

Inside Information

ČEZ applied its safety option in the Gacko project

Yesterday the ČEZ energy group delivered to its partner in the Gacko project in Serbia (Bosna and Hercegovina), energy company ERS (Elektroprivreda Republike Srpske) in Bosna and Hercegovina, its request for exercise of the put option. On the basis of that ČEZ will sell to ERS its 51% share in the NERS joint venture (Nove Elektrarne Republike Srpske) for the amount covering its actual costs incurred on the Gacko project. The right to absent from the joint venture results for ČEZ from repeated breach of the implementation contract by its partners in Bosna and Hercegovina.

Exercise of the option itself does not necessarily need to lead to the end of the common project. However its exercise by ČEZ means that our trust in the will of partner to seriously aim for successful completion of the project has been significantly shaken.

„We still consider the Gacko power plant construction project to be beneficial to both parties and are still interested to implement it. Unfortunately the other contracting party fails to fulfill its obligations resulting from the concluded implementation contract. In relation to that it even applies obscuring arguments concerning its dispute with the major shareholders in order to question fundamentals of the whole project. However escalation of this dispute has been fully caused by underestimation of the situation by the ERS company in Bosna and Hercegovina and unfortunately also by its failure to manage the situation to satisfaction of all,“ said Aleksandar Obradović, NERS chief executive.

ČEZ repeatedly notified its partners on their failure to meet the terms and requested correction. The given promises were never fulfilled. In such situation ČEZ is obliged to protect interests of the shareholders and apply all options enabling it to absent from the joint venture if the other side does not fulfill its obligations. Therefore ČEZ shall exercise its right to sale its share in the newly established company NERS to the contracting partner, for the price covering part of the direct costs related to project preparation (i.e. exercise the put option). In addition, according to the Implementation Contract ČEZ is entitled to compensation of all costs and loss of profit, as determined by an expert opinion. The method of their recovery will be chosen based on ERS position upon exercise of the put option by ČEZ.

NERS is a joint venture of ERS company from Bosna and Hercegovina and the ČEZ Group, established already in 2006 for the purpose of the current Gacko power plant upgrade, construction of a new power source in the location and extension of the adjacent mine. ČEZ owns 51% majority share in NERS.