

NIS has been changing irreversibly and we will persevere in our quest to transform our oil and gas processing company into a region's trend-setting power generation holding. We are proud to announce that at the prestigious international economic forum held in St. Petersburg, "Centrenergoholding", a company within "Gazprom Energoholding" group, entered into an agreement with our company with a view to set up a new company under the name - Serbskaya Generaciya that would be entrusted with the construction of a CHPP (Central Heating and Power Plant) in the town of Pančevo, says Kirill Kravchenko, CEO of NIS in his interview to "Politika Daily".

When do you plan to begin the construction of CHPP Pančevo?

I can say that currently drafting is drawing to a close of the required investment and engineering documents as well as changes are complete and will be introduced in the General Regulation Plan. We reckon that construction will start as early as mid-2016, with commissioning set for 2019.

This is a "green field" investment so we will make a brand new plant from scratch. This is going to create additional jobs for highly qualified workforce in Serbia. We intend to provide a steady supply of thermal and electrical power that would be consumed by our Refinery in Pančevo as well as by our partners in that town. This will enhance our efficiency, while the surplus of electrical power will be offered to the market at large.

What is the investment worth and how will CHPP operate? Will the gas powering it come from domestic or some other sources?

€140 million has been allocated for the investment's initial stage. "Gazprom Energoholding" will cover the greatest portion of the investment. CHPP Pančevo will become the first project in Serbia of this sort of technological and environmental features.

The thermal plant capacity will amount to 140 MW, which, for the sake of comparison, would be enough to cater to the power needs of around 160.000 average households. There is a possibility to increase the capacity in the second stage of the project, if Azotara plant demonstrates its interest in the project. Should that happen the investment value would reach €183 million, and its capacity 208 MW.

As for the origin of the gas that would power the plant, since the initial ideas to build CHPP Pančevo, it was envisaged that the fuel for the future thermal plant would be a combination of domestic and the gas to be purchased elsewhere.

Is it profitable to construct CHPP with the current gas prices and how much would cost the power generated out of the gas in CHPP?

CHPP Pančevo will be a highly efficient power generating plant. It will have a combined generation of thermal and electrical power and the analyses have shown that this project

would be profitable.

As for the market price of the electricity produced at the future plant, at this point I can only say that we will offer a price that would be competitive in the market.

Could you tell us something more about the company that will be NIS partner in this project?

“Gazprom Energoholding” is our partner involved in this job. It is a subsidiary of Gazprom. This company operates power generation companies within Gazprom Group. It is important to highlight that they own and operate more than 80 power plants with the total capacity of 38 GW. For the sake of comparison let me say that all countries that once were parts of Yugoslavia have the power generation capacity of around 21,7 GW.

You announced that NIS has been expanding beyond its present core business seeking to generate electrical power. What kind of project could you indicate along these lines? Are you may be contemplating investments into wind power generation? What is the status of that investment, what is expected?

As I had already pointed out, our transformation into a power generation company requires a constant consideration of new projects in electrical power generation, however it would be too early to come forward with some specific proposals.

We have already built 13 small-scale power plants in the oil and gas fields in Serbia, works have been under way at 12 geothermal wells, and another seven bigger and smaller energy projects are under consideration currently.

I can only make public that our development plans envisage investments into renewables. This is exactly about wind power production and in this respect we focus on the location in Plandište, where we want to put up a wind farm.

However, all this does not depend only on us, one of the pivotal prerequisites to continue activities in this project is endorsement of required regulations at the state level pertaining to the purchase of electrical power generated out of renewables. The successful operation of our company and the completion of all major projects hinge on the support of our both shareholders, Gazprom Neft and Serbia’s Government, we look forward to having all conditions met that would make possible for NIS to successfully develop this particular power generation project.

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