

Internal Information

ČEZ has taken steps to initiate international investment arbitration against Bulgaria

Today, the CEZ Group officially informed the Government of Bulgaria of its intention to initiate international arbitration on the grounds of Bulgaria's failure to protect its investment unless the current situation is quickly remedied and the damage caused duly compensated. The Group resorted to taking this step after a series of interventions by Bulgarian institutions that damaged the business operations of ČEZ companies in Bulgaria, and further as a result of the critical situation in the local energy market that has as yet failed to show any improvement. The claim amounts to several hundred million EUR.

"If we cannot reach an amicable settlement, we are prepared to protect our investment even by means of arbitration," said Tomáš Pleskač, Chief Officer of International Division. Therefore, after a series of earlier negotiations, which unfortunately did not lead to a remedy, and after use of all available local means, today ČEZ sent a Notice of Dispute, which is the first formal step toward initiating international investment arbitration under the Agreement for the Promotion and Reciprocal Protection of Investments, as made between the Czech Republic and the Republic of Bulgaria, and also according to the Energy Charter Treaty. Both parties now have time to try and resolve the dispute amicably without the need to engage in arbitration.

The CEZ Group entered the Bulgarian market at the end of 2004. Its distribution and sales businesses serve some 3 million customers there, mainly in the western part of Bulgaria. The CEZ Group also owns other assets in Bulgaria, including a black-coal power plant in Varna that temporarily ceased operations in January 2015. The situation in the energy sector of Bulgaria is critical, and the price decisions of the local regulator have long been inconsistent with what could have been expected in view of the course of privatization. Therefore, businesses operating in the energy sector have in recent years faced declining profitability or losses and low liquidity.