

The second phase of the loan arrangement with the China for TPP Kostolac, power plant modernization a business opportunity for power gen companies



The second phase of modernization of the thermal power plant (TPP) Kostolac will be implemented, but negotiations with partners from the People's Republic of China regarding this project will take some time, said Energy Minister of Serbia, Zorana Mihajlovic.

Minister Mihajlovic said that the Ministry of Finance had provided guarantees in the Serbian budget for the second phase of the loan arrangement for Kostolac.

"Loan arrangement for the first phase is completed, and the second phase of this task will certainly take place. This is just one of the projects that will be implemented and, in addition, we have prepared a plan of other priorities for investment in energy, so that construction of power plants in Serbia can finally begin" she said.

Representatives of the People's Republic of China, said in the meantime that a decision should be made in Belgrade as soon as possible regarding Kostolac and other joint projects, in order to ensure that as much money as they can from the funds this country set aside for South Eastern Europe in 2013.

"There is a complete technical documentation for the modernization of Kostolac, so there is no reason why we should not continue this collaboration," said Director of the branch of CMEC Corporation Li Syuen Kiang and reminded that the first phase of modernization is progressing very well.

Director Li told Tanjug that CMEC, which is performing the tasks with Serbian companies in Kostolac, is very interested in continuing the cooperation which lasted for three years.

Implementation of the second phase in Kostolac is planned for 2014, which means that the Serbian budget for next year should provide resources for the job, said Li.

Li noted that, "if the budget for next year does not provide the means to begin the second phase in 2014, it will be a big problem, because the project has already been prepared and we have already submitted a request to get a loan under preferential terms."

"We could miss this chance if there are no guarantees in the budget for 2013," Li added.

Li said that the company he represents "only wishes for the political leadership to give support for this project to be resumed, since the company CMEC has already invested two years in preparation for the continuation of this cooperation and we want to expedite the work."

Chinese businessman said that in the first phase 47 percent of Serbian and 53 percent of Chinese firms were engaged, and that the construction of ports and railways will be fully done by domestic companies.

In 2011 Serbia imported electricity, worth about \$ 200 million and it cost about \$ 700 million to build a TPP in Kostolac, which means that the money needed to build new power plant would be spent to import power for three years.

People's Republic of China will allocate about \$ 10 billion in loans for all SEE countries in 2013, and Serbia should use as many of these resources for the implementation of joint

projects, such as the second phase of the modernization of TPP Kostolac, Economic and Commercial Counselor of the Embassy of China in Serbia Cu Liang told Tanjug. "That's why we want to urge Serbia to get as much as possible of these funds," said Cu and added that this money is intended for the entire region, not just Serbia.

According to Cu it would be good if Serbia could confirm as soon as possible to Beijing is obtained that it is ready to continue with the modernization in Kostolac so that funds would not be allocated to other projects.

"I believe that both Electric Power Industry of Serbia and "TPP and Mine Kostolac" share the same opinion with us," CU said, adding that the Embassy of China in Belgrade gives full support to the project, as well as the representatives of the Serbian government, who have repeatedly said that the second phase of the modernization of Kostolac is one of the priority tasks for this country.

Cu believes that the Chinese and Serbian need to work harder to support Serbian-Chinese projects, such as the second phase of TPP Kostolac, which includes the construction of a new thermal block "B3" and the expansion of the open pit "Drmno" to 12 million tons of coal per year.

"Negotiations for the second phase are in progress, and to my knowledge, there are no new conditions for approval of the loan arrangement," he said, recalling that the first phase of the rehabilitation work is successfully carried out, which includes revitalization of two thermal blocks, the construction of a desulphurization unit and associated infrastructure in the TPP.

"Without the second phase of the project, we cannot say it is fully realized," said Cu.

Chinese diplomat mentioned that the construction of the Zemun-Borca bridge is also developing successfully and added that he believes there are more important, large-scale projects that the two countries could jointly implement.

He reminded that a lot has been said and done regarding the plans for the joint construction of TPP "Nikola Tesla B3" in Obrenovac, for which the feasibility study has already been done.

"We believe that in due time our two partners will decide to invest in this project," he said, adding that the Embassy of the People's Republic of China would provide full support for this work.

Economic and Commercial Counselor of the Embassy of PR China in Serbia said that there were no obstacles in Serbia for investment from his country.

"There is a very developed market behavior in Serbia and if our companies decide that it is justified to invest here, Embassy of China will support it," advisor Cu concluded.

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