

Internal Information

ČEZ has filed a lawsuit against Czech Coal on the protection of its rights and financial compensation

After a detailed analysis of the position and conduct of the company Czech Coal, ČEZ concluded that the Czech Coal concern repeatedly breached the rules of competition in relation to ČEZ. Hence, ČEZ has filed a lawsuit against Czech Coal and demands protection of its rights, compensation for the losses incurred by ČEZ (so-called appropriate compensation) and payment of contractual fines arising from the conduct of the Czech Coal concern in not performing the agreement on long-term cooperation concluded in 2005, frustration of negotiations about the long-term purchase contract and frustration of the intended project for new thermal power plants in the locality of Počerady in the originally negotiated version. The amount demanded exceeds ten billion crowns. Likewise, ČEZ demands its rights to fair treatment in a situation when it cannot do without the supplies of coal from Czech Coal to the Počerady coal-fired plant.

The filing of a new lawsuit is directly connected with the agreement on future long-term cooperation which ČEZ concluded in 2005 with the coal company Mostecká uhelná společnost, a.s., the legal successor (now Czech Coal Services a.s.). Under this agreement a long-term purchase contract was to be concluded by mid 2007 at the latest for the supplies of lignite for new lignite facilities which ČEZ planned to build. However this long-term contract was not concluded for reasons on the part of Czech Coal. Hence, in 2007 ČEZ submitted the matter to a court to decide about the conclusion of the contract. However the court, even at first instance, has so far not made a decision about the conclusion of the long-term purchase contract. Meanwhile Czech Coal increased pressure on ČEZ to relinquish the existing Počerady power plant under highly unfavourable terms and conditions. Among other things, it abused its position as the monopoly fuel supplier to the Počerady power plant which is the biggest coal-fired plant in ČEZ's portfolio.

Likewise, ČEZ withdrew its application of 2007 by filing a new lawsuit demanding that the court should order Czech Coal to conclude the long-term purchase contract. The negotiated, but not concluded contract assumed, among other things, the construction and commissioning of new lignite units in the locality of Počerady replacing the existing units by 2016. However, in view of the fact that the initial lawsuit has not been discussed as yet, this can no longer be realistically achieved. The long-term contract secured supplies of coal solely for these new units and a court order to sign the contract will not bring changes to the contract's parameters such as the renegotiation of the time schedule for the construction of the new units or securing supplies for the existing units of the power plant even if they were to be modernised.

ČEZ continues to be seriously interested in reaching an agreement with Czech Coal for securing the supplies of coal to the existing coal-fired power units in Počerady and their modernisation or replacement with new units. It is continuing in its negotiations with Czech Coal for this purpose however ČEZ must also defend its right to fair treatment in a situation when it cannot do without the supplies of coal to Počerady from Czech Coal and is incurring a financial loss as a result.