

Serbia: Why is TSO Co EMS expanding to Montenegro, partnership with TERNA?

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This is a purely business decision Elektromreža Srbije EMS is not affected by the politics said Branislav Đurđević executive director for finance and economics in Serbian state controlled TSO Company EMS revealing for the first time all details of the purchase of shares of the Montenegrin Electric Transmission System.

At the end of December Elektromreža Srbije bought 10 percent of the shares of the Montenegrin Electric Transmission System CGES in Montenegro exchange. The news immediately caused controversies in both Serbian and Montenegrin media. Branislav Đurđević executive director for finance and economics in EMS revealed the details of the project for the first time.

Elektromreža Srbije capitalized a huge project which is of strategic importance both to EMS and to Serbia. Especially since EMS has never before expanded beyond the borders of our country. We bought a total of 14.638.335 shares. That is exactly 10.01 percent of the total number of shares in CGES. This number of shares will allow us to have our own representative in their board of directors”, Đurđević says.

An impression remains that this arrangement came suddenly which is why different information appeared regarding the number of shares and the price?

We have prepared the project very carefully and we have been considering it since March 2014 but we made the decision in October 2015. We got the support from the Supervisory Board and the Government of Serbia gave us the approval to start with the investment which cost exactly 13.906.418 euro.

What is the EMS strategy in the region?

Our priority was to expand to Montenegro first. In the beginning of 2009, Montenegrin Government and Italian Terna made an agreement to build an interconnection between the two countries. The obligation of CGES was to build a new substation of 400 kW and two power lines: Tivat-Trebinje and Tivat -Pljevlja while the obligation of Terna was to build a convertor station in Cepagati in Italy, and an undersea cable under the Adriatic sea. The total cost of the investment is 800 million euro. We knew it was happening and this was the right moment for EMS to enter CGES. Elektromreža Srbije paid 0.95 euro per share while Terna paid 1.13 euro.

Will EMS be buying more shares from CGES?

It is classified.

Where did EMS get the money for this deal?

Elektreomreža Srbije paid 60 million euro to the budget of Serbia in 2015. And I am not speaking about taxes, VAT, etc. the money came from two sides alone 5.75 billion dinars was profit that was not allocated from the past years plus 50 percent of the profit from 2014 which was 1.19 billion dinars.

We have decided to use this 14 million euro to take a commercial loan, under very good conditions, with nothing but an EMS bill as a guarantee, because we are an A category company. You should know that the conditions for this loan were the same as the conditions for a loan where the state acts as a guarantee. Elektromreža Srbije decided not use its own money designated for the funding of different infrastructure project, but instead it decided to provide the funding from the loan.

We are not a company designed to make money, we are maintaining the system, but we have the opportunity to make large profits. And that is what we do. Today when we look at our business results from 2014 EMS could be able to repay all its loans in two and a half years. I would like to stress that since the new management came - from 2012 to 2015 - EMS paid 18.7 billion dinars into the state budget.

What was the profit in 2015?

My assessment is that net profit for 2015 would be around 2.5 billion dinars

Does this project with Montenegro bear any political messages?

This is a pure business decision. EMS does not deal with politics. The goal was to bring extra money to the Government of Serbia in a sense that we shall charge it from the dividends and we shall have benefits from the connection to Italy.

What does the Trans-Balkans corridor mean?

The first phase of that project Pančevo-Rešica of 400kW we are funding from our own capital. In the framework of this historical project we have signed a contract worth 24.7 million euro with Energoprojekt equipment to build a double power line Pančevo-Rešica. That is the biggest contract EMS ever funded from their own means, signed by two domestic companies. The plan is for the first phase to be finished by 2017. After that the second phase starts - powerlines of 400kW: Kragujevac-Kraljevo, which is a precondition for the next phase of building powerlines: Obrenovac-Bajina Bašta. In the end of 2018 and 2019 we plan to make a connection between Bajina Bašta and Pljevlja, and to finish the entire project by 2022-2023.

Trans-Balkans corridor has the task of connecting north-east with the south-west of Europe. Romania with Italy, across Serbia as the electric energy leader in the region. It goes from the east where electric power is being produced to the west of Europe where there are most consumers and importers. In between is a place for us, that is where benefit is, transmits Serbia-energy.eu