

Serbia: New 350MW Kostolac TPP unit with China credit line, project overview by TPP Kostolac Director Dragan Jovanovic

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Date : September 16, 2013

The new block in Kostolac, is one of the biggest investments that will enter in Serbia in last several years, and much of the work will be entrusted to local businesses. That is a sufficient reason to talk with the director of the company TE Kostolac, Dragan Jovanovic, talking about the details of this "investment giant" and a true small "hidden treasure" in Kostolac basins - undiscovered coal mine.

All details of the second phase of the contract with the Chinese company CMEC to build a new block B3 in Kostolac B and the expansion of the open pit Drmno were determined. What are the real benefits for citizens and businesses of this job?

The whole energy project is based on international agreement signed in 2009 between Serbia and China. It covered the possible projects in the infrastructure and energy sectors. In Serbia, two projects are in the progress on the basis of this agreement, one is the bridge Zemun - Borca, and the other is the first phase of Kostolac, which includes the blocks revitalizations, building railroads and ports on the Danube, and desulphurization.

The second phase is about to begin. The political importance of good relations between the two countries is clear, and as far as the importance of energy, we are after 23 years in the position to build the first major energy and capacity at very favorable terms. It is about loan with the Chinese national Exim Bank with a fixed interest rate of three percent and a grace period of five years and a repayment period of 10 years.

Total loan, including first and second phases, is one billion and sixty million dollars. Out of that in the first phase will be spent 344 million dollars, and in the second 715 million dollars, and the most of the money will be spent on the construction of a new unit of 350 MW.

What has been done in the first phase of the contract in 2010?

Unfortunately, not everything goes as planned, because we have the money but we can not withdraw it, and we will not reach to get all the necessary permits on time.

Since in the first phase we build three complex infrastructural facilities - desulphurization plant, which is effectively a processing plant of flue gases, 20 km of railway line and port on the Danube, it is necessary to do the expropriation, to get planning permission, investors' rights and finally a building permit .

With all of these we will be delayed a few months, because as you know, it goes harder in Serbia. According to the plan, the documentation should be obtained by the end of the year,

but the deadlines will be breached which does not question the implementation process, but delays it for a few months. What we have done so far, and it is completed as planned, is the revitalization of block B2, and in the same process with the block B1 we will enter in March next year. Otherwise, the revitalization was done by the consortium of local energy companies.

Does the money from the loan ever arrive in Serbia in the full amount since the Chinese participate in the business?

Physically in the full amount, no. The money is in a separate account and in order to spend any dollar, both parties have to agree, and everything must be signed by our engineer who heads the project. Money withdraws as planned, and of course, we have to justify every dollar.

All that was agreed is going through the ratio of 53 to 47 per cent, in favor of the Chinese side, which means that in this percentage refers to workers engaged, except that they can engage our people if they want to. This applies to material and equipment too. At this point they carefully examine the market and have no predetermined to bring their companies.

However, it seems to me that domestic firms perform with unrealistic prices, not realizing that here are fixed costs and that they can be paid only for the time agreed upon the original contract. Our companies should be reasonable with prices or the Chinese will eventually bring their own workforce.

Source; Serbia Energy/TEKO