



Republika e Kosovës
Republika Kosova-Republic of Kosovo
Qeveria - Vlada - Government

New Kosovo Project

March 20, 2018

Kosova e Re *powerplant*

Bringing Kosovo's energy sector closer to Europe





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Background



Year	Project components		Pre-qualified investors
2006	<ul style="list-style-type: none"> ➤ Kosovo C thermal power plant (1,800-2,100 MW) ➤ New Mine Development ➤ Rehabilitation of Kosovo A TPP units 		<ol style="list-style-type: none"> 1. AES/CEZ 2. EnBW/WGI 3. ENEL/SENCAP (PPC & Contour Global) 4. RWE
2010	<ul style="list-style-type: none"> ➤ New Kosovo (1,000 MW) ➤ Kosovo B ➤ Mining Development 		<ol style="list-style-type: none"> 1. Adani Power 2. AES Electric / Demir Export 3. Park Holding 4. PPC & Contour Global
2013	<ul style="list-style-type: none"> ➤ New Kosovo (2 x 300 MW) ➤ Mining Development 		<ol style="list-style-type: none"> 1. PPC+(Sithe Global) 2. Contour Global 3. Park Holding
2014	<ul style="list-style-type: none"> ➤ New Kosovo (2 x 300 MW) 	 <p>RfP</p>	<ol style="list-style-type: none"> 1. PPC +(Sithe Global) 2. Contour Global 3. Park Holding
2015	<ul style="list-style-type: none"> ➤ New Kosovo (2 x 300 MW) ➤ New Kosovo (1 x 450/500 MW) 	 <p>Bidding</p>	<ol style="list-style-type: none"> 1. Contour Global

Process (RfP - Commercial Closure)



<p>2014 Announcement of the Request for Proposals (RfP)</p>	<p>16 January 2015 Opening of financial bid (23-27% IRR on Equity)</p>	<p>March - November 2015 Negotiating Bid Conditions</p>	<p>November 2015 CG is awarded the status of selected bidder</p>	<p>>20 December 2017 > Signing of Commercial Agreements (Commercial Closure)</p>
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January 2015
Acceptance of Bids.
Only one conditional bid from Contour Global (CG)
On January 14, the PSC decided to accept the conditional bid.

January 2015
Acceptance of the bid for the beginning of the negotiations

November 2015
Signature of a Memorandum of Understanding between the Government of Kosovo and Global Contour

>2016 - 2017
Negotiation of Commercial Agreements and Financial Conditions (IRR deduction).

Note: The tendering procedure is being carried out under the Kosovo Public-Private Partnership Law and the World Bank Rules which ensure transparency and equal treatment of investors.

Main project parameters



Main features of the thermal power plant:

- Installed capacity: 450 MW net or 500 MW gross
- Net Unit Efficiency: min. 40%;
- Ready for co-generation: 10% of the power capacity, > 200 MW_{th}
- Operation Period: 40 years;
- Environmental Protection: BAT/BREF (2017)
- Micro-site: in proximity of Kosovo B TPP;
- Connection: KOSTT Transmission Network
- Supply with lignite: KEK/Mining
- Water supply: Ibër Lepenc System (IL)

Main project arrangements:

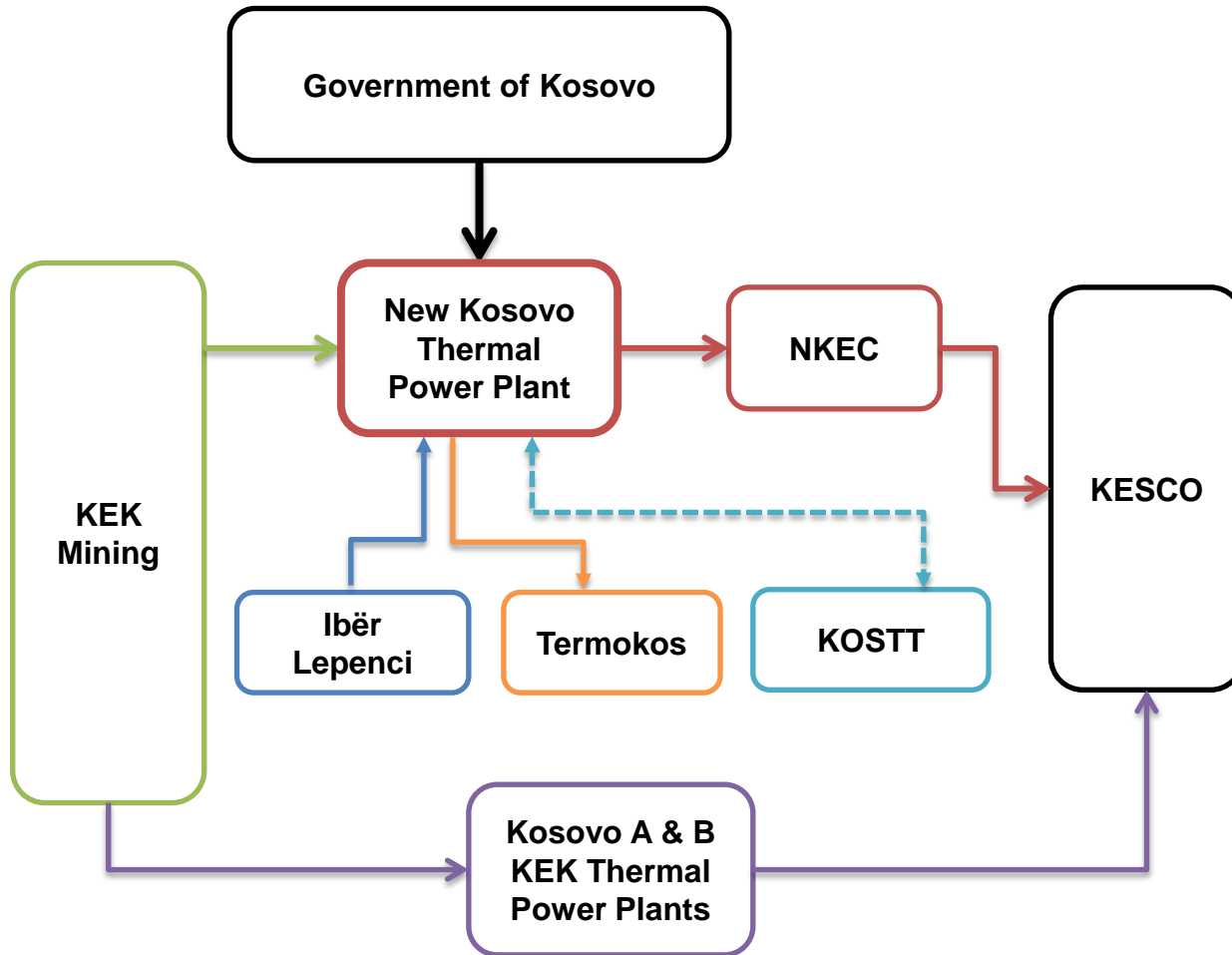
- Shareholder structure: 100% owned by the private investor
- The project cost is estimated to be: around 1,000 Million € (depends on EPN bids and funding)
- The Government of Kosovo will provide State Guarantees that will reduce the risk of the project
- Agreements for the sale of electricity, coal purchase, state guarantees, and all other agreements will have a validity of 20 years.

Project type:

- Build, Operate, and Transfer after 20 years (BOT) and repossession by the Government of Kosovo without compensation.

Letter from 2 EU Commissioners confirming that this efficiency meets European directives

Contractual structure



All Project Agreements are entered for a 20 years period:

- Implementation Agreement
- Lignite Supply Agreement
- Electric Power Sale Agreement (Re-NKEC)
- Electric Power Sale Agreement (NKEC-KEDS)
- Site Transfer Agreement
- Ash/gypsum Disposal Agreement,
- Network Connection Agreement
- Water Supply Agreement

Economic Structure of Project



Cash Flow:

- Availability Payments - Include Fixed Cost
 - Availability Bonuses over 89% (20% of capacity charge so 1 MWh above 89% will cost Energy per MWh and 20% of capacity charge per hour)
 - Energy Payments cover lignite costs and the variable costs associated with electricity generation
 - Payment for Imbalance; through under-production warranties
 - Accept or pay - in case the thermal power plant is used less than > 70% per annum, obligations for energy payments, in order to cover the fixed obligation of GenCo in Mining
 - Transmission Payments - payments made by NKEC and reflected in the tariff
- Since availability payments will be fixed, power payments will be highly competitive, making it one of the cheapest thermal power plants in the region, taking into account the much lower operating cost.
 - Availability payments will vary from month to month
 - Returns on Equity: 18.5%

Environmental, Social and Economic Impact



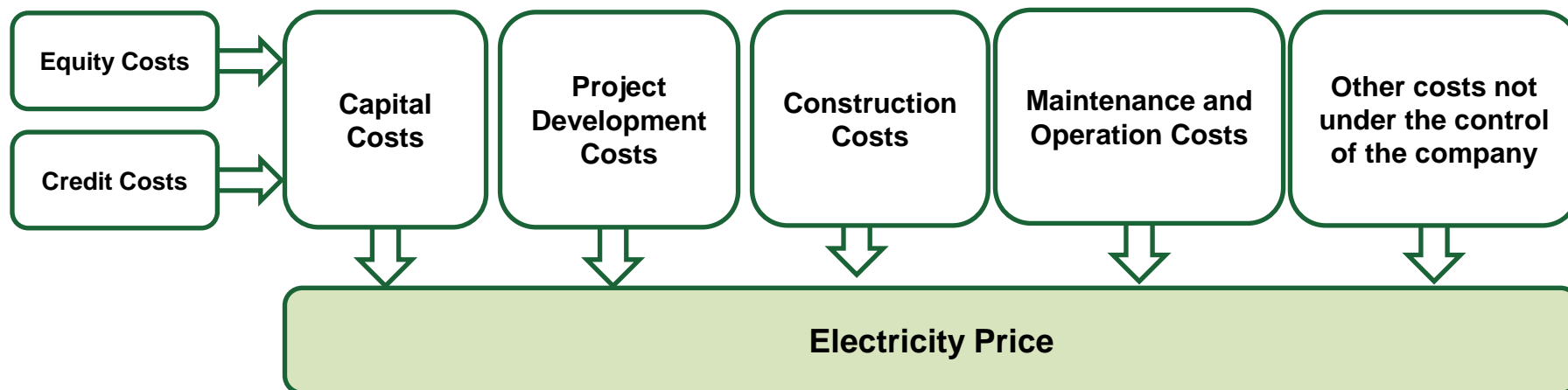
- 1,300 million Euros of direct foreign investment;
- 10,000 jobs during the construction phase;
- 500 MW installed capacity, or 60% of current demand;
- > 200 MW_{th} additional thermal energy for district heating;
- > 40% net plant efficiency, with ≥89% availability;
- 39% less lignite consumption compared to Kosovo A TPP;
- 25% less lignite consumption compared to Kosovo B TPP;
- 10% less net water consumption compared to Kosovo B TPP;
- 25x reduction of SO₂ emissions *;
- 3.8x reduction of NO_x emissions*;
- 20x reduction of dust emissions*.

Almost all social cumulative impacts from the KRPP construction, existing, proposed and other potential projects should have a positive impact on the socio-economic conditions in the Municipality of Obiliq, the region, and on the national level as well. Projects that should improve overall environmental conditions if considering the associated closure of TPP Kosovo A, retrofitting of TPP Kosovo B, wastewater and waste treatment according to BATs, etc., which will be reflected in the health conditions in the local area. It is expected that the number of health issues that are connected to the environmental pollution (such as respiratory diseases) will significantly decrease in future.

Steps after Commercial Closure



- After the signing of the Commercial Agreements, CG will announce an international tender to select the company that will build the New Kosovo thermal power plant.
- The procurement process for the engagement of the Engineering-Procurement-Construction Company (EPN) will be developed in accordance with the World Bank procurement requirements.
- Prior to the start of the EPN procurement process, the Government of Kosovo is obliged to carry out a number of technical studies.
- In parallel, CG will hold negotiations with international financial institutions for the purpose of the Financial Closure. Part of the funding is expected to be provided through the EPN.
- Bid Evaluation will be made based on project life costs, broken down into generation costs.
- Generally, power tariffs are modified according to the methodology that takes into account the current cost of the EPN and O&M contract price, the current financial cost and other permissible costs, and the rate of return.



Technical studies (Government of Kosovo)



Purpose	Description
Technical studies that provide inputs to the EPN process which are an obligation of the Government of Kosovo	Contracted Studies
	1. Meteorological Study
	2. Flood Risk Study
	3. Updating of the draft ESIA (2 x 300 MW) according to the new configuration (1 x 450 MW)
	Studies and actions awaiting funding
	4. Seismic study
	5. Explosive Device Risk Study (mining)
	6. Topographic study
	7. Geological, geo-technical and contamination study
	8. Study of underground barriers
	9. Raw water quality analysis
Inputs deriving from the Main Mining Project (project contracted by KEK)	10. Update of the Draft of the Environmental and Social Impact Assessment for the New Mining
	11. Coal quality parameters for boiler design needs
Independent engineering company (for supervision of the thermal power plant construction)	Drafting ToRs and starting the tendering and contracting procedure
Project Implementation Unit	Engagement of additional staff of different profiles (based on the organizational structure approved by the PSC)

Time plan



2006	Invitation for Expression of Interest
2014	Request for Proposals
2015	Selection of Preferred Bidder
2017	Commercial Closure
2018	Procurement of EPN Contractor
2019	Financial Closure / Date of Site Transfer
2019	Construction initiation date
2023	Date of commercial operation
2043	Transfer of ownership of the thermal power plant to the GoK



Thank you!