

The future of the planned 450 MW Tuzla 7 lignite plant in Bosnia and Herzegovina is again in doubt after the country's State Aid Council revoked its decision to approve a public guarantee for a EUR 614 million loan from China Eximbank last week, four years after the Council's initial clearance.

The State Aid Council's 2018 decision to greenlight the loan guarantee was found in breach of State aid legislation by the Energy Community Secretariat in an infringement case against Bosnia and Herzegovina at the Ministerial Council in November 2021.

The case was opened based on a complaint by the Aarhus Centre Sarajevo and Bankwatch. In its decision, the Ministerial Council found that Bosnia and Herzegovina failed to comply with its obligations under Article 18 of the Treaty, on the prohibition of market-distorting State aid.

The guarantee for Tuzla 7 covered 100 percent of the loan, plus interest and other associated costs, but as a contracting party to the Energy Community treaty, Bosnia and Herzegovina must follow EU rules on subsidies in the energy sector. One of them is that in most cases state guarantees may only cover up to 80 percent of the total loan amount.

Tuzla 7's woes were compounded last year when it was revealed that the contractor itself, China's Gezhouba, can no longer fulfil its contract due the withdrawal of GE as an equipment supplier. However, the Federation of Bosnia and Herzegovina government and parliament appear reluctant to take a final decision on the fate of the project, Bankwatch writes.