

UK-based Scarborough Group International and state-owned China National Electric Engineering Co announce that they have signed an Engineering, Procurement and Construction agreement for the development of a new €230 million, 240 MW, combined cycle natural gas fueled heat and power plant project in the city of Loznica, Serbia. Under the agreement CNEEC will undertake the construction of the entire project.

Once the project is approved by government authorities, construction of Phase I, providing 120 MW, will start as early as the end of 2016, and become operational by the end of 2018 and Phase II, for the remaining 120MW is expected to be delivered about one year later. The Consortium has also got the support from a Chinese state-owned bank, to finance the project; Sinosure, which could provide export credit insurance on the financing package, also expresses its interest in the project.

Scarborough acquired the Loznica project several years ago from the Serbian government under a privatisation scheme and the intervening period has been spent liaising extensively with relevant Serbian government divisions and Chinese authorities including the country's Embassy to Serbia. The target of the project is to change the old-fashioned coal-fired power plant into a clean energy natural gas power plant.

The project will provide Serbia with a significant number of both 'hard' and 'soft' benefits including:

- a significant boost to local economy

- a strengthening of strategic ties between China and Serbia

- a reduction in dependency on imported electricity, improving energy security

- a tangible step towards becoming harmonized with EU directives of Third Energy Package

- no need for state guarantees, this is a private-sector investment by Anglo-Chinese

- consortium of Scarborough Group and CNEEC with China Development Bank

- the creation of highly skilled jobs; new employment for 150+ people locally

- a boost for local economy with engagement of local sub-contractors for at least 20% of works

- a tax revenue boost locally and nationally

- the reduction in environmental impact of EPS's carbon footprint

The Loznica plant is situated in a geographically strategic location, at the crossroads of key high voltage electrical transmission lines, adjacent to international gas pipelines, with the ability to supply both the domestic market as well as exporting electricity production to regional markets in south and central eastern Europe.

Kevin McCabe, chairman of Scarborough Group International, commented: "After years of hard work we are now very close to getting this project off the ground. This would not be

the case but for the vision and perseverance of the Chinese and the Serbian governments, the hard work of their respective ministries and state enterprises, the cooperation of the Chinese Embassy to Serbia and ,of course the support of the Mayor and community of Loznica.”

Mr Liao Shengsong, Vice President of CNEEC, added: “These are milestone agreements, opening the doors for greater cooperation between Serbia and China especially with our partners, Scarborough. Furthermore, CNEEC will work to promote local economic growth and development of clean energy in Serbia. We will provide high-quality projects so as to pursue common development under the principle of reciprocity and enhance friendship between China and Serbia.”

We are ready to kick off the project, looking forward to its success, and working hard toward this goal underway.