

Serbia: 500MEUR Chinese loan to start construction of new TPP Kostolac unit

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Serbia will get a new power gen unit in TPP "Kostolac" that will increase production of electricity in the country by 5% and it will bring 100 million EUR income after 23 years. Facility will be constructed by Chinese 609 million dollars' worth credit and the contract is expected to be signed this year already. I expect that at least a part of domestic industry will engage in this job, although Chinese will decide alone about involvement of our firms and workers- Managing Director of "Kostolac", Dragan Jovanovic stated.

Serbia Energy: *How much will be invested in "Kostolac"?

-Investment cycle is divided in two phases. The first phase was the idea to consolidate existing projects and to arrange them. "Kostolac" has worked below its possibilities for years. Energy blocks that are projected to work on 350 MW have worked with much lower power. They were not maintained enough and little was invested. The first phase is over by 2015. All of it is provided from Chinese credit. This job was 100 million EUR worth and this block is working in maximal capacity at the moment. We took 64 million dollars from Chinese credit for it. The next block will be financed by Chinese loan 100%. It will cost around 100 million dollars.

SE: *What will be constructed in the second phase and which phase is provided by Chinese credit?

-The second phase is construction of the first energy block in Serbia after 23 years. We are having official negotiations with Chinese Energy Company CMEC that will work on it. I expect commercial contract to be ready in August. Everything else in responsibility of the government. This is the project with national guarantee and every document is being verified in the Parliament. The block will be financed from Chinese national credit from their Eskim Bank. Serbia gave state guarantee for 609 million dollars. This is the year when we need to prepare all necessary documentation for credit application. This is a loan with 3% of fixed interest which is being paid off for 15 years and it has a grace period of 5 years. Grace period is matching with construction period so facility will be able to finance itself. The whole investment costs 715 million dollars. Chinese bank credits 85% and the rest is participation of our companies.

SE: *Have Chinese set some additional conditions? Will they have right to the part of "electricity"?

-We are financing this block by ourselves and they only give credit. Energy block is just ours during and after the end of works. This is only domestic version. Chinese don't have any rights on it. We expect annual production of 2,5 billion KWHs. According to current electricity

price i.e. a little more than 5 euro cents, we will 100 million EUR income from the block. This is total income from energy block. "Kostolac participates with 20% in total electricity production today and we will get 5 more percents with this new block.

Source; Serbia Energy/TEKO