

Internal Information

CEZ is going to enforce long-term supply contract with Mostecka Uhelna through court

CEZ Group realizes the impending electrical energy shortage in the Czech Republic and is therefore preparing renewal of its coal-fired power plants. Each reconstructed or new plant must have ensured coal reserves. For that reason CEZ concluded an agreement with Czech coal for future coal supply contract covering coal supplies until 2055 already in 2005. After a new owner came, however, Czech Coal started to impede implementation of this contract.

CEZ explicitly prefers to adhere to the articles of the long-term contract for cooperation from 2005 and takes concern in entering into a long-term coal supply contract with MUS. These supplies are destined for the prepared new energy resources in the Pocerady area.

At the end of 2006, Czech Coal brought in a proposal to replace the long-term coal supply contract by an establishment of a joint-venture. CEZ Group, with respect to feasible benefits of this business model, started to discuss with Czech Coal the possibility to found a joint-venture which would build two new units in Pocerady and contribute this way to the necessary strengthening of the production capacity in the Czech Republic. CEZ repeatedly submitted the first principles of the joint-venture operation that secured balanced division of responsibility and profits in accordance with the entry anticipation of both sides.

Czech Coal, however, constantly intensified its requirements which represented risks unacceptable for CEZ owing to its principles of conscious enterprise. CEZ Group cannot, for example, commit itself to ensuring breaking soft coal mining limits.

CEZ insists on concluding a long-term contract for purchase of coal supplies according to the contract from 2005. As Czech Coal refuses to keep its engagements, CEZ is appealing to court to confirm the long-term contract for purchase and enable this way initiation of renewal of the Pocerady plant. CEZ Group is willing to continue negotiating about an alternative project only under standard conditions of operating on the Czech market and under the Czech legal system.