

Although the trial in the TEŠ6 case is just beginning, the final bill for all irregularities and misconceptions in one of the biggest scandals in independent Slovenia is on the agenda. Six years after the start of operation of the sixth block of the Šoštanj thermal power plant, it is finally clear that this is a non-profit project that will have unforeseeable consequences. Not only in the local environment, but in the whole country. Among those who bear the greatest responsibility for that is Matej Lahovnik, the current head of the government's advisory group and the creator of measures to help the economy. The Šoštanj Thermal Power Plant (TEŠ) and the Velenje Coal Mine are facing a final financial collapse.

This is revealed by the business projections with which Holding Slovenske elektrarne (HSE), the owner of both companies, is asking for state help to solve them.

He prepared the document for the Slovenian State Holding (SDH), the umbrella manager of state property, and tried to hide it from the public.

HSE answered several questions from Necenzurirano.si about the projections only by explaining that they "informed the owners' representatives about various scenarios for resolving the situation caused by extremely negative trends in electricity prices from the thermal sector, which are the result of exceptional growth of emission quotas".

### **The loss of TEŠ half a billion euros this year?**

Recently, there was a debate in Slovenia about whether TEŠ should be closed in 2033 or later. It is clear from the projections that this could have happened much earlier. Due to the unprofitability of the sixth block, the value of TEŠ was reduced by more than a quarter, ie 243 million euros, last year, based on the estimated value in the balance sheet. They have now determined that the property should be reduced by the remaining 650 million euros. This would mean that the value of the company's assets would be zero. Including the sixth block, which cost more than 1.4 billion euros.

Following the impairment, TES could make a record net loss of 560m euros this year. In this case, it would be illiquid at the end of the month.

HSE, as its owner, would have two options: to provide fresh capital or to write off a large part of debts to international banks. And state guarantees have been issued for them. The only alternative is bankruptcy.

Even if TEŠ waits with the reduction, it has a maximum of three years for that, it is clear from the projections. Already in 2024, the uncovered loss from previous years will exceed half of the share capital of TEŠ. Then the value of his assets will also be lower than the liabilities, and the company will definitely be insolvent.

But an even bigger problem is current operations. According to projections, TEŠ will run out

of money for the payment of salaries and other current obligations in the spring of next year at the latest. Next year, it will operate with a negative cash flow of at least 20 million euros. Although TEŠ raised the prices of thermal energy with which it heats the Šaleška valley by a third this summer, with the opposition of the local community, this will obviously not help. Market electricity prices are expected to fall again after 2022. At the same time, the prices of CO2 emission quotas, which are paid by large polluters, will remain high. In 2022 alone, TEŠ is expected to realize a solid 40 million euros in current losses.

TEŠ's problems also drag Premogovnik Velenje into a financial abyss, because the power plant is the only buyer of lignite dug by Velenje miners. Premogovnik, which employs 1,160 people at the level of the parent company, already does not have the money to repay the 20 million loans taken from TEŠ.

In its business projections, it shows more than 100 million euros of long-term negative cash flow, and in 2023, its liabilities are expected to exceed the value of assets and capital.

Due to the obligations towards the environment, the continuation of the work of the thermal unit is financially unsustainable, HSE notes. The document emphasizes that it is no longer possible to use the concept of a functional company when planning the future operations of TEŠ and coal mines. It is an accounting term that tells whether a company is able to survive the next 12 months.

### **Energy “weak bank”**

HSE, led by Viktor Vracar, is therefore calling on the state for help. According to information from Nezenzurirano.si, it has been intensively lobbying for some time for the division of TEŠ and Premogovnik Velenje into special companies that would be directly owned by the state, leaving only a healthy core of the two companies in the hands of HSE. This is a concept that the state used in 2013 to rehabilitate its banks. She transferred their debts to the newly established Bank Receivables Management Company (BAMC), better known as the “weak bank”.

The work of the energy “weak bank” would be ensured by the state, for which it would need the green light of the European Commission.

The document reveals that the request for approval of assistance could be justified by services of general economic interest provided by TEŠ and Premogovnik Velenje.

Another option would be a capacity mechanism under which Member States can finance the provision of strategic energy reserves. HSE will also need assistance to finance the closure of the coal mine.

“We are considering the possibility of applying for state aid, but not bankruptcy”, HSE said. However, the document mentions their bankruptcy among possible further measures for

TEŠ and the coal mine.

Other options include temporary closure, forced settlement that HSE estimates would not be a long-term solution for the two companies, recapitalization of HSE or securing money from external sources: EU funds, climate change funds, modernization or innovation funds

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All this is a big problem for the five key people of the current Slovenian government:

1) For the Minister of Finance Andrej Šircelj, who will at least officially decide in what way the state can help HSE in general. TEŠ is already in breach of its financial obligations under the agreement with the European Bank for Reconstruction and Development (EBRD) on the financing of the TEŠ6 project. The report of the Court of Auditors on last year's budget shows that the state had another 358 million euros in guarantees to TEŠ on the last day of last year. If the power plant cannot repay these obligations, the state will have to.

2) For the Minister of Infrastructure Jernej Vrtovec, who is in charge of energy. It will have to decide on the extension of the concession for the operation of the Velenje coal mine, which expires in January next year. They have already applied for that in Velenje by 2042. Between 2.8 and 3.3 million tons of coal would be extracted annually in Velenje. That the ministry is aware of TEŠ's financial problems is clear from the statement of the head of the energy directorate, Hink Šolinac, who in May was "worried that it would be stopped much earlier than the scenario in the draft coal exit strategy". He mentioned 2024.

3) For Prime Minister Janez Janša, whose first government gave the green light for the TEŠ6 2006-2008 project. year, and under his second government in 2012, the power plant received state guarantees.

4) For the Minister of Ecology Andrej Vizjak, who led the Ministry of Economy during the preparation of the TEŠ6 project and issued an energy permit to the new unit.

5) For Matej Lahovnik, head of the government's advisory group for Covid measures. According to the findings of the parliamentary inquiry commission, Lahovnik is among the most politically responsible for the TEŠ6 project. He was the head of the Ministry of Economy at the time when HSE in 2009 activated the contract with the French supplier Alstompm on equipment for TEŠ6. This was extremely detrimental to TEŠ, which is why HSE filed a lawsuit against the supplier before an arbitration court in Vienna. General Electric, Alstom's legal successor, and HSE reached a settlement worth 261 million euros this year, with HSE already receiving half the amount.

### **Who will admit guilt?**

In June this year, 11 years after the first criminal investigations, the trial in the TEŠ6 case against eleven defendants finally began. They are led by the former director of the power

plant, Uros Rotnik, who did not plead guilty. The prosecution charges him with two criminal offenses – abuse of office and money laundering. None of the remaining defendants have pleaded guilty so far – with the exception of General Electric, which did so in a settlement agreement.

The main target of the prosecution and the first indictee is Uroš Rotnik, who held key levers in the hands of the TEŠ6 project. Property of unexplained origin was also discovered in his possession.

As it is known, the price of the project increased to 1.41 billion euros due to poor management, although it was originally supposed to amount to 650 million euros. This is one of the most extensive indictments in Slovenia, as it has 1,332 pages and 43,000 attachments. The accused are threatened with up to 20 years in prison, and the case will expire in 2028.

Source: [necenzurisano.rs](http://necenzurisano.rs)