

# March (2) 2006 issue of Balkan Energy NEWS, with limited data

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Energy News on Southeast Europe • twice a month • № 2006-IV/1

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**Tenders:** (Electricity, Nuclear, Oil and gas, Wind)

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Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Macedonia, Montenegro, Romania, Serbia, Slovenia, Turkey

## Balkan Energy NEWS publication

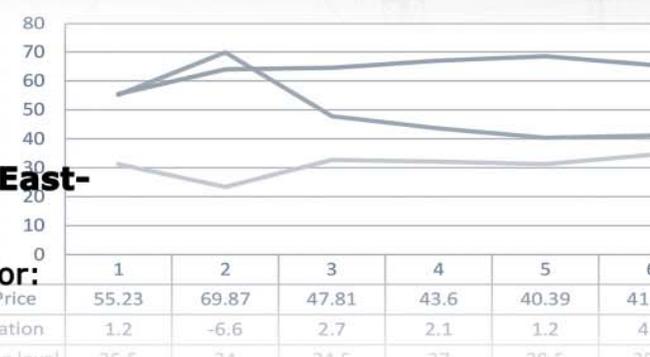
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OPCOM

Country	Year	Sum	1	2	3	4
Slovenia	2008	1134	1083	991	1054	941
	2009	1077	1051	1127	976	538
	2010	12287	1083	991	1054	941
Bosnia and Herzegovina	2008	1157	1155	1038	1075	938
	2009	3307	3450	3369	2960	2637
	2010	3185	3272	3369	3196	2638
Bulgaria	2008	3257	31954	3486	3052	3021
	2009	3167	23452	3475	3107	3087
	2010	1640	17842	1680	1543	1570
Croatia	2008	1648	17507	1625	1530	1551
	2009	531	5306	4915	4539	4269
	2010	531	53504	4652	4271	4401
Romania	2008	4791	50636	4736	4268	4473
	2009	5141	53365	4974	4472	4727
	2010	5141	53365	4974	4472	4727



## Country Reports on Energy Business in South Eastern Europe

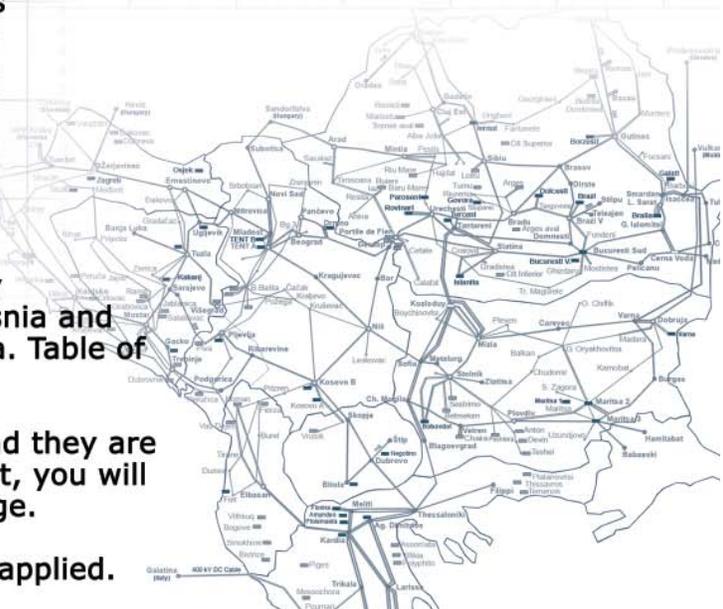
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- Overview of the electricity market,
- Consumption, production and export characteristics
- Actualities - hot topics
- Key market players,
- Legislation and electricity market opening
- Electricity prices and tariffs,
- Potentials for investments in power generation,
- Privatizations in power industry
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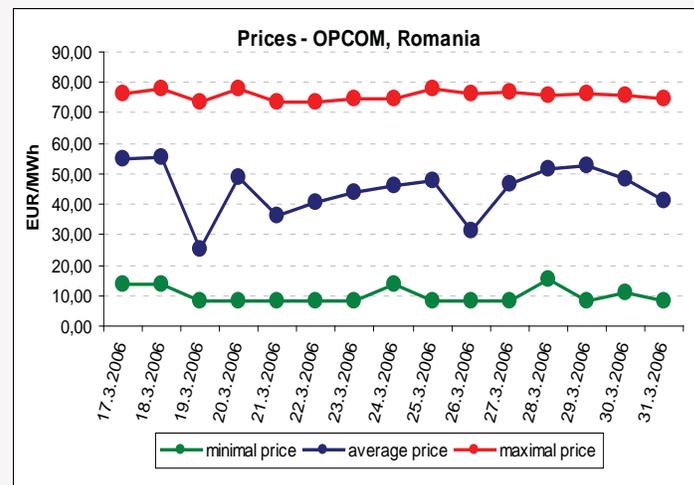
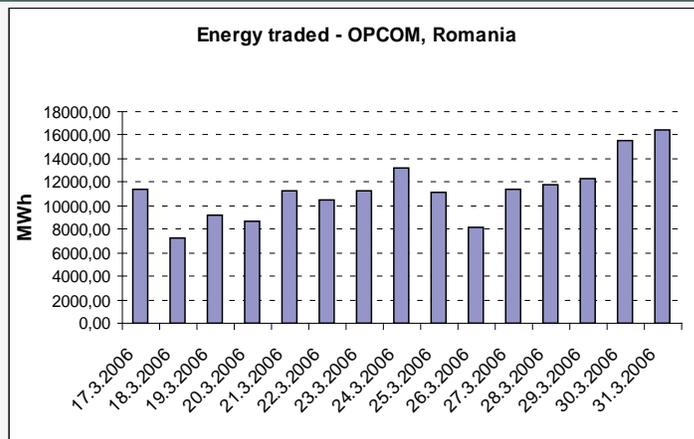
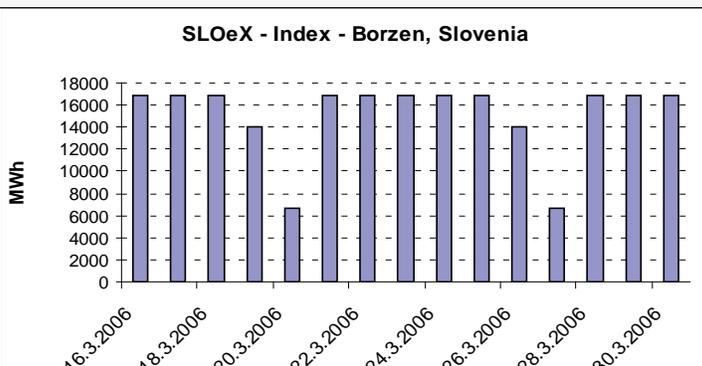
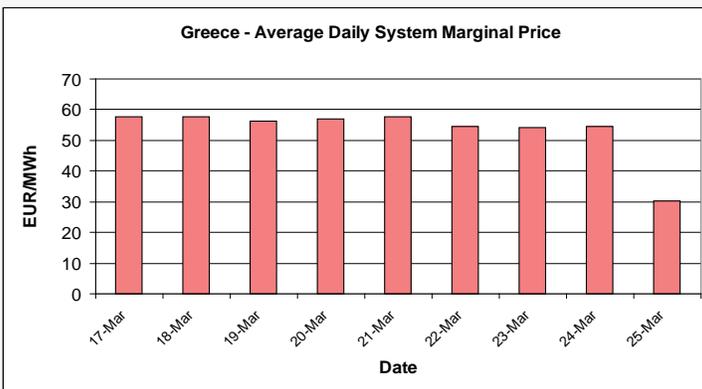
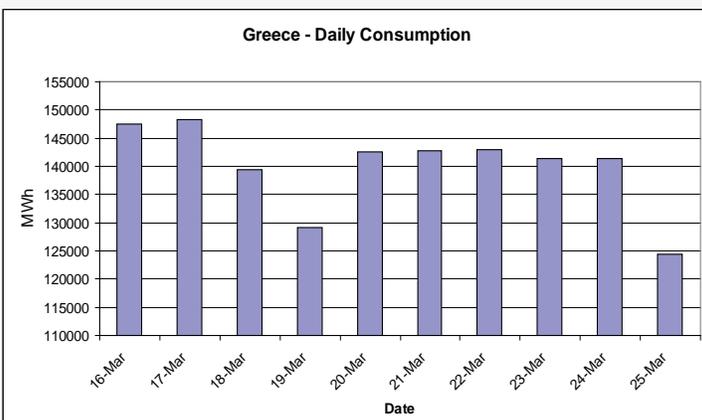
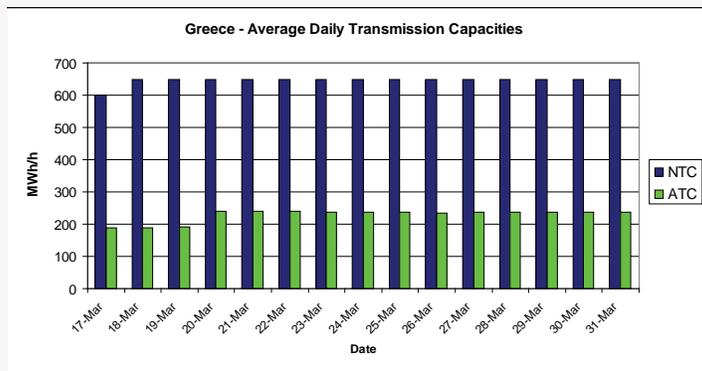


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**Power exchanges data:**



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**Review of Power Sector in FYR Macedonia**

This is short intro-sample of the full report "Analysis of Power Sector in Macedonia" from SEE Energy Assessment. Full report contains 38 pages. For more info about full report visit [www.seeea.net](http://www.seeea.net)

FYR Macedonia

Area: 27,700 sq. km.

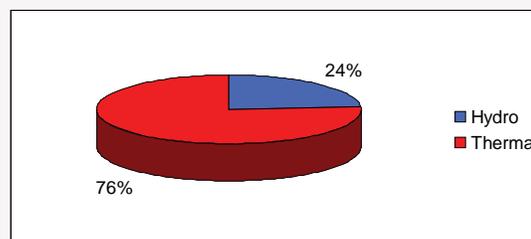
Population: 2 mil

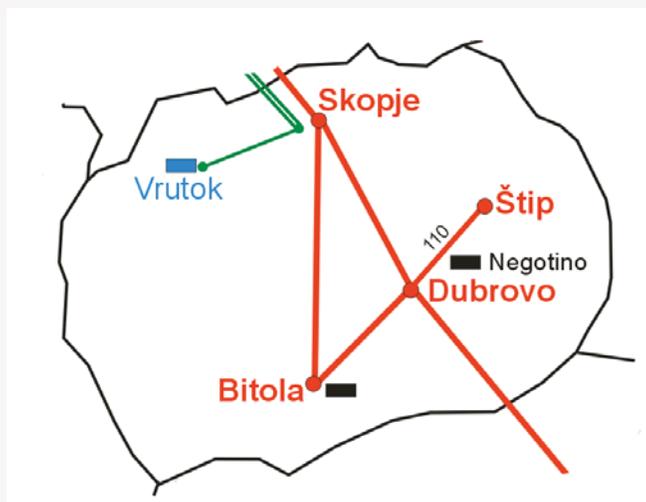
Installed capacity:

- Hydro 516 MW
- Thermal 1010 MW

Electricity consumption (2004): 7391 GWh

Generation (2004): 6212 GWh



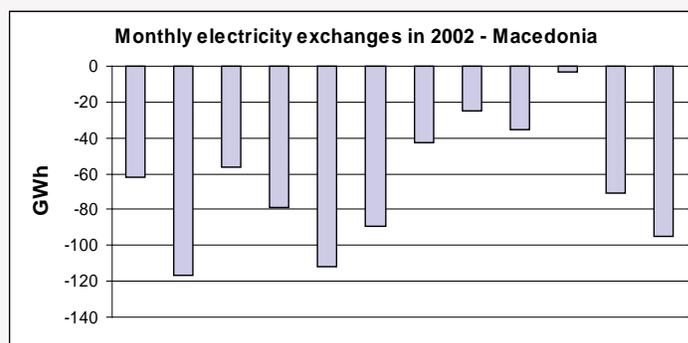
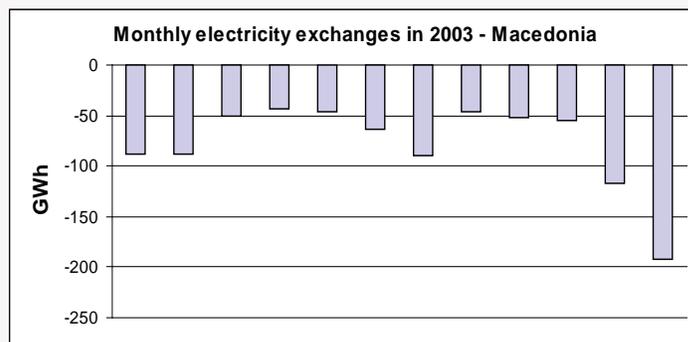
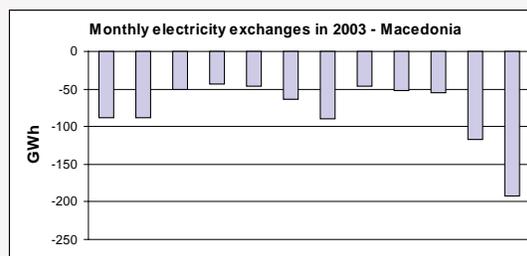


Macedonian power sector is under restructuring and privatization. Electric power utility company is ESM (ElektroStopanstvo na Makedonija [www.esmak.com.mk](http://www.esmak.com.mk)). The Government of Macedonia signed an agreement with the Austrian private investment and merchant bank, Meindl Bank AG from Vienna, to manage the restructuring and privatization of ESM. Up to 51% of the stocks are to be sold to a strategic investor and the sale is to be carried out through a Tender procedure which will also include a prequalification phase. The privatization should offer investment opportunities and relatively liberal legislation should provide opportunities for Individual Power Plant (IPP) construction and operation, mainly small hydro power projects. ESM is separated into two independent companies in the beginning of 2005. First company was responsible for generation, distribution and supply of electric energy and its name is the same as name of original company - ESM. Second company is Transmission System Operator (MEPSO - Makedonski elektroprenosni sistem operator) with responsibilities to deal with transmission network and electricity market operation. Later in 2005, ESM is divided again on power Generation Company (ELEM) and power distribution and supply company (ESM). Transmission network business is staying 100% state owned, while generation and distribution sector is going to be privatized. ESM operates 3 thermal power plants, 7 hydro power plants, 22 small hydro power plants and 28 distribution companies. Transmission network of Macedonia consist of only few 400 kV lines but this part of SEE transmission network is very important because of big transits of electric energy to Greece.

Industry consumption in Macedonia is very low. It amounts about 20%, or a little bit less, of overall electricity consumption in Macedonia. In year 2003 overall electricity consumption in Macedonia increased for 12.5 % regarding the year 2002 because of completion of new aluminium factory whose electricity consumption is very big comparing to overall country consumption which is one of the lowest in SEE. Diagram Mac. 1 in full report shows the electricity consumption in Macedonia in a period 1996-2004.

Electricity generation is mainly thermal lignite fired. The main thermal plant is Bitola and it generates about 70 percent of Macedonia's electricity. This power plant has three generators of which two operate at 400 kV level and third is connected on 110 kV network. All three units in TPP Bitola have been completely repaired and rehabilitated recently, so this power plant is in good condition with very high reliability of generation.

Macedonia is becoming importer of significant amount of electric energy because of high consumption increase without investments in new generation capacities. On the following diagrams, monthly electricity imports and exports are shown for the years 2004, 2003 and 2002.



The main investment project in following years is construction of a gas-fired combined heat and power plant (CHP) in Skopje with 174 MW installed capacity. Also several hydro plants should be built and several others will be rehabilitated.

Main transmission network expansion projects are:

1. Interconnection line Bitola (Macedonia) – Florina (Greece): upgrading existing 150 kV line to 400 kV. Total length is 40 km of which 18 km is on Macedonian territory. Total expected costs are \$ 9.5 million, while Macedonian part is \$ 4.5 million.
2. Interconnection 400 kV line Dubrovo (Macedonia) – Štip (Macedonia) – Chervena Mogila (Bulgaria). Total length on Macedonian territory is 190 km, while Bulgarian part is much smaller. Total costs are expected to be \$ 55.5 million, while cost for Macedonian part is \$35.3 million.
3. Interconnection 220kV line Vrutok (Macedonia) – Burelli (Albania). Total length is 104 km of which 48km is in Macedonia. Total construction costs should be \$ 12.7 million of which Macedonian share is \$ 5.8 million.

\* \* \*

Full report Analysis of Power Sector in Macedonia contains 38 pages with the content of:

Description  
Legal framework  
Electricity market

Important issues at glance

Review of actualities

- Development of regional and internal electricity market
- Electricity price development
- Privatization, refurbishment & investments

Links and contacts

## News:

### **Slovenia postpones signing of the MoU for Pan European oil pipeline (Region)**

The signing of Memorandum of understanding regarding the construction of Pan European oil pipeline (PEOP) between five countries, Romania, Serbia, Croatia, Italy and Slovenia, scheduled for March 22nd in Trieste, Italy, was postponed.

Prior the agreed date for signing the MoU, Slovenian minister of economy said that Slovenia would not sign the MoU due to disputable text of MoU.

According to the press interview given by minister, Slovenia would not reject the project, but it demanded to reveal the names of the potential investors, which have not been known to Slovenia.

Also, Slovenian official believe that oil pipeline over their part of territory would endanger the sources of drinking water, while the annual incomes for Slovenia by providing the transit services only, would be no more than several millions euros.

Having in mind that Slovenia does not have any active refinery, PEOP would not have such significance for Slovenia, minister said.

According to minister, if the PEOP project would imply easier access to oil sources or it would initiate the restart of production in the refinery in North East of Slovenia, which was shut down several years ago, the project would certainly have a different meaning for Slovenia.

Unofficial source say that Slovenia is interested for the project, but is unsatisfied by the fact that only 30 km of pipeline will be passing over Slovenian soil. The main problem is the relations between Italy and Slovenia, sources say.

Officials from Croatian ministry of economy repeated their statements saying that PEOP has strategic significance for Croatia. Croatia had not only given the full support for the project, but it had carried out several promoting campaigns for attracting the potential strategic partners from Europe and USA.

Croatia wants that cost study, regarding PEOP's impact on region, have been carried out as soon as possible, where Croatia has been particularly interested for the position of existing Croatian Adriatic Pipeline (Janaf) and its incorporation in new project.

According to the Romanian prime minister, the MoU will be signed after Slovenian parliament approved the MoU.

Director of Oil Terminal Constanta also said that Slovenian authorities have been making all necessary efforts to obtain parliamentary approval. According to the director, the drafts of the project would cost some ten million dollars, while overall funds invested in the project would reach 2 billion euros. PEOP project would increase oil storage and transport capacities for Romania, where about 60 million tons should be transported over Romanian territory, director believes.

Authorities from Serbia believe that MoU on PEOP should be signed soon, which would be the first step for the completion of one of the large

Bank for Reconstruction and Development and Societe General Bank have already expressed the interest for the project.

PEOP would secure safe crude oil supplies for Serbian refineries. In this moment, refineries in Serbia mostly use Russian oil from Ural and, in smaller quantities, the Caspian light oil, tengiz type. The oil has been transported from Black Sea harbors, through Bosphorus strait, where tankers could wait for 3 weeks for passage due to congestion, and further to Croatian port Omisalj, and by the Adriatic pipeline (Janaf) to the oil refineries in cities in Pancevo and Novi Sad.

Serbia expects some 25 to 30 million dollars of savings per year when the PEOP becomes operational. Even if PEOP project became abandoned for some reason, Serbia would have interest to connect domestic refineries with the oil network in Romania.

According to the analyses conducted so far, PEOP project has been advantageous comparing to alternative routes in future, the Burgas – Vloro and Burgas – Alexandroupoulos.

The annual oil needs in the region are 80 million tons and it is expected that the amount will be doubled in the next five years, Serbian experts predicted. In that case, the congestion in Bosphorus strait would be even more emphasized.

Serbia wants to become transit country for crude oil, having in mind that 200 km of the PEOP should be in Serbian territory, for which 300 million dollars should be invested.

According to current transit fees of 2.5 dollars per ton and per 100 km, Serbia could earn about 200 million euros per year.

New founded public company Transnafta, in charge for oil transport, besides support to the PEOP project, has been developing several projects for construction of pipelines for transport of oil derivatives and new terminal, for which 30 million dollars should be spent.

After signing the MoU in Trieste, new company in charge for development of PEOP project and conduction of feasibility study should be established.

The feasibility study should determine technical characteristic for the oil pipeline, determine whether the pipeline would be profitable, to define environmental protection and define legal issues that should be harmonized with EU regulations. It is expected that harmonization period for PEOP should last for 2-3 years.

The PEOP should be long about 1300 km with annual transport capacity of 60 million tons of crude oil. The pipeline should originate at the Romanian port Constanta, passing over Serbia, Croatia, Slovenia and it would be connected to the Trans Alpine Pipeline (TAP) in Trieste, Italy. (TAP supplies oil to Austria and Germany.)

The 2 billion worth PEOP project is aimed to transport crude oil from Caspian and Black Sea regions. The project should be the cheapest and ecologically the safest route for oil transport and it should reduce the transport price by 3 times comparing to the sea transport and even 9 times comparing to the ground transport.

According to the latest information, Slovenia's position on PEOP project could be revealed in Belgrade on April 10th, where the international meeting "Whether the Balkans oil pipelines are going to be built and when?", under the sponsorship of Serbian president, is going to be held.

It is expected that participants in the meeting will pay special attention on the AMBO and PEOP projects. The representatives of Romania, Croatia, Italy and Slovenia should present their views on the PEOP project.

### **Saxon International Energy signed the contract with Italian refinery regarding the refinement of Albanian oil. (Albania)**

In the end of February 2006th, Saxon International Energy, subsidiary of Bankers Petroleum Ltd, signed the contract with Italian refinery for the refinement of 3,500 to 4,000 metric tons (1,400 to 1,600 barrels) of crude oil per month. The oil will come from the Patos Marinza oilfield in Albania.

Saxon has agreed that price of delivered oil should be related to five day average Brent price at the time of the shipment. The Saxon and Italian partners have agreed to revise the pricing method by the end of April, and Saxon has been conducting the pricing study in that regard.

The initial contract should last until December 31st 2006th, after which contract should be extended for another one-year period.

Officials from Saxon expect that, depending on the Brent price at the time of delivery of oil, the price paid by Italian partner could be 4 to 6 dollars per barrel higher comparing to the price paid by Albanian ARMO refinery for the delivered crude oil.

Saxon intends to continue to sell the part of the produced oil from oil fields to the ARMO refinery under existing contract.

Bankers Petroleum Ltd, through its 100 % owned subsidiary, has won the right to redevelop, produce and sell products from the Patos-Marinza oil field in Albania.

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### **KESH offered lower electricity price for Turkish Kurum (Albania)**

Albanian power corporation (KESH) has decided to lower the price of electrical energy delivered to the Turkish steel company Kurum located in Elbasan area, but only after Kurum agreed to invest 10 million euros for the construction of high voltage substation in Elbasan.

In February this year, Kurum shut down the factory due to reduction in power supply, high electricity prices, unfavorable customs tariffs, and unfair competitions from importers, company' press release said.

The unsuccessful negotiations between Kurum and Albanian authorities have lasted for several months, before Kurum decided to stop the production in five steel factories in Elbasan and to dismiss about 1,200 out of 1,300 of its workers. Kurum supplies some 40 % of the Albanian steel market, while Kurum's high officials claim that company could cover 100 % of country's needs.

KESH's decision resulted in restarting the production and return of 200 workers to work, but another 1,000 worker will still be out of work.

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### **KESH receives 20 million euros from Germany, announcement of the winner on electricity import tender. (Albania)**

Albanian power company (KESH) announced that it would receive 20 million euros through the German-funded project designed for upgrade of the power supply in Southern part of Albania.

The project includes revitalization of hydro power plant (HPP) Bistrica 1 and the construction of 110 kV transmission power line that will connect HPP and neighboring city of Sarande.

project is the part of larger, 34 million worth BISABU project for renewal of the power network in Bistrica, Sarande and Butrint in Southern Albania.

In the related news, KESH has announced the names of the four companies that won on the tender for electricity import. Tender bids have been opened on February 28th.

In the next nine months in 2006th, Switzerland's EFT, Albania's GSA, Romania's Energy Holding and Germany's OST Elektra will deliver electrical energy to KESH.

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### **Liberalization of licenses in hydrocarbons sector. (Albania)**

Albanian government has announced liberalization in granting the licenses for business operations in hydrocarbon sector in Albania.

According to the announcements, new rules will simplify procedure for applying and granting the licenses.

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### **FERK granted licenses for production of electrical energy, several small-sized HPPs should be built (Bosnia and Herzegovina)**

During the session in Mostar, Regulatory commission for electrical energy of Federation of Bosnia and Herzegovina (BiH) (FERK) has approved proposals for issuing the licenses for production of electrical energy.

The production licenses were granted to the companies Intrade Energija, Rose Wood, Paloc and Elgrad, director of Department of FERK for technical issues and licenses said. Aforementioned companies will have right to produce electrical energy in small-sized hydro power plants (HPP).

Intrade Energija will build four HPPs in Fojnica County, Rose Wood and Paloc will build three HPPs on River Vrbas, and Elgrad has won the license for the construction of one HPP.

All companies have provided concession contracts and all necessary permits for the construction from local authorities. The concession contract should last for 30 years, after which the HPPs should become the state property.

FERK's official pointed out that, for the first time, FERK has issued production licenses for private producers. Member of FERK confirmed that eight power plants have overall power output of 10 MW and annual power production should comprise 0.6 % of overall power production in BiH.

Until recently, two public companies have had the monopoly for the production, distribution and supply of electrical energy. From now on, private investors will have opportunity to build power plants.

In the same time, construction of two small-sized HPPs should start soon in the Gorazde municipality. The concession was granted to company Seh In from Gorazde and MIMS from Sarajevo. MIMS company plans to invest about 1,2 million euros in the construction projects.

In Zenica – Dobojski canton, local government has granted 30-year concession to company Primus for construction of two small-sized power plants in Gostovic River. The same concession contract for the construction of two small-sized HPPs on the same river was granted to the Austrian company Energie zotter bau GmbH.

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### **German-Croatian company interested in construction of wind farm (Bosnia and Herzegovina)**

Prime minister of local canton stated that German –Croatian company Adria Wind Power has expressed interest for construction of wind farm near city of Bosanski Petrovac.

The worth of the project is 80 million euros. According to prime minister, German partners have informed the officials from canton that all necessary researches and measurements had been carried out already. The researches showed that selected area has ideal conditions for construction of wind farms.

Cantonal prime minister said that power output of one wind farm could be 200 MW.

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### **Lithuanians invests in Power utility (Bosnia and Herzegovina)**

Investments group from Lithuania, the Ukio Bank, which became the new owner of the factory near city of Zvornik, has announced investments in Power utility in Bosnia and Herzegovina (EP BiH).

The worth of the investment in EP BiH is estimated at 50 million euros.

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### **Government continues negotiations with INA-MOL consortium regarding the sale of Energopetrol (Bosnia and Herzegovina)**

Government of Federation of Bosnia and Herzegovina (F BiH) has decided to continue the negotiations for privatization of Energopetrol with the INA (Croatian oil company)-MOL consortium, the first ranked bidder on the cancelled tender. The decision was reached on the closed session after considering all relevant information regarding the previous activities in the privatization procedure.

Government has instructed responsible bodies to solve the disputes regarding the mutual debts of Sarajevo oil company Energopetrol and government. The solution of disputes is seen as the main condition for continuation of negotiations.

Government has contacted INA and MOL and informed them about latest decision.

As a reminder, INA-MOL consortium did not want to pay 6.5 million euros of Energopetrol debts toward federal government, which was entirely the result of interest rates for the unpaid road tolls. INA –MOL officials have been claiming that this debt was not mentioned in original tender documentation.

In order to solve the problem, government decided to identify and transfer to the government ownership the part of the assets of Energopetrol, particularly the terminals, with bookkeeping value of 6.74 million euros, which should settle the debts.

This kind of business arrangement would be defined by the contract between Energopetrol and the government, and Energopetrol would give up claiming the unregistered debts from the government. The contract, according to the government, would not endanger the rights and interests of other shareholders and it would remove the obstacles for continuation of recapitalization procedure.

After the latest decision of the government for settlement of debts, the

repetition of the tender, having in mind that original debt of Energopetrol of 30 million euros was reduced by 6.7 million euros.

This was confirmed by federal minister of energy, industry and mining, which several times stated that Energopetrol should not be sold to INA-MOL and who voted against the government's decision for continuations of negotiations with INA and MOL. He believes that law has been broken in this case due to changes in the tender conditions prior the end of original tender.

In the same time, director of Privatization agency, which was the director of Commission for privatization of the largest oil distributor in BiH, has resigned after the latest government's session. Government did not accept the resignation.

The resignation was explained by the personal reasons, but the newspapers in BiH published information that the reason for resignation was the disagreements with vice prime minister, who accused the director of privatization commission on misinforming the members of government regarding the privatization process.

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### **Report on energy needs for 2006th published (Bosnia and Herzegovina)**

According to the recently published reports on energy needs in Federation Bosnia and Herzegovina (F BiH) for 2006th, 6.21 million tons of coal should be produced, while the coal consumption should reach 5.8 million tons and export should reach about 400,000 tons.

Out of overall amount, 4.7 million tons of coal should be consumed in thermal power plants, 465,000 tons will be used in industry and 648,000 tons of coal will be sold on retail market.

The planned annual production of electrical energy should reach 7,411 GWh, annual consumption should stay at 8,085 GWh. Those figures include earlier agreed contracts. The planned production of electrical energy in 2006th is 759 GWh higher than in 2005th.

The acquiring of missing electrical energy should secure safe power supply in 2006th.

Households' customer should spend 5,000 GWh, while 2,809 GWh should be delivered to the industrial customers.

F BiH should import 650,000 tons of oil derivatives, which would be 5 % higher comparing to the last year's import, while the planned consumption in 2006th is 3 % higher than in 2005th. State officials pointed that strict controls in petrol stations should increase the quality of offered oil derivatives in F BiH.

The planned import of natural gas should reach 223.3 million tons, which would be 12 % higher than in 2005th.

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### **Strong reactions after announcements of electricity price increase (Bosnia and Herzegovina)**

The latest announcement for increase in electricity prices in Bosnia and Herzegovina (BiH) starting from April 1st, has sparked harsh reactions from both the authorities and customers.

The increase for households' customers supplied by Power utility of BiH (EP BiH) will be 5.77 % and 6.58 % for customers of Power utility of Herzeg Bosnia (EP HZHB), while the price increase for industrial customers will be 19.5 %.

Demands for price increases were intensified during the last year, but the government of Federation of BiH, which was in charge for price policy in that time, has rejected those demands. Immediately after Federal regulatory energy agency (FERK) became in charge for the electricity price policy, the electricity prices have risen.

Prime minister of Federation of BiH said that FERK had inadequately decided on the timing for the price increase. PM reminded that this year was started with introduction of VAT and that additional price increase could affect the poorest citizens in BiH.

He believes that FERK was under strong pressure from power utilities, which wanted to remunerate their costs and whose former employees have been now employed in FERK.

PM said that power utilities have high operation costs, relatively high salaries and in the same time, they export the electricity under low prices.

On the other hand, PM was aware that electricity prices should rise, but it should be done gradually in the next three years. The government was ready to support the industrial customer by providing the arguments to the FERK against the price increase, PM said.

In the same time, members of house of representatives in parliament of BiH requested from government of Federation of BiH to present thorough information regarding announced price increase.

The strongest protests came from the largest industrial companies, Aluminum and Mital Steel.

The industrial customers said that FERK has decided on price increase without consulting the largest customers. They also demanded that FERK and State regulatory agency for electrical energy (DERK) should consult the representatives of large industrial customers, instead to employ only former employees of power utilities.

Heads of the companies believe that the price increase could have fatal consequences for the export activities of the aforementioned companies, who happen to be the largest exporters in BiH to the European markets.

Director of Aluminum, the company from which, directly or indirectly, 40,000 people depend on, has announced reduction in production and cancellation of 30 million euros of planned investments. Until now, Aluminum has been paying 65 million euros per year for electrical energy. After the price increase, company will pay 37.63 euros per MWh or 80 million euros per year.

The state PM has also protested against the price increase, saying that Ministers' council of BiH would do everything to cancel the announced price increase due to expected influence on price of other basic goods.

The statement of general manager of EP HZHB has been rather different from aforementioned ones. According to him, the prices of electricity for households could be 25 % lower if the large industrial customers have been paid the fee for transmission of electrical energy. This is not the case in this moment, and households' customers have been subsidizing the price of electricity for industrial customers.

§ § §

### **Proposal of Alon for oil refinery in Brod unacceptable (Bosnia and Herzegovina)**

Offer of Israeli oil company Alon for establishment of joint venture with the oil refinery in city of Brod, was totally unacceptable and underestimating, prime minister of Republic of Srpska (RS) said.

PM said to the members of parliament of RS that refinery would not be sold under the reasonable price and that new government would present new model for privatization of strategic companies in the state.

New government was obliged to continue negotiations with Alon, which was agreed by former government.

PM reminded that Alon has offered establishment of 50:50 joint venture, where Alon would have 100 % management rights. In that case, all debts of the refinery, unpaid salaries, construction of new railway bridge would become responsibility of RS government, PM believes.

Legal representative of Alon did not want to comment PM's statement, saying that Alon will insist to continue the negotiations, no matter the outcome.

The talks between Alon and government should be continued on April 4th.

§ § §

### **Bulgargaz joins Burgas – Alexandroupoulos project (Bulgaria)**

Bulgarian natural gas monopoly Bulgargaz, state-owned company in charge of the import, supply, transmission, storage and transit of natural gas, announced plans for participation in the international project for construction of Burgas- Alexandroupoulos oil pipeline, official from Bulgarian energy and economy minister said.

The news came after the meeting of Bulgaria's economy and energy minister, regional development minister and representatives from Russian industry and energy ministry. The representatives of Bulgargaz, Universal terminal -Burgas, Sibneft and Rosneft also attended the meeting.

Bulgarian regional development ministry will establish a company that will participate in the project. Bulgargaz would own 20 % of share in new company and Universal terminal –Burgas will own the rest.

Universal terminal –Burgas was company established by Bulgarian government for the purposes of participating in Burgas – Alexandroupoulos and Burgas – Vlor a pipeline projects. Government owns 55 % of the company through construction company Technoexportstroy.

In November 2004th, Bulgaria, Greece and Russia have decided to speed up the Burgas- Alexandroupoulos oil pipeline project started in 1990s and delayed for a long time. The pipeline was intended to transport Russian crude oil and to avoid transport through Bosphorus and Hellespont straits. The worth of the construction of 300 km long oil pipeline is estimated at 700 million dollars.

Three years ago, Bulgarian companies MG Energy and Natural Resources, LUKoil Bulgaria, Monolit 3, Industrial Holding Bulgaria, KZU and Magnum 07 have formed consortium the Tran Balkan Oil Pipeline Bulgaria (TOPB) that owned 33 % of shares, i.e. Bulgarian share in the Burgas – Alexandroupoulos project.

According to latest information, apart from Bulgargaz, new interested companies for the Burgas – Alexandroupoulos project are Russian gas monopoly Gazprom, (through its subsidiary Sibneft) BP's and Russian joint venture TNK-BP, Russian Stroytransgaz, Sovcomflot, Tatneft, and Chevron.

The representatives of governments of Russia, Bulgaria and Greece should meet in Athens in April to discuss the project.

In the related news, Bulgarian economy and energy ministry has approved the proposal for the restructuring of Bulgargaz.

Executive director of Bulgargaz has announced plans for the restructuring of company into a holdings company comprised by two companies.

One company should be in charge for purchase and sale of natural gas, and company named Bulgargaztransgaz will be in charge for transport and storage of natural gas.

Two companies would be 100 % owned by state-owned Bulgargaz hold-

### **Updating the contract for transit of nuclear fuel (Bulgaria)**

Bulgaria, Russia and Ukraine have decided to update and sign the new contract for transit of nuclear fuel for the nuclear power plant (NPP) Kozloduy.

The contract prescribes the exact route for transport of nuclear fuel from Russia over Ukraine territory, Russian agency ITAR-TASS reported.

According to the transit contract, the nuclear fuel will be transported by the railway from Russia to Ukraine and by water transport from Ukraine (the Ismail Harbor) to Bulgaria.

New transit agreement has been prepared since 2002nd and the delay was related to the long lasting negotiations between Russia and Ukraine.

In the beginning of March, Russia and Bulgaria have extended nuclear fuel supply contract until 2020th.

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### **Enel and RWE jointly to finish the renewal of the Maritsa Iztok 3 (Bulgaria)**

Officials from Maritsa Iztok 3 announced that Enel - RWE consortium will continue the renewal of the units 1,3 and 4.

The Enel – RWE consortium will replace the current contractor DSD Dillinger Stahlbau, which will remain responsible for installation of sulfur dioxide removal installations on the first two units. The new contractor will complete the installation of the third one.

The Energiyna Kompaniya Maritsa Iztok 3 is co-owned by Dutch registered Maritsa Iztok Power Holdings with 73% of ownership and Bulgaria's National transmission system operator (NEK) that owns the rest of the stake in the company.

Italian company Enel owns 60 % in the Maritsa Iztok Power Holdings and the rest is owned by US company Entergy. In the same time, Enel was trying to buy the Entergy's stake in Maritsa Iztok Power Holdings.

The change of the contractor was initiated by 18-month delay in the renewal project and it is intended to avoid further problems. The renewal deadline was moved from 2006th to 2008th, which was approved by the shareholders and creditors of Energiyna Kompaniya Maritsa Iztok 3.

The cost of the renewal is 600 million euros and it should extend operational life of the plant for another 15 years. Until now, 340 million euros was spent during the renewal works.

According to the latest information, NEK has decided to penalize the Energiyna Kompaniya Maritsa Iztok 3 for the delay in the renewal of unit 2 of TPP Maritsa Iztok 3.

NEK and Energiyna Kompaniya Maritsa Iztok 3 have signed the 15-year contract for the purchase of electricity from the renewed power plant.

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### **Renewal of TPP Maritsa Iztok 2 behind the schedule (Bulgaria)**

Executive director of thermal power plant (TPP) Maritsa Iztok 2 said that upgrade works in TPP would be prolonged with additional costs included. The project is five months behind the schedule.

The upgrade contractor, Japanese Mitsui, was asked to make corrections in the project for installation of sulfur dioxide removal facility.

Mitsui was ready to make corrections, but in return Japanese asked for deadline extension of 7 to 10 months and additional payment of 7 million euros for installation costs.

Units 1 and 2 in TPP are currently out of service, where unit 1 should be put in operation by the end of 2006th and unit 2 should be in operation in March 2007th.

The upgrade project is 226.2 million euros worth and it is majority financed by the Japan Bank for International Cooperation with 196 million euros.

§ § §

### **Gazprom plans to acquire power distribution companies (Bulgaria)**

In April, Russian gas monopoly Gazprom plans to sign an agreement with German power company E.ON regarding the exchange of assets.

The assets' exchange could involve some E.ON's companies in Bulgaria. According to one scenario, German company could get 24,5 % stake in gas deposits in Southern Siberia and 2 billion euros worth contract for construction of Baltic pipeline that would deliver gas directly to Germany, while E.ON could offer the stakes in power distribution companies based in Varna and Gorna Oryahovitsa, 67 % owned by E.ON.

According to the latest information from German papers, E. ON has offered the exchange of assets in its subsidiaries in the Czech Republic, Poland and Slovenia as well.

§ § §

### **CEZ agreed to pay 206 million euros for TPP Varna (Bulgaria)**

Czech power company CEZ agreed to pay 2006 million euros for purchase of 100 % of shares in the thermal power plant (TPP) Varna (6x210 MW), officials from Bulgaria's Privatization Agency (PA) said.

The initial offer of CEZ for the second biggest Bulgaria' coal-fired TPP was 192 million euros.

The sale agreement predicts 40 million euros worth additional investments, which was agreed during the negotiation process. Those funds should be transferred to the investment fund, establishment of which would be incorporated in the TPP Varna privatization contract. The fund would finance projects in Bulgarian energy sector.

According to PA, the negotiations with CEZ have been finished, only some technical details should be specified prior final endorsement.

CEZ officials have pointed out that they have promised very fast negotiations and that they look forward to conclusion of the contract.

The acquisition of TPP Varna would make CEZ the largest power distributor in Bulgaria. CEZ already operates three power distribution companies based in capital Sofia, Sofia District and Pleven, where CEZ owns 67 % of shares in each company. Three companies serve about 2 million customers with overall supply of 7,981 billion kWh. CEZ supplies the 66 % of the electrical energy market in Czech Republic.

The negotiations on purchase of TPP Varna between CEZ and PA started when first ranked bidder in tender procedure, Russian RAO EES pull back its offer of 398.7 million euros. PA has invited CEZ as the second ranked bidder to start negotiations.

In the same time, CEZ has expressed interest for participation in the project for construction of nuclear power plant Belene (2x1,000 MW).

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### **Disagreements over restructuring of NEK (Bulgaria)**

Management of the Bulgaria's National Power Company (NEK) has proposed to the ministry of energy two options for restructuring of the company.

The first option envisages restructuring of NEK into holdings company with division in charge for electrical energy sales and division in charge for transmission of electrical energy.

The second option predicts that transmission division should be independent company.

According to EU regulations in energy sector, Bulgaria is obliged to separate sale and transmission of electrical energy until end of 2006th.

The management of the NEK and energy ministry seems to have different ideas for the restructuring of the company, where the common idea presented by both parties is the option with holdings structure. Ministry and NEK have been arguing on who will inherit the NEK's assets and licenses.

According to the proposal of energy ministry, two new companies should be separated legally and financially, each company would own transmission network, trade and transmission licenses, while holding would own the capital. The ministry believes that this model could prevent cross subsidizing.

According to NEK's proposal, transmission system operator should be spinning off without assets. Executive director of NEK pointed out that EU directive did not specify that assets must remain in transmission company. According to him, the model with two independent companies with their own assets and licenses would increase transmission costs by 50 %.

Director believes that the holdings model proposed by NEK's management would imply that holdings would be responsible for repaying loans contracted by NEK.

Nuclear power plant (NP) Kozloduy could become the part of NEK holding and in that case, NEK could participate in the project for construction of NPP Belene. Director of NEK said that this would be only option in which NEK would want to become the part of Belene project.

The disagreements between two parties could endanger the forecasted changes in energy law and deregulation of electrical energy sector in Bulgaria.

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### **Privatization of TPP Bobov Dol in court again (Bulgaria)**

In just two weeks, Bulgarian Privatization agency (PA) has reached two opposite decisions regarding the privatization of thermal power plant (TPP) Bobov Dol.

First, on March 14th, the Bulgaria's Supreme Administrative Court has accepted appeal filed by PPC and revoked the PA's decision on cancellation of tender procedure. The court decision could have been appealed in two weeks period.

In that time, PA supervisory board proposed to executive board of PA to appeal the court decision, but executive board is not obliged to fol-

that PPC's offer was respectable and PA executive director seemed not to agree with the opinion of PA supervisory board.

According to the information in that time, it was likely for PPC to have started negotiations with PA for purchase of thermal power plant (TPP) Bobov Dol (630 MW).

As reminder, PPC was the first ranked bidder in the tender procedure for sale of TPP Bobov Dol, and PA has cancelled the procedure due low offered prices.

In May 2005th, PPC has offered 36.17 million euros for 51 % of stake in the TPP and another 34.8 million euros for the capital stake increase. PPC was also willing to invest 34.75 million euros for purchase of the rest of the stake in the company by 2007th. It is expected that future owner of TPP Bobov Dol will need to invest 135 million euros for the environmental protection installation.

Explaining its decision, Supreme Court referred to the analyses made by Ernst&Young Bulgaria, which estimated 100 % of TPP Bobov Dol at 78.34 million euros that imply value of 66.73 to 312 euros per share. PPC has offered 282 euros per share.

The Supreme Court dismissed another motive for cancellation of tender as well, i.e. the lack of guarantees that TPP would continue to buy coal from local coalmine.

Despite the announcements, PA has filed an appeal to the Supreme Court and called again for cancellation of privatization procedure. Now, executive director of PA said that restart of the privatization procedure was unlikely to rise the bid for TPP.

The trade unions have repeated their requests that the future owner of the TPP should be obliged to continue to buy coal from the Bobov Dol coalmine for period of ten years. Unions also demanded that TPP and coalmines had to be sold to single buyer.

The coalmines in Bobov Dol have reported loss of 4.72 million euros in 2005th, and overall losses reached 20.38 million euros.

According to the latest news, company Balkan MK Oranovo has submitted a request to the energy ministry for lease the Bobov Dol coal mines for a period of 5 years. The company owns coalmines in Gotse Delchev and Simitli and it has plans for production of 5 million tons of coal in Bobov Dol.

The trade unions did not object to this option, and PA is expected to approve the lease request.

In the same time, TPP Bobov Dol has requested for 17 % increase in tariffs at which TPP sells the electrical energy to the NEK (National transmission operator). If the request was approved, NEK would pay 28.85 euros per MWh to TPP Bobov Dol. The request was explained by the 10 to 15 % increase in coal prices.

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### **NEK demanded 30 % increase in wholesale electricity prices (Bulgaria)**

Bulgarian National Electricity Transmission Company (NEK) should increase the wholesale electricity price, i.e the price for electricity sold to the power distribution companies, by 30 %, executive director of NEK said.

The idea of director was announced on national radio in the end of March. Director pointed out that NEK has been experiencing business losses on domestic market, which was compensated by the profit gained in export activities. The proposed price increase would allow to NEK to

utilize the transmission power network, hydro power plants, and to continue regular payment of 420 million euros of loans.

Director reminded that NEK would start to pay higher price for the electricity to the nuclear power plant (NPP) Kozloduy, when NPP started to make payments for the 500 million euros worth loan for upgrade on units 5 and 6.

It is expected that NEK's import would reduce by 2000 to 3000 starting from 2007th due to decommissioning of units 3 and 4 in NPP Kozloduy, and due to delays in the renewal of the thermal power plants Maritsa Iztok 2 and Maritsa Iztok 3.

It is expected that NEK would submit the official request for the price increase to the State Energy and Water Regulatory Commission (SEWRC) by autumn. SEWRC's deputy chairman believes that the price for households' customers will rise 20 to 25 % in not so far future.

Bulgarian power distribution companies did not comment latest announcement of NEK regarding the price increase.

§ § §

### **Slovenian government appointed arbiter in dispute with HEP (Croatia)**

Government of Slovenia has appointed its arbiter in the arbitrage body that should decide on the lawsuit filed by Croatian power utility (HEP).

The lawsuit is related to the claims on undelivered electrical energy from nuclear power plant (NPP) Krsko (jointly operated by Slovenia and Croatia) to HEP.

According to information, the arbiter that will represent Slovenia in International Centre for Settlement of Investment Disputes (ICDIS) in Washington will be Swede Jan Paulsson, who is well acquainted with the subject of the legal dispute.

As a reminder, HEP has requested compensation for undelivered electrical energy in period from June 30th 2002nd until April 19th 2003rd. It was the period when the interstate agreement on NPP Krsko was ratified but the delivery of electrical energy has not been restarted, HEP claim.

The HEP's lawsuit was filed at the end of the last year, and HEP demanded 32 million euros as a compensation.

Slovenian minister of industry has denied HEP's claims more than once, saying that electrical energy from NPP had been offered to HEP several times in the aforementioned period but HEP decided to buy cheaper electricity from Slovakia and Bosnia and Herzegovina.

Minster said that Slovenia has been considering filing its lawsuit regarding the compensation for modernization expenses in jointly operated NPP, in which Croatia had not participated.

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### **Croatia became the member of program Intelligent Energy - Europe (Croatia)**

Croatian vice prime minister and Andris Piebalgs, the EU Energy Commissioner, have signed the memorandum of understanding in Brussels that will allow Croatia to access to the program called Intelligent Energy - Europe.

The Intelligent Energy - Europe program was designed to increase the energy efficiency and usage of renewable energy sources (RES). After signing the MoU, Croatian companies will be allowed to participate in

Overall budget of the program for 2006th is 55 million euros, and companies and organizations from Croatia will be able to file their applications during the next public invitation that should happen in May this year.

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### **Net profit of Janaf 4,6 million euros (Croatia)**

During 2005th, Adriatic pipeline (Janaf) has achieved net profit of 4,6 million euros, which was 36 % increase comparing to 2004th.

According to the company's report, 7,1 million tons of oil was transported, which was 4,7 % lower amount comparing to 2004th. The decrease in transport was result of reduced production in oil refineries.

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### **New regulations on fees for connection to power network (Croatia)**

In the beginning of March, Management board of Croatian energy regulatory agency (HERA) has adopted new Bylaw on fees for connection to power grid and increase of installed power capacity.

New regulations prescribe the methodology for calculation of fees for connection of electricity producers or consumers to power grid (distribution or transmission), as well for increase of installed power capacity for both categories. The fee will be paid to the transmission or distribution system operators.

In the related news, from March 26th, periodical change of tariff period in Croatia during summer season have taken place.

The period for low electricity tariff will be from 22.00h until 08.00h in the next day, while period of high tariff will be between 08.00h until 22.00h.

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### **Regulatory agency published new tariffs for natural gas transport (Croatia)**

On March 14th, Croatian energy regulatory agency (HERA) has adopted new Tariff system for transport of natural gas, without amount of tariffs.

The Tariff system, without the amount of tariffs, defines all tariff items for natural gas transport through gas pipelines, the methods for calculation of fees for usage of natural gas network, the procedures conducted by the transporting company related to the methods for calculation of usage fees, the introduction of measurement of maximum daily peak load, and the methodology for calculation of final settlement.

Tariff system was put in power on March 22nd.

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### **Goal of 5.75% biofuels use in transport by 2010 (Greece)**

The percentage of biofuels used in transport must have risen to 5.75% of all fuel consumed by 2010. In Greece, objectives are currently listed in gross tons, with the target of 91,000 tons of biofuels used by the end of 2006, and 190,000 tons by the end of 2007. Currently, Greece's two biofuel plants produce 31,000 tons each.

Greece has recently passed a new law related to biofuels, which calls for

Development there is The Directorate for Renewable Fuels and Energy Saving.

Of possible biofuels listed in Directive 2003/30/EC, the most convenient ones for Greece are biodiesel and bioethanol. The estimate for the consumption of motor diesel for the period 2005 to 2010, based on regression analysis, indicates that some 148,000 tons of biodiesel will be required to meet the target of 5.75% for 2010.

Currently, there are two plants producing biodiesel in Greece, one in Kilkis run by Hellenic Petroleum, and one in Volos run by ELIN. Both have an output of 31,000 tons. The estimate for petrol consumption also indicates that 390,000 tons of bioethanol will be required to meet the 5.75% target for 2010.

Greece has a large number of crops that can be used for the production of biodiesel. Sunflower and cottonseed oil are expected to play an important role along with rape seed oil, which is considered highly suitable. In addition, tobacco oil and tomato oil are very promising raw material alternatives. Sweet sorghum, which has a higher bioethanol yield per hectare than sugar beets, is expected to play an important role in the production of bioethanol and trials have demonstrated that sorghum thrives throughout Greece.

Considerable expanses of land, from 400,000 hectares up to 10,000,000 hectares, will need to be cultivated to meet the demands of biofuel use.

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### **Hellenic Petroleum could be privatized in 2008th (Greece)**

The Latsis Group has recently increased the ownership share in Hellenic Petroleum (HP) by 1.07 % through purchase of 3,279,230 shares, and thus increased its share from 33.1 % to 34.17 %. Latsis Group has paid 11.02 euros per share.

The HP is majority controlled by the Greek state with 35.3 % of the share, while pension funds controls 7.5 % of the shares. According to information, Latsis Group controls another 3.5 % of share through third parties.

The latest transaction of Latsis Group seems to be the part of their plan to take over the management in HP by 2008th.

The group entered HP by buying 16.65 % of shares in June 2003rd through Paneuropean, while soon after Latsis and Greek government have signed agreement on merger of HP and Lastis's refiner company Petrola. The merger increased Lastis's stake in HP up to 24.68 %, and the stake was increased at 32.88 % in 2004th, after company DEKA sold its stake to Lastis.

The rest of the shares were acquired in the market and after the latest purchase of shares, it seems that Lastis Group controls 37.7 % of shares in HP.

The contract regarding the merger of HP and Petrola has a clause, which predicted that state of Greece would stop to appoint the management in 2008th, which should be elected by the shareholders' assembly.

In this moment, state controls, directly and indirectly, the most of the shares in HP, but the latest development shows that Lastis Group has been preparing to take over the management in HP, analysts in Greece say.

After the merger of HP and Petrola, only two refiners have left in Greece, the HP and Motor Oil, owned by Vardinoyiannis family.

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### **The tenders for coalmines (Greece)**

Greek development ministry has published a tender regarding the exploitation of lignite coalmine in Florin in Northern Greece, with estimated coal reserves of 95 million tons. The concession contrast should last for 15 years, with an option for 50-year extension.

Greek companies Public Power corporation (PPC), Mytilineos, Hellenic Petroleum and Hellenic Technodomiki have expressed interest for the tender.

Tender is especially interesting for PPC, which is interested for construction of second power plant in Florina.

Development ministry has announced another tender for exploitation of coalmines in Elassona in the nearest future, with estimated coal reserves of 190 million tons and projected operational life of 90 years. PPC has expressed interest for participation on this tender too.

By publishing two aforementioned tender, private companies would be allowed for the first time to operate the coalmines.

In the same time, PPC has demanded from development ministry to allow increase in electricity prices of 7,5 to 8 % in order to cover the increase in oil and natural gas prices.

Analysts believe that government will not allow the price increase due to political and social reasons.

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### **ESM sold to EVN for 225 million euros (Macedonia)**

Austrian company EVN is the new owner of the Power utility of Macedonia - Distribution division (ESM Distribucija).

The Macedonian government reached the decision on the winner of the tender on March 16th, and sale agreement was signed by Macedonian economy minister and member of the management board of EVN a day after.

EVN has offered 225 million euros for 90 % of shares in ESM and another 96 million euros for investments in the next three years (35,5 million in the first year, 31,5 millions in the second year, and 29 millions in the third year). By this contract, Austrian company has acquired the monopoly for the distribution of electrical energy in Macedonia.

EVN's offer was the highest among three bids on the international tender. Czech CEZ has offered 181,5 million euros for the shares and 62,7 million euros worth investment program while Italian Enel has offered 40 million euros and 80,2 million euros for the investments. EVN won 256 tender points, CEZ won 201 points and Enel got 65 points. Although it was selected in the final stage of the tender, German RWE decided in the last minute not to submit a bid for ESM.

Macedonian prime minister was satisfied with the tender result saying that this was the highest amount per single electricity meter paid, comparing to the similar privatization procedures in the entire region. (ESM has about 700,000 customers.)

On March 24th, EVN has paid overall amount of 225 million euros, where 175 million euros was paid through the stock exchange transaction for 70.1 % of the shares in ESM. The rest of the 50 million euros was paid to the Macedonia's Central Bank.

Those funds are equivalent for 19,9 % of share capital of ESM for which European Bank for the Reconstruction and Development (EBRD) is entitled according to the privatization contract. EBRD still has not decided whether it would acquire the shares in the ESM, and the bank should

The decision on how the privatization incomes would be spent should be decided by the Macedonian parliament, while the government announced several ideas.

On the other hand, the agreement with Internationally Monetary Fund (IMF) obliged Macedonian government to transfer incomes from privatization of ESM to the monetary reserves, and thus restricted potential options for investment projects in short time.

The sale agreement remained a secret even after signing ceremony. Original intention of the government was to publish the sale agreement for ESM several days before the announcing the tender results, but none of three companies allowed it.

New owners have visited the ESM and it should participate in the sessions of the management and supervising boards. Official transfer of ownership rights will take place on April 10th.

EVN has the large experience in the management of hydro power plants (HPP), especially having in mind that almost all hydro potentials in Austria have been utilized. According to the information published on the company's website, EVN plans entirely to utilize the hydro potential in Macedonia and to invest into the construction of the natural gas distribution network.

After the end of the tender procedure, the several citizens' organizations pointed out that procedure was non-transparent. Anticorruption commission has rejected possibility to have the insight of the sale contract because government demanded that commission must obey confidentiality rules.

The entire privatization procedure was followed by mass protests organized by citizens' organizations, which organized several road blockades in the Macedonia's major cities and numerous rallies in front of government's building in capital Skopje.

Opposition parties in Macedonia have not approved the sale of ESM from the very beginning. The opposition has submitted the law proposal, which predicts that ESM should be privatized after Macedonia became the EU member.

The high member of the main opposition party believe that high price paid for ESM could be 'Trojan horse', where the long term price for the privatization would be paid by the Macedonian citizens. He pointed out that experts have estimated the worth of ESM at 900 million euros.

Opposition official compared the electricity prices in Macedonia and in Bulgarian power companies owned by EVN implying that electricity prices would certainly rise very soon in Macedonia. According to him, price during high (daily) tariff in Macedonia is 4,07 eurocents per kWh, while in Bulgaria the prices varies between 4,19 to 7,42 eurocents per kWh. The price during the low (night) tariff in Macedonia is 2,035 eurocents, while the Bulgarian customers supplied by EVN pay 4 eurocents.

In the same time, ruling parties in Macedonia have expressed their satisfaction with the result of the tender, which, according to them, defeated skeptics in Macedonia. Authorities in Macedonia believe that arrival of large Austrian company will attract other EU companies, especially banks and insurance companies.

Macedonia's media brought some basic information about EVN.

The main area of business operation for EVN is Austria and Bulgaria. The company has about 2,3 million customers, where 770,000 customers are in Austria and 1,5 millions in Bulgaria, where EVN owns two distribution companies in cities Plovdiv and Stara Zagora. Bulgarian media reported that EVN considering dismissal for 1,000 workers in those companies.

After EVN entered Bulgaria electricity market, the electricity prices rose by 5,7 %, while the electricity prices in Austria rose by 21 % in the last two years.

In 2005th, EVN's incomes reached 1.609 billion euros, out of which 75 % was achieved in Austria and 15 % in Bulgaria. The profit of the company in 2005th stood at 131 million euros, where the largest part was again achieved in Austria.

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### **Legal dispute regarding the gas pipeline in the final stage. (Macedonia)**

The ten years lasting legal dispute regarding the ownership over the gas pipeline, between Makpetrol and public company Gama, has reached final stage.

Court experts have decided that new owner of the gas pipeline should be Gama, i.e. the Macedonian state. Representatives of Makpetrol did not want to comment the opinion of court experts. They only said that they would present their arguments to the court.

According to experts, state of Macedonia should have 55 % of ownership rights and Makpetrol should have 45 %. Court experts have established that state has invested 26.5 million euros and Makpetrol has invested 24 million euros into the gas pipeline. The final ownership ratio was calculated after it was found that Makpetrol owes 6.5 million euros of the profit to the state.

Unofficially, two parties in the dispute have the complaints on the experts' report, which was prepared in 8 months period.

Makpetrol denied that it has invested fewer funds in the pipeline than the state, and the state officials claim that state has invested more funds than it was presented in the report.

Well-informed sources believe that report of court experts is the announcement for the final court decision, but the final decision must be made by the court until end of the March.

The end of the legal dispute is seen as very important after the sale of Power utility of Macedonia (ESM), where the rise in electricity prices is expected. Also, enlargement of the gas network in Macedonia was stalled for long time due to the unresolved ownership rights. The biggest damage was made to the Macedonian citizens, which could not use the gas as heating source.

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### **Privatization of thermal power plant Negotino announced. possible privatization of hydro power plants (Macedonia)**

Government of Macedonia would offer 100 % of shares in thermal power plant (TPP) Negotino (200MW) in the international tender.

TPP Negotino became independent company after restructuring of former Power utility of Macedonia (ESM), and the privatization of TPP Negotino was announced in the same time when the privatization of Distribution division in ESM was announced.

TPP currently uses high expensive fuel oil as engine fuel and, because of that, TPP was considered as non-profitable. Government expects to find the strategic partner interested for altering the TPP Negotino in gas-fired TPP.

In the related news, Macedonian media published that government has been preparing the privatization of large hydro power plants (HPP).

Expert teams from World Bank and government have been preparing the documents that would be the framework for the sale procedure, source from ministry of economy said.

The models for concession contracts need to be determined, which should be the main condition for starting the privatization of HPPs in Macedonia.

In the last year, government abandoned idea for privatization of HPPs together with ESM Distribution division after strong pressure from experts in Macedonia. Government decided to postpone the privatization of HPPs but only two weeks after ESM Distribution was privatized, preparation for new privatization started.

Experts believe that is still too early to sell HPPs, and that production units should be privatized gradually after analyzing the effects of ESM's privatization. On the other hand, government officials believe that sale of HPPs is not going to fast, having in mind that only preparation works have been started.

After restructuring of former ESM, all large thermal and hydro power plants in Macedonia (apart from TPP Negotino) became the part of new company named Macedonian power plants (ELEM).

§ § §

### **World Bank demands enlargement of gas network (Macedonia)**

World Bank has suggested to Macedonia that it was the final time for state to provide the conditions for considerable increase of usage of natural gas.

The enlargement and increased utilization of gas network have been one of the main projects discussed by the World Bank and Macedonia in Skopje in the end of March.

Two other topics that have been discussed were the supervision of regional projects in electrical energy sector and alternative energy sources.

In the same time, Macedonian office of World Bank announced meeting with the representatives of Macedonian transmission system operator (MEPSO) regarding the 25 million worth ECSEE APL 3 regional project.

The World Bank has announced the start of two studies, financed by Bank, regarding the draft regulations of concession contracts for construction of small-sized hydro power plants and establishment of framework for private investments for construction of the plants.

The World Bank has recommended to Macedonia to link the electricity prices with the necessary investments in electrical energy sector. If not, the quality of power supply would be diminished and would have negative impact to the industry and citizens.

§ § §

### **Government established special body for small-sized hydro power plants (Montenegro)**

Ministry of economy of Montenegro has established special body, the Central department for small-sized hydro power plants (HPP). The new department will have support from European agency for reconstruction (EAR).

The department will be in charge for coordinating of construction of HPPs as well for accomplishment of Energy efficiency strategy of Montenegro. One of the priorities of special department should also be the development of local communities and education of interested parties regarding the small-sized HPPs.

The department will have vital influence for determining the price of electricity price produced in small-sized HPPs.

Until the end of March, along with the Strategy for the construction of HPPs, government of Montenegro should also present the Action plan for construction of new energy production facilities.

According to the officials, the Action plan is slightly different from the plan proposed by the Croatian Energy institute Hrvoje Pozar. The plan predicts start of several research and pilot projects.

In the beginning of February, Croatian institute has proposed to the government of Montenegro the start of the construction of small-sized HPP Savnik 2 near city of Savnik, which was the most suitable location found among 70 other locations. The cost of the construction of HPP Savnik 2 was estimated at 500,000 euros.

The Institute has conducted economic and financial analyses for the construction of HPP Slano, with power output of 4,69 MW and estimated annual production of 11,6 GWh.

According to the first scenario proposed by Croatian institute, three or four small-sized HPPs should be built in Montenegro until 2010th. Until 2015th, share of small HPPs in overall production capacity would increase from current 1 % up to 4,4%.

According to another scenario, two HPPs at most would be built until 2010th.

Both scenarios predicts that state of Montenegro should invest between 2,6 and 3,9 million euros per year for development of small-sized HPPs.

§ § §

### **Record import of electrical energy in February, higher bills for customers (Montenegro)**

Power utility of Montenegro (EPCG) has imported record of 27 % of power consumption recorded in February this year.

Because of that, power bills for February were considerably higher for all customers.

According to the director of trade department in Supply division of EPCG, 129 million kWh of electrical energy was imported in February this year, for which 5,5 million euros was paid. The average price of imported electrical energy was 4.3 eurocents per kWh, without additional and transit costs included.

The import of electricity in February was 63 % higher than in January, when the share of imported electricity reached 17 %.

Director pointed out that import of electricity had never reached the level of 30 % of overall consumption and that average import for Montenegro has been about 20 % of power consumption.

Due to warmer weather in March, and favorable hydrology, EPCG expects to import about 50 million kWh, where the share of imported electrical energy should reach 15 %.

EPCG imports electrical energy for all customers in Montenegro, except for Aluminum Factory in Podgorica, which imports thirds of its needs.

§ § §

### **Government to decide on construction of oil platform (Montenegro)**

Until April 1st this year, government of Montenegro should decide whether it will build the first oil platform in Montenegro in cooperation with Hellenic Petroleum (HP).

Vice prime minister of Montenegro said that it would be very important to find out if there was the oil and gas in Adriatic Sea in Montenegro. According to vice PM, government will give one more chance to Montenegrin oil company Jugopetrol, which is majority owned by HP, to fulfill all conditions set in the previous agreement between government and HP.

HP wanted to build oil platform near city of Ulcinj, where considerable gas reserves are expected to be found also.

On the other hand, HP officials believe that regulations in Montenegro, which define exploration and exploitation of oil and gas, have not been satisfactory enough and HP intends to ask government for protection from potential competition.

The deadline for construction of the first oil platform has been extended for two times already. The extension was explained by the sale of Jugopetrol to HP and financial problems in the partner company Remco Energy, which subsequently abandoned the project.

In case of breaking up the partnership with Jugopetrol and HP, Montenegro government would publish a tender for granting concessions for oil and gas exploration to some other companies.

Vice PM stated that government would be considering the option for claiming the 5 million euros worth bank guarantee, if the oil platform has not been finished on time.

According to the latest information, heads of HP and Jugopetrol have presented to the government information on progress in oil and gas exploration and they have demanded for extension of the deadline for the construction of the oil platform.

One of the participants in the meeting has confirmed that Greeks have managed to persuade government to grant another extension for the project deadline. Government should reach the decision on deadline extension by mid April.

§ § §

### **EPCG and Norwegian Statkraft signed the cooperation contract (Montenegro)**

On March 24th, the representatives of Statkraft and Power utility of Montenegro (EPCG) have signed the Memorandum of understanding.

Norwegian company Statkraft has earlier expressed interest for construction of power plants in Montenegro.

According to the officials from Statkraft, signing of MoU was the clear signal of Statkraft's intention to invest in energy sector in Montenegro. Norwegians want Montenegro to become a regional center for Statkraft's operations in Southeastern Europe.

Executive director of EPCG believe that signing of MoU was clear sign of potentials in energy sector in Montenegro.

Norwegian company Statkraft is the second biggest producer of electrical energy from renewable energy sources in Europe, with annual incomes of 1,6 billion euros and 2,000 employees.

§ § §

### **50 million euros from Gaz de France to Distrigaz Sud (Romania)**

Gaz de France will lend 50 million dollar loan to Distrigaz Sud in order to

Gaz de France is the main shareholder in gas company Distrigaz Sud, and the General shareholders assembly approved the loan arrangement earlier this year.

Officials from Distrigaz Sud see the operation as the common thing for gas companies, i.e. to borrow the funds to cover losses, which occurred during the winter season, and to recover during the spring.

The loan was not obligation predicted by privatization contract, officials from Distrigaz Sud clarified. In addition, loan arrangement will be more favorable than loans offered on the market.

According to preliminary calculations, Distrigaz Sud has reported 7.6 million euros of losses in 2005th, which was 1 % of overall achieved turnover. The privatization contract for Distrigaz Sud was signed in October 2003rd when Gaz de France became the main shareholder.

§ § §

### **Increase in natural gas prices by 3,6 % from April 1st (Romania)**

Natural gas regulatory authority (ANRGN) announced that price of natural gas for households customers will rise by 3,6 % starting from April 1st.

The households' customers in the first category, which spend less than 2,400 cubic meters of gas per year, will pay 236.65 euros per 1,000 cubic meters if they are customers of Distrigaz Sud or 236.40 euros per 1,000 cubic meters for customers of Distrigaz Nord.

There are six different categories of customers according to tariff system, classified by the level of annual consumption, and 29 distribution companies in Romania.

The main reason for price changes is the increase in oil price in World markets in the last nine months, which affected the price of methane according to the ANRGN press release.

On the other hand, ANRGN decided to keep the old natural gas prices of 110 dollars per 1,000 cubic meters for the domestic customers in the second quarter of this year in order to ease the prices pressure for the end customers.

The last increase in natural gas prices of 17 % for all categories of customers occurred in the beginning of 2006th.

In the same time, economy advisor in Russian embassy in Romania said that Russian would not increase the price of natural gas delivered to Romania. The price of natural gas will depend on the price of crude oil in World market.

§ § §

### **Unions protest against increase in electricity and natural gas prices (Romania)**

Unions' organizations have protested against the new natural gas and electricity tariffs policies, and announced street protests for March 20th.

Unions reminded that average salaries in Romania are among the lowest in Europe and in the same time, Romanian citizens have been paying the highest price for electrical energy having in mind the consumed quantities of energy.

This was confirmed by the data recently published by Eurostat (Office for Statistics of the European).

Data showed that households' customers in Romania, after customers in Slovakia and Italy, have been paying the highest price for electrical energy comparing to costs of other goods and services in those countries. The prices paid in Romania were almost double comparing to the prices paid by the customers in Great Britain, France and Norway.

In the same time, industrial customers in Romania pay the relatively highest price for electrical energy in Europe, which was four-time higher comparing to Norway, France, Finland and more than double comparing to Denmark, the UK, Austria, Latvia, Belgium, the Netherlands, Croatia and Portugal.

§ § §

### **ANRE brought rules for bilateral electricity contracts (Romania)**

The National Regulatory Agency for the Energy Field (ANRE) has approved legal framework for conducting the tenders in the Centralized Market for Bilateral Contracts for electrical energy.

New rules are aimed to regulate the sale and purchase offers, which will represent an extension to the services being offered by the Market Operator (OPCOM) since November 9th 2005th.

In this moment, the Centralized Market of Bilateral Offers provides to companies in the electrical energy sector to submit offers for sale or purchase. The offers must include the description of quantity and quality, delivery date, beginning of delivery and the prices.

§ § §

### **OMV decided to make public Petrom's privatization contract (Romania)**

OMV group would make public the privatization contract of oil company Petrom in case if all other privatization contracts in Romania also became public.

This was said by the assistant executive manager of OMV group after Romanian vice prime minister stated that all contracts involving public funds and not endangering national safety had to be made public.

Vice PM said that certain confidentiality data in the contracts had to be approved by the private companies before publishing.

OMV officials said that 80 % of the Petrom's contract was already revealed. Austrian company has bought 33.34 % of shares in Petrom in 2004th for 669 million euros and later increased capital stake up to 51 % by investing 830 million euros.

Petrom has submitted report to the Bucharest Stock Exchange which showed that the company could grant 210 million euros of dividends for shareholders.

In the same time, Petrom has placed 300 million euros in three foreign, Austrian and German, investment funds managed by Raiffeisen Allianz-Dresdner.

According to company's press release, OMV plans to invest 600 million euros per year in the incoming period for the purposes of modernization of Petrom, and 1,7 billion per year for the development of whole group.

Petrom company has recently published the report of 2.97 billion euros of turnover (24 % higher than in 2004th) and 391 million euros of after

In the same time, OMV's overall after-tax profit reached 1.5 billion euros, which was 117 % increase comparing to 2004th

Oil production of Petrom reached 77.95 million barrels in 2005th, 4 % lower than during the 2004th, mainly due to power cuts and heavy floods last summer.

Petrom operated a chain of 533 petrol stations at the end of 2005th, 35 less than in 2004th, where 50 unprofitable petrol stations were closed and 15 new ones were opened.

Petrom's CEO recently announced 100 million euros worth investments in exploration and another 300 million euros for production activities.

Petrom will continue implementation of seismic 3D technology and it should start the project regarding the construction of a new gas-processing unit in Midia.

Until 2010th, management of Petrom plans to reach production of 210,000 barrels of oil equivalent per day, while the modernization of two refineries will be continued as well as the construction of new units in refineries in Arpechim and Petrobrazi.

§ § §

### **Hidroelectrica reduces power export; Transelectrica should be listed in stock exchange (Romania)**

Romanian minister of economy and commerce have requested from electrical energy producer Hidroelectrica to increase the sales on domestic electricity market by reducing exports. According to minister, Hidroelectrica had to find a solution for balancing the power system in Romania.

The same request was recently filed by the National Authority for Energy Settlement and national transmission system operator Transelectrica.

According to market sources, Hidroelectrica's export has reached 30 % of company's annual production. Hidroelectrica is the largest power producer in Romania, and covers about 30 % of Romania's power production.

In the same time, Transelectrica should be listed in stock exchange starting from July this year, the representatives from Raiffeisen Capital & Investment announced. The Raiffeisen Capital & Investment will be broker for this operation.

§ § §

### **Ministry of economy finished the draft document on energy policy for 2005th until 2008th (Romania)**

Romanian ministry of economy and commerce has prepared the draft energy policy document for the period 2005th – 2008th that should be finalized soon.

The main projects to be carried out are the Nabucco natural gas project, interconnection with power system in Hungaria trough Arad – Szeged power line, interconnection with power system of Ukraine trough Siret-Cernauty, with Bulgarian power system trough Giurgiu-Ruse and the PEO project, (Pan European oil pipeline Constanta – Trieste).

Ministry would also focus on enlargement of underground natural gas storage facilities, the increase of the safety in gas supply and development of gas transport network.

§ § §

### **Construction of storage gas facility and gas pipeline Nis-Dimitrovgrad main priorities (Serbia)**

Serbian minister of energy and mining announced signing an agreement with Bulgarian officials regarding the construction of underground storage facility for natural gas and construction of gas pipeline Nis - Dimitrovgrad. Only several technical details still needed to be harmonized, minister said.

According to minister, project for storage facility had been started ten years ago and it has been financed by state funds, where 80 % of the works have been finished.

The construction of storage facility (11,5 million euros worth), gas pipeline Nis-Dimitrovgrad (65 million euros worth) and continuation of construction of thermal power plant Kolubara B are set as the main energy projects in Serbia.

Minister said this on the press conference during the presentation of the achievements of energy ministry in the last two years.

Minister pointed out that Serbia has reached the highest level of energy stability in the last 15 years. Key projects carried out by the energy ministry in the last two years were the adoption of Strategy of energy development until 2015th, restructuring of public companies and signing the Energy treaty in Southeastern Europe.

Adoption of Energy law has made the framework for the restructuring of two largest energy companies in the country, Oil industry of Serbia (NIS) and Power utility of Serbia (EPS), by which state gave the clear message that it would privatize both companies but also that it would not allow sale of the national energy companies under low prices.

Deputy energy minister reminded that Ministry has announced public invitation for mining concessions first time in Serbia after 70 years.

In the beginning of March, energy advisor of Serbian vice prime minister said that management board of Srbijagas (Serbian gas company) reached decision on establishment of storage gas facility as the subsidiary company of Srbijagas. Serbian government had to give the approval for such decision and it was likely to happen, advisor confirmed.

Restructuring of storage facility in Banatski Dvor should enable publishing of the tender for strategic partner. Srbijagas officials believe that restructuring would attract more potential interested companies.

Advisor pointed out that strategic partner would be selected through tender procedure and thus strongly denied claims that strategic partner should be selected through direct negotiations.

As a reminder, both the Serbian prime minister and president have announced in February that Russian Gazprom would be strategic partner in the finishing the construction of storage facility.

According to advisor, tender for storage facility should be finished in a month period and the first phase of the construction works should start in the end of May in order to pump 50 million cubic meters of gas into the facility prior the next heating season.

§ § §

### **Start of privatization in Coal production company (Serbia)**

Government of Serbia has adopted the information on current situation and future activities in Public Company for Coal Production. Government has given the approval for the initiation of privatization process and decided to provide 500,000 euros for 205 employees willing to retire.

The representatives from ministry for energy and mining clarified that the mining companies should be restructured and privatized.

The radical move, according to Serbian authorities, was proposed due to lack of results in the program of strategic consolidation of the company adopted two years ago. Program, which predicted 38 million euros of investments for opening of new mines and another 750,000 euros of subsidies, did not give expected results.

There are about 4,500 employees in coalmines, and it is expected that about 300 workers would voluntarily apply for dismissal wages.

Assistant of energy minister earlier announced that government would publish a tender for construction of thermal power plant with power output of 250 MW, near coalmine Stavalj, whose coal reserves are estimated at 500 million tons.

Government of Serbia will also propose to Czech company Energo Moravia to establish a joint venture for investment in the lignite coalmine.

Czech company has earlier announced the construction of combine-cycle thermal power plant near city of Zajecar. The worth of the project is estimated at 70 million euros.

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### **Summit on Balkans oil pipelines in April (Serbia)**

In the beginning of April, World summit called "Whether the Balkans oil pipelines are going to be built and when?" will be held in Belgrade.

The coordinator of the summit is the weekly electronic paper Energy observer.

According to the press release, in past several years, Balkans was seen as region with energy future, having in mind announcements for construction of three oil pipelines, the Bourgas – Alexandroupoulos, AMBO and PEO. Those pipelines would be used for transport of oil from Caspian region toward Western Europe and USA.

The officials from Energy observer said that their idea was to gather all interested countries and companies in order to solve the dilemma whether these pipelines were going to be built.

The coordinators of the summit announced three more energy conventions in Belgrade during this year.

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### **Increase in electricity price from April 1st, increase of 11.7 % or households and 20 % for industrial customers (Serbia)**

Government of Serbia has approved the increase in electricity prices.

Starting from April 1st, households' customers will pay 11.7 % higher price per kWh (increase of 15 % for the cheapest 'green' zone and 9.8 % in "blue" zone), while the industrial customers will pay 20 to 22 % higher price, depending on the voltage level at which the electrical energy was delivered.

For households' customers, one kWh of electrical energy in "green" zone (consumption below 350 kWh per month) will cost 0.98 eurocents in low tariff and 3.95 eurocents in high tariff. In "blue" zone (consumption between 350 to 1600 kWh per month), one kWh will cost 1.4 eurocents during low tariff period and 5.66 eurocents in high tariff.

The most expensive, red tariff (consumption higher than 1600 kWh per month), for customers who spend the highest amount of electricity, will remain unchanged, with 2.8 eurocents in low tariff and 11.18 eurocents per kWh in high tariff.

Officials from Power utility of Serbia (EPS) pointed that industrial customers will pay 20 % higher price for electricity.

EPS has reminded that due to low electricity prices, the business plan of EPS was made with initial business loss of 300 million euros. If the increase in electricity prices was 20 % EPS would not have initial business losses, and EPS would have additional funds for the construction of new production facilities.

On the other hand, energy experts said that the average price of kWh in Serbia should reach 5.5 eurocents in order to provide funds for environmental protection.

In the same time, the representatives of government of Serbia and the representatives of labor unions of EPS and EMS (Serbia's transmission system operator) have reached an agreement on main strikers' demands, the payment of arrear salaries and increase of hour wage for 2006th.

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### **Meeting of working group for gas infrastructure (Serbia)**

Working group for financing and legislative framework of gas infrastructure in South Eastern Europe has had a session in Belgrade in the last week of March.

The two-day meeting was attended by the representatives of European Commission, World Bank, unions of gas operators, large gas companies, secretariat of Energy community and the representatives from all countries in the region.

Main subject of the meeting was the safety in gas supply for EU countries, where it was concluded that Serbia has a key place for the natural gas supply, having in mind that the shortest supply route for the natural gas from Caspian region, Russia, Ukraine and Iran to EU could be the over the Serbian gas network.

Convener of the working group and director of Directorate for energy in EU pointed out that Serbia should take advantage of its strategic position and become the center for distribution of natural gas by developing the project for regional and local distribution and storage of natural gas.

Serbia had to develop gas infrastructure for its own needs and it should be supported by the EU funds. In the same time, the EU support should be followed by the long-term strategy and particularly the reforms in energy sector, director said.

The main gas project in Serbia is the construction of gas pipeline Nis – Dimitrovgrad, which would provide alternative supply route for the region (the main supply route for the region is through Hungary). The working group has promised to support the project by lobbying for favorable loans from the World Bank. Director reminded that, in November 2005th, the representatives from World Bank have confirmed the readiness to invest 1.7 billion dollars in energy sector in the region, which includes the Nis – Dimitrovgrad gas pipeline.

Regarding the electrical energy sector, convener of the working group has pointed out that Serbia could play central role in the region, if the price of electricity was economical.

The Nis – Dimitrovgrad pipeline will be 107 km long, with annual transport capacity of 4 billion cubic meters of gas. The worth of the project is estimated at 60 million euros, and construction works should last for two years.

New pipeline would open new options for construction of gas pipelines toward Macedonia, Kosovo, Montenegro, Albania, Croatia, Bosnia and Herzegovina and Romania.

The City of Nis should be the host of the next meeting as an acknowledgement for the Serbia's efforts in this project.

During the meeting, Austrian company OMV and Srbijagas, Serbian gas company in charge for the transport of natural gas, have signed the agreement on partnership. The agreement implies participation in joint projects, regardless on the country where the potential project was carried out.

In the related news, state secretary in Serbian ministry of energy and mining and coordinator of Stability pact for Southeastern Europe have said in joint statement that gasification could contribute energy stability in the region.

According to the press release published after the meeting in Belgrade, two officials have said that connection of natural gas networks of Bulgaria, Serbia, Croatia, Slovenia and Austria was highly important for achieving the energy stability.

Special coordinator has expressed interest for possible exploitation of lignite reserves in Kosovo, where the usage of those reserves would be related to the political future of Serbian province.

§ § §

### **EAR granted 5 million euros for modernization of electro filters in TPP Kostolac A (Serbia)**

Head of Serbian office of European agency for reconstruction (EAR) and director of thermal power plant (TPP) Kostolac A have signed the agreement on donation of 5 million euros intended for modernization of electro filters in units 2 (190MW) in the TPP.

Installation of new filters would reduce the environmental pollution, which has been 23 times higher than the EU standards, EAR official said. He added that similar project would be carried out in TPP Nikola Tesla B (2x600 MW), where the funds will be invested in reduction of coal ash.

EAR has invested 425 million euros in the energy sector in Serbia, while the overall funds invested by EU reached 1 billion dollars.

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## Tenders:

## Electricity

Company /  
organization:**Albania & Montenegro****Construction of 400 kV Transmission Line Tirana – Podgorica and Extension of S/S Podgorica 2 and Elbasan 2**

Content:

The Project Executing Authorities/Employers, Operatori Sistemit Transmetimit (KESH/OST), Albania, and ELEKTRO-PRIVREDA Crne Gore (EPCG), Montenegro, will use funds provided by KfW within the scope of German Financial Co-operation towards financing the construction of the new Transmission Line Tirana (Albania) – Podgorica (Montenegro).

The project comprises the execution, on a turnkey basis, of the construction works of a 400 kV Transmission Line Tirana - Podgorica with associated substation extensions. The supplies and services for the project are divided in two lots:

**Lot 1: Albanian Part**

**1.** • New 400 kV overhead line Tirana 2 S/S – Border Albania/Montenegro consisting of two sections. First section as a double circuit line with only one circuit strung from new Tirana 2 S/S up to approximately HPP Vau Dejes with an estimated length of 76 km. Second section as a single circuit line from approximately HPP Vau Dejes up to the border to Montenegro with an estimated length of 52 km.

**2.** • Extension of the existing 400/220 kV S/S Elbasan 2 by one new outdoor transmission line bay and one bus coupler.

**Lot 2: Montenegrin Part**

**3.** • New 400 kV single circuit overhead line from the border of Montenegro/Albania to the substation Podgorica 2 with an estimated length of 29 km.

**4.** • Extension of the existing 400/110 kV S/S Podgorica 2 by two new outdoor transmission line bays.

Bidders need to submit bids for both lots. Bids for only one lot will not be considered as qualified.

The KfW funds shall be used primarily for the costs arising in foreign exchange. The successful Bidder shall be obliged to provide an ECA (Export Credit Agency) guarantee for the total value of the export contract(s) in favour of KfW and acceptable to KfW.

Deadline:

25.04.2006.

Contact:

Fichtner GmbH & Co. KG, Sarweystrasse 3, D-70191 Stuttgart or PO Box 10 14 54, D-70013 Stuttgart, Attention Mr. Boris Bavcevic, Tel.: +49-711 8995 235, Fax.: +49 711 8995 459, email: g2@fichtner.de

Company /  
organization:**EBRD, related Romania****Design, Construction and Commissioning of the 390 Km Agadyr-YuKGRES Section of 500 kV Second Transmission Line of Kazakhstan North-South Transit Consulting Services Loan: Management and Monitoring Of Construction Contract Implementation Progress**

Content:

The Kazakhstan Electricity Grid Operating Company (KEGOC) has received a loan from the European Bank for Reconstruction and Development, and it intends to use part of the proceeds of the loan for payments under the contract for consulting services for Management and Monitoring of Construction Contract implementation process. The assignment is expected to be carried out in three Phases as described below.

## Phase I

1.1 Supervision of quality assurance by Contractor and PIU during implementation of survey work and design estimates.

1.2 Quality and the accepted technical solutions assessment during elaboration of design estimates.

1.3 Final review and approval of the made up design estimates for the construction of 500 kV OTL 500 kV Agadyr SS– 500 kV YuKGRES SS.

## Phase II

2.1 Managerial and monitoring support during contracting.

2.2 Analyses of the results of the tests performance for the quality conformance of the equipment and materials supplied under the project to the quality and technical characteristics operated together with KEGOC JSC specialists. Tests results evaluation.

2.3 Quality assurance surveillance by the Contractor and PIU during implementation of the construction and erection works.

2.4 Environmental measures monitoring during implementation of the construction and erection works.

2.5 Verification of implementation according to the PIP and review of any changes to the PIP.

2.6 Verification of the proper use of available funds.

2.7 Submit periodic activity reports as may be requested from time to time by KEGOC.

## Phase III

3.1 Confirmation of the Project Completion in accordance with the PIP and preparation of a Project Completion Report

Company /  
organization:**EAR, related Croatia****Supply of Equipment for Wind and Solar Energy Resource Assessment in a Pilot Croatian Region**

Content:

Delivery of Equipment for Wind and Solar Energy Resource Assessment in a Pilot Croatian Region

- Measurement mast and equipment to be installed on masts will be located:

Site 1 Bribir in the Municipality of Gračac,

Site 2 Pekotin brig in the Municipality of Ražanac, (alt. site 2 Krug in the Municipality of Benkovac – the selection of original or alternative location will be determined with the Commencement order)

Site 3 Promina in the Municipality of Promina

Site 4 Borajica in the Municipality of Marina

Site 5 Brač in the Municipality of Dol

Site 6 Bajina gradina in the Municipality of Vrljika

Site 7 Divov brig in the Municipality of Otok

Site 8 Sv. Ilija in the Municipality of Gradac

Site 9 Ošlje in the Municipality of Dubrovačko primorje (alt. site 9 Zabrada in the Municipality of Orebić - the selection of original or alternative location will be determined with the Commencement order)

Site 10 Sniježnica in the Municipality of Konavle

Solar radiation measurement location: Split

- the equipment to process the data will be installed at the Energetski institut Hrvoje Požar, Savska cesta 163, HR-10001 Zagreb

**Contact:** A clarification meeting will be held on 28 March 2006 at 11.00 at the Energy Institute Hrvoje Požar, Savska 163, 10000 Zagreb (interested companies to confirm their attendance).  
The attendance should be confirmed in writing to delegation-croatia-tenders@cec.eu.int or by mail: Delegation of the European Commission to the Republic of Croatia, Masarykova 1, 10000 Zagreb, Croatia, or by fax: +385 (0) 1 4896 555 (mentioning the publication reference shown in item 1) at least 7 days before the meeting.

**Company / organization:** **EPS, Serbia**

**Installation Works On Substations X/10kv**

**Content:** PRIOR NOTICE on the intention to initiate a restricted procedure for the public procurement of electric assembly works on x/10kV tra-nformer stations for the needs of the maintenance and re-construction of electric power facilities situated in the ELEK-TRODISTRIBUCIJA - BE-OGRAĐ d.o.o. zone of operation for a period of three years (2006/2008). The total dinar value of the planned procurement is 600,000,000 dinars

**Contact:** Milos Hadzic, Tel: +381 11 3471-572

**Company / organization:** **Elektroprivreda, related Bosnia and Herzegovina**

**Works and delivery of equipment for needs of 110 KV units in steam power plant Kakanj**

**Deadline:** 24. 4. 2006, until 10:00 hrs, local time

**Contact:** Alen Kulenovic  
E-mail: a.kulenovic@elektroprivreda.ba

**Company / organization:** **Steam Power Plant Ugljevik - AD Ugljevik, related Republic of Srpska**

**Construction works on overhaul of block in steam power plant Ugljevik**

**Deadline:** 3. 5. 2006, until 10:00 hrs, local time

**Contact:** Mrs. Vasevic Milka  
Tel: 055/774-600  
Fax: 055/771-183

**Company / organization:** **Elektrodistribucija Pale, related Republic of Srpska**

**Works on reconstruction of 10 KV unit substation 35/110KV, delivery of new equipment and its installation into existing unit**

**Deadline:** 5. 5. 2006, until 11:00 hrs, local time

**Contact:** Mrs. Savic Radmila  
Tel: 057/224-832  
Fax: 057/224-832  
E-mail: komercijala@edbpale.com

**Company / organization:** **EPS, related Serbia**

**PURCHASE OF VALVES for needs of capital overhaul in Steam Power Plant Nikola Tesla**

**Deadline:** proveritil)

**Contact:** Jelena Mihajlovic, phone number: 011/875-50-11, extension 321.

**Company / organization:** **Assembly of City of Kragujevac, related Serbia**

**CONSTRUCTION SMALL HYDROELECTRIC POWER PLANT on Accumulation Lake Gruza**

**Content:** The City of Kragujevac intends to award the contract for construction of 80 kW small water power plant on Accumulation lake "Gruza" in the village of Pajsijevic (Knic), Republic of Serbia.

The procurement will be co financed from the funds of EU "CARDS" programs.

Description of contract (subject of procurement): production of the main project design, execution of construction works, supply and installation of machine and electric equipment, commissioning and production of as built drawings.

Tender documents (in English) can be obtained from the office of the City of Kragujevac, City Administration for Economy and Finances – Public Procurement Unit, till April 25, 2006, at the latest, during working days from 7:30 till 15:00 h, against presentation of proof for payment of non-refundable CSD 5,000.00 to account no 840-135647-05 at UT – Branch office in Kragujevac, ref. no. 97 64-049-4000, purpose: "Purchase of tender documents for construction of small water power plant on the Lake of "Gruza".

Informative meeting with potential tenderers will be held on April 26, 2006, in room 105/I of the Assembly of the City of Kragujevac at 11:00 h, and after that an organized visit to the location of construction site will be organized.

**Deadline:** 15 May 2006 at 12:00 local time

**Contact:** Tel (381 34) 306-103 or 306-287,  
Fax 333-146,  
e-mail: sukkg@EUnet.yu

Company / organization: EBRD – European Bank for Reconstruction and Development, related **Bulgaria**

**Sofia District Heating Rehabilitation Project - Supply of Frequency Converters and Associated Services for Sofia East Power Plant**

Content: This Invitation for tenders follows the General Procurement Notice for this project, which was published on EBRD' Web site on 30 January 2006. Toplofikacia Sofia AD hereinafter referred to as the Purchaser, intends using part of the proceeds of a grant from the Kozloduy International Decommissioning Support Fund (KIDSF), administered by the European Bank for Reconstruction and Development (the Bank), towards the cost of Sofia District Heating Rehabilitation Project.

The Purchaser now invites sealed tenders from suppliers for the following contract to be funded from part of the proceeds of the grant for supply of four VFD (Variable Frequency Drive) systems for the engines of existing network pumps and associated services including related installation works.

Deadline: 1 Jun 2006 at 14:00, Sofia time

Contact: Mr. Vassil Petrov, Ph.D.  
Fax + 359 (2) 958 1264  
Phone +359 (2) 8598166

Company / organization: **EAR, related Kosovo**

**Geographic Information System (GIS) for the Supply Division of KEK**

Content: **This project is to support the policy of Supply Division of KEK (the Kosovo Power Utility) aiming at improving the revenue collection. This project is for supply and installation of Geographic Information System -GIS platform in the Supply Division of KEK. The equipment and services in this project will be used to plan commercial activities and improve Payment Control in the Sales Department/Supply Division of KEK.**

Deadline: 19 April 2006 at 17hrs00 (CET)

Contact: luisa.lopez@ear.eu.int , majlinda.statovci@ear.eu.int

Company / organization: **EAR, related Croatia**

**Investment for national measurement laboratories (electrical quantities, roughness, density)**

Content: The purpose of this project is to supply calibration and testing laboratories with equipment and relevant measurement standards so they can perform testing and certification in accordance with relevant EU legislation  
Lot 1 – Equipment for solid density determination  
Lot 2 – Equipment for roughness determination  
Lot 3 – Measuring equipment for electrical quantities (Thermoresistance)

Deadline: 08 May 2006, at 10:00 (CET)

Contact: delegation-croatia-tenders@cec.eu.int

Company / organization: **EPS, Serbia**

**Call for offers for consulting services regarding restructuring of the EPS power utility**

Content: Study shall contain the analyses, opinion and recommendations regarding:  
- possibilities for decreasing the costs and increasing the profit,  
- improving the organization and administrative functions and other services,  
- improving the strategy for investments and management with the investments,  
- possibilities for entrance of foreign capital.  
The study shall acquire and grade the influence of the formerly recommended measures for future total costs of EPS and its position at the Southeast Europe Regional Electricity market.

Deadline: Job completion shall be with the end of 2006.

Contact: Mr. Aleksandar Jakovljevic, tel: +381 11 3972 994, e-mail: aleksandar.jakovljevic@eps.co.yu JP "Elektroprivreda Srbije", 11000 Beograd, Vojvode Stepe No.412. – Direction for Strategy and Investments

Company / organization:	EBRD – European Bank for Reconstruction and Development, related <b>Bulgaria</b>
<b>Power Transmission - Goods, works, services</b>	
Content:	Natsionalna Elektricheska Kompania (NEK) intends using the proceeds of a loan from the European Bank for Reconstruction and Development [the Bank] for a project to rehabilitate its transmission network, including development of their MIS system, construction of a HV line, reconstruction and extension of a 400 kV s/st, modernisation of SCADA/EMS systems and providing of metering, testing and data processing systems. The proposed project, which has a total estimated cost of EUR 20 million equivalent, will require the procurement of the following goods, works and services: A.2.2. Construction of HV line 400 kV Zlatitsa -Plovdiv, and Re-routing of existing 110 kV Lines. Tendering for the above contracts is expected to begin in the fourth quarter 2005. The Bank financed packages will be procured as single-point responsibility supply-and-install contracts with fixed price). Contracts to be financed with the proceeds of a loan from the Bank will be subject to the Bank's Procurement Policies and Rules and will be open to firms from any country. The proceeds of the Bank's loan will not be used for the purpose of any payment to persons or entities, of for any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations or under a law of official regulation of the Purchaser's country.
Deadline:	24 November 2006 at 23:00, Sofia time
Contact:	Lubomir Velkov – Head of Investment division Tel: +359 2 987 9154 Fax: +359 2 986 12 88

Company / organization:	EBRD – European Bank for Reconstruction and Development, related <b>Bosnia And Herzegovina</b>
<b>Power Distribution Reconstruction Project - Goods, works, services, consultancy</b>	
Content:	The proposed project has a total estimated cost of Euro 52 million, proposed to be financed by the EBRD, and will require the procurement of the following goods, works and services for: (a) Goods and related Services for purchasing of metering equipment for residential consumption and Low and Medium Voltage substations, Low and Medium Voltage transformers, cables and auxiliary equipment for Low and Medium Voltage lines, machinery and equipment for the installation of the aforementioned items; (b) Works for the installation of the aforementioned items; (c) Consulting services to support the three Project Implementation Units established by the three power utilities
Deadline:	10 Nov 2006 at 23:00, Zagreb time
Contact:	Mr. Nedeljko Despotovic, PIU Director Tel: +387 33 751 030 , Fax: +387 33 751 033 Mobile: +387 61 227 208 Email: n.despotovic@elektroprivreda.ba

Company / organization:	<b>EBRD, related Kozloduy Nuclear Power Plant Bulgaria</b>
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Content:	This project is to support the policy of Supply Division of KEK (the Kosovo Power Utility) aiming at improving the revenue collection. The scope of the project consists of four Lots and includes the following: supply and installation of hand held units and docking stations as well as the software; supply of IT infrastructure for hand-held units (computers, printers, servers, and plotters); supply and installation of the Geographic Information System platform; supply of vehicles, and training for KEK staff. The equipment and services in this project will be used to plan commercial activities and improve payment control in the Sales Department/Supply Division of KEK.
Deadline:	1 Aug 2006 at 24:00, Kozloduy time
Contact:	Mr. Michel Levy, KPMU Commercial Manager Kozloduy Nuclear Power Plant Kozloduy Bulgaria Fax. + 359 973 74508 e-mail: kpmu@npp.cit.bg With a copy to: Mr. Georgi Kirkov Head of Trade Division Kozloduy Nuclear Power Plant Kozloduy Bulgaria Fax. + 359 973 76008 e-mail: KIRKOV@npp.cit.bg

Company / organization:	<b>EBRD, related Romania</b>
<b>Romania - CFR Traction Energy Network Management Project</b>	
Content:	CFR SA and its subsidiary CFR Electrificare have applied for a loan from the European Bank for Reconstruction and Development and intends to use its proceeds towards the cost of a project to continue modernisation and introduce cost-savings measures in management of its traction energy network. The proposed project, which has a total estimated cost of EUR 27 million equivalent (EUR 22.5 m from the Bank and EUR 4.5m in VAT and other taxes), will require the procurement of the following goods, works and services; Supply and installation of equipment sets consisting of traction substations, switching equipment, railway station distance control equipment, and central dispatching equipment and communication facilities; Supply of catenary maintenance vehicles; and Consultancy services for contract supervision. Tendering for the above contracts is expected to begin in the first quarter of 2006. Contracts to be financed with the proceeds of a loan from the Bank will be subject to the Bank's Procurement Policies and Rules and will be open to firms from any country. The proceeds of the Bank's loan will not be used for the purpose of any payment to persons or entities, of for any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations or under a law of official regulation of the Purchaser's country.
Deadline:	22 Jul 2006
Contact:	Mr. Tiberiu Angelescu, Director of Foreign Financing Directorate, Compania Nationala de Cai Ferate CFR – SA, 38, Dinicu Golescu Blvd., 3rd floor, room no. 26, 010873 Bucharest 1, Romania, Tel.: +40 21 224 84 06, Fax: +40 21 222 14 45

Company / organization:	<b>Eia</b>
<b>nt</b>	
Content:	E
Deadline:	ET
Contact:	T66

Company / organization:	EBRD – European Bank for Reconstruction and Development, related <b>Serbia</b>
<b>Emergency Power Sector Reconstruction Project Measuring Equipment for Electricity Distribution Companies</b>	