ČEZ to pay 310.000 euros to the ERS and the Mine and TPP Gacko for the costs of the arbitration procedure.

They also obliged the ERS to take over the share of ČEZ in the NERS (New Power Plants of the Republic of Srpska), at a price of 2.039.522 euros, and to compensate ČEZ for the cost of exchange rate differences in the amount of 1.913.449 euros.

The ERS purchased the share of ČEZ in the NERS, thereby gaining the right to freely dispose

of the results of explorations, as well as of the studies prepared for the needs of the mine development and the thermal power plant construction.