

Internal Information

European Commission Cleared ČEZ of Accusations of Price Manipulation and Alleged Cartel Practices

Only the bilateral dispute with Czech Coal for coal supply remains to be resolved

In November 2009, the European Commission raided the offices of ČEZ, very likely based on information received from CEZ' rival Czech Coal. Czech Coal has been trying to escalate to the EU level a bilateral dispute between ČEZ and Czech Coal concerning the fulfillment of contractual obligations to supply coal to the Počerady coal power plant by means of the EU's competition protection mechanisms. In the period since the inspection to date, ČEZ granted the Commission its maximum assistance and cooperation and presented convincing evidence of its correct conduct, while pointing out the inadmissible behavior of Czech Coal.

According to the European Commission's announcement of today, ČEZ has been fully cleared of several serious accusations. Clear evidence has been discovered that ČEZ has not and could not have manipulated with electricity prices, has not engaged in a cartel with anyone, nor has it been involved in limiting the trade with brown coal, which contrasts with accusations of the same malpractice recently raised against Czech Coal by numerous customers of the company.

"We are pleased that the European Commission has rebutted the accusations that ČEZ has allegedly manipulated the market with electricity and coal, which had been disseminated by our competitors. The press release published by the Commission today is yet another confirmation that in the Czech Republic we have an open, fully liberalized and working electricity market," said Martin Roman, Chairman of the Board of Directors and Chief Executive Officer of ČEZ.

The European Commission is going to continue its investigation in just one direction, the suspected preventing of other market players from entering the Czech market of power plant construction, which ČEZ may have committed by reserving transmission capacities for grid connections in the area of Počerady, North Bohemia, for its planned power source, which is to replace the existing coal blocks in Počerady once they have reached the end of their service life. Czech Coal has allegedly at that time prepared a project for building its own power plant but failed to apply timely for an adequate transmission capacity.

ČEZ believes that the continued investigation will prove that it has neither committed any breach of the applicable competition rules in this respect. The European Commission itself has stated that the initiation of its investigation procedure does not in any manner anticipate the outcome. Moreover, evidence has been found that numerous new operators have over the recent years entered the Czech power generation market and many rival projects have been implemented using the Czech power transmission grid. Furthermore, the ČEZ project is absolutely credible. Long before the Commission conducted its first inspection in 2009, binding contracts were executed for the supply of both technology and gas. We also obtained, well ahead of the schedule, all required permits and in spring this year work began at full speed to build a steam gas block in Počerady. All that clearly shows that the transmission capacity reservation has not been speculative in the least but directly connected with the project that ČEZ has strived to implement.

ČEZ is of course going to fully cooperate with the European Commission's team further as before. While the Commission continues to formally investigate the last area of its interest, we will submit additional relevant information and evidence to clear any potentially remaining doubts regarding our conduct, as we have done in the areas in which ČEZ has today been fully cleared of the original accusations.