

Serbian state owned power utility company Elektroprivreda Srbije (EPS) restructuring process is of high importance for company future development. A strategic process monitored by key international stakeholders, EBRD, IFC and WB. EPS hired referenced Boston Consulting Group, Wallenberg and Arthur D' Little to ensure the transfer of best experiences from Europe. All in all, best actors engaged in EPS restructuring therefore the expectations are high. Main challenges along the EPS reform path are financial and environmental issues and strategic development direction.

Success of EPS restructuring process is expected to impact the state budget and future strategy of the state in energy sector. Burden of historical financial losses generated from old ways of doing business is significant and without financial restructuring EPS is not able to move forward. State officials announced recently that EPS have to expand its business in the region of West Balkans in order to keep up with competition and bigger energy players. Financial strength seems to be the only resources for future plans. Current financial situation of EPS does not allow any regional acquisitions; still International Financial Institutions like EBRD may be interested to support EPS plans.

EBRD has a strong cooperation history with EPS and recent 200MEUR financial restructuring loan arrangement did not surprised the local, European medias and energy experts. Earlier EBRD loans supported EPS to initiate long awaiting smart grid project, modernization of HPPs facilities and EPS mine Kolubara coal quality management project. EBRD claims they don't have strategy to enter into ownership of EPS thru 200MEUR loan stated for Serbia Energy Mr. Daniel Berg, EBRD Director for Serbia. EBRD main focus of the new project is helping EPS restructure its balance sheet and support its recovery after the aftermath of the devastating Balkan floods in 2014. EBRD commented that the last loan goal is to help the company reach long-term development objectives such as commercialization, raising standards of corporate governance and improving energy efficiency, transmitted Serbia-Energy.eu

EBRD is very much engaged in the process to bring about an increase in alternative sources of energy, including the renewables, explained Berg.

EBRD further explains that the Bank financing will support further reforms of Serbia's energy sector and aims to contribute to energy market liberalisation, which is an important condition for EU accession. It will also deepen regional integration in the Western Balkans by stimulating cross-border energy distribution and trade explained the email statement of EBRD Director for Serbia.

EBRD & KfW loan for EPS/Kolubara mine was repeatedly challenged by European and local Green NGOs as a bad case example of Bank dirty coal project financing. NGOs opposed with

critics both EBRD-KfW and EPS on their wrong environment impact monitoring actions and even breach of internal Bank's environment procedures. Bank had severe issues with NGOs CEEBankwatch & Cekor claiming that EPS and Bank breached its internal environment policy on Kolubara mines.

The EBRD received a complaint from Centar for Ecology and sustainable development CEKOR representatives on 1st October 2013. Following the process of review a compliance review process was recommended. This involved the EBRD hiring an external expert to independently assess the situation. Certain areas of non-compliance with EBRD policy were identified by the consultant in his report. These are mainly related to the scope of the environmental and social assessment of the project undertaken by the Bank explained Berg. EBRD management generally agreed with the recommendations of the report and will address the issues by monitoring the on-going situation. We take local community concerns very seriously and consider our project complaint mechanism an effective tool, firmly stressed Berg.

EBRD presence and active role in Serbian energy sector is of great importance and specially for power utility EPS repeatedly commented from EPS management press releases after the 200MEUR loan agreement. Indeed EBRD & EPS partnership brought a new corporate governance of EPS and introduction of EBRD's Performance Requirements Policy by EPS. Success history of EBRD & EPS cooperation includes five projects and currently all are in process of implementation and/or disbursement.

EBRD Director for Serbia Mr. Daniel Berg confirmed for Serbia Energy News that the Bank is open to consider new projects with EPS, as long as those are in line with Bank's Energy Strategy and priorities in energy sector in Serbia, such as diversification of its sources of energy away from outdated coal fired power plants.

source: serbia-energy.eu