

A Chinese company started construction on Monday of a new 350-megawatt unit at Serbia's second largest coal-fired power plant, the first new electricity capacity in the Balkan country in nearly 30 years.

The \$613 million project is part of a wider deal between Serbia and China that includes expansion of a nearby coal mine and upgrade of existing capacity in the Kostolac coal-fired plant complex.

Export-Import Bank of China will provide 80 percent of the funding for the entire project of \$715 million through a 20-year loan. The Serbian government will secure the rest of the funds.

China Machinery and Engineering Corp is carrying out the construction.

The construction is expected to be finished in 2020 and will follow the highest environmental standards, Milenko Grcic, CEO of Serbian power utility Elektroprivreda Srbije, which operates the plant, told reporters.

Serbia generates two thirds of its electricity from ageing coal-fired plants and the rest from hydro power. It urgently needs to upgrade its energy infrastructure to meet rising demand. The country's energy sector has been under severe strain since 2014 flooding, when a mine supplying Serbia's largest coal-fired plant was affected. Serbia's electricity output fell by more than 15 percent in the first three months this year on a drop in coal production due to freezing temperatures.

Western Balkan countries, including Bosnia, Kosovo, Montenegro and Serbia, plan to invest billions of euros in building new coal-fired plants to meet rising demand for electricity as old plants are being phased out.

But environmentalists fear the investment in coal could backfire as governments may be forced to invest hundreds of millions of euros more to upgrade plants to meet EU environmental standards as the countries progress toward membership of the bloc.

Chinese investors are increasingly targeting projects in the Balkans, boosting their presence and showing a willingness to take bigger risks than European rivals in a potentially lucrative market with good links to the European Union.

Source: reuters.com