

## **Serbia: We cannot abandon using lignite, interview with Dragan Jovanović GM TPP-Mines Kostolac company**

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Rehabilitations are currently in progress, the overhaul of the Unit B2 has been completed, and A1 works have commenced. What is the situation with regards to those works?

Unit B2 has only the most urgent works done, mostly for the replacement of the substation. The unit A1 had to undergo an overhaul because we were postponing the turbine opening for years. It represents the Unit of 100MW, and is important because the entire Požarevac uses it for heating. Now, all the attention is directed to the rehabilitation of the Unit B1.

How is that work going?

So far so good. It is a large-scale and complex job and for the first time we have been working on it with the Chinese partners. The equipment delivery is from China, and local companies are participating too. It is hard to have all synchronized, especially because the Chinese as holders and contractors wish for their part to go swiftly. I am convinced this Unit will be online, as it was planned on December 1st.

So the TPP Kostolac would then finally be working in full capacity?

That's right. We are supposed to have two Units working with 355 MW each. And environmental measures would be completed and the pollution would end there. The Desulphurization project, also a part of the Chinese loan, has commenced and it should be completed next year.

What phase is now the desulphurization project in?

Desulphurization project is at present in the phase of preparation works. It actually includes construction works, placing foundations for absorbers and the tower. The equipment is being manufactured in China and it is being delayed significantly, partly because of the Chinese project delay, partly because of our procedures, obtaining permits and approvals.

How about the continuation of the cooperation with the Chinese?

We have done almost everything. We have signed a commercial agreement with the Chinese company, specified the technology, financial values and all elements, both general and specific. The Ministry of finance has submitted an application for a loan and we should soon receive the Proposal of the Agreement on the loan. There is no dilemma about this project – the work has to be done, because if we do not construct 1000 MW in the next 10 years, we will face a big problem.

What about the research conducted for the West field?

Preliminary researches show that there lies 400 million tons of coal, greatly exploitable. The advantage is that in the upper part of the overburden there is some fine gravel, which has its commercial price. It is very important that in the direction between the Morava and the Danube River, there are no big and important infrastructures, just a few settlements and agricultural land. It is a fine starting position - two rivers, the whole infrastructure and a Unit of 800 MW could be built. We cannot give up the lignite, since the entire world is still building lignite-fired power plants. We have no other resources, just water and lignite.

Will the construction of the Unit B3 start in 2015?

Yes, it should.

The 2013 results were very good. What are the expectations for this year, given the disaster we faced?

According to the report of the Business Registry Agency, PD "TE-KO Kostolac" is ranked ninth company in Serbia for its made profit reaching more than three billion RSD. It shows best the status of Kostolac. However, Kostolac has been dragging a cumulative loss, as well as the entire EPS. I am not optimistic that we will achieve such a success in 2014, as it was the case in 2013, because there are fixed costs in the balance structure we have no influence to.

How much will the production be lower, given all the circumstances?

At this particular moment, not counting the suppressed power, we are close to 98% of the plan fulfillment, but hardly can we make a 100% of the plan.