year. Meantime both US developers continue to seek equity partners for their projects and are understood to be at an advanced stage of discussions with major European developers. Rheinbraun continue to be interested in taking over the operation of the Maritsa East mining complex but have yet to agree terms with the energy ministry. Horizon of the US are pressing ahead with their project to install new CHP facilities at Sofia and Sofia East to supply heat to Toplofikatsiya Sofia and power to NEK. Project contract negotiations are due to commence in January.

The disco privatisation process is due to get under way in February, with seven companies up for sale. It remains to be seen whether investor appetite is sufficient to absorb these privatisations.

Meantime a Bulgaria has provisionally closed the Energy Chapter in its EU accession discussions (although without final resolution as to the future of Units 3 and 4 at Kozlodui) and a new EU-harmonised Energy Law is on the stocks. The cabinet is due to consider tomorrow a proposal for lifting the ban on the completion of the Belene nuclear plant.

Ian McNeill, Partner, Watson, Farley & Wardle

SUPERCEZ makes sense

While unbundling in Europe proves to be a dangerous game (e.g. bankruptcy of British Energy) and vertical integration becomes reality, the Czech and Slovak power companies are struggling to create balanced portfolios. CEZ, more successful then SE, is positioned to complete its integration despite opposition by the local antimonopoly office, if the following reasoning gains the upper hand:

- As the market opens, “SUPERCEZ” will be a small fish in the European market, not a local giant. After all, Czech Republic is not an island.

- The antimonopoly office should entrust the regulator with enforcing the opening of the market and policing “SUPERCEZ”. Why should consolidation of distribution be a problem with CEZ if it has not been a problem with SUPERTRANSGAS dominating not only distribution and transit but also supply and import?

- Given the size of it generation capacity, CEZ will need at least five distribution companies to gain balance and avoid becoming “the British Energy” of Central Europe and causing massive layoffs within the coal companies supplying CEZ.

- Ultimately, the Czech government could learn from the French, who will hardly invite EdF’s competitors to buy the market and then let its plant struggle. Like the French, the Czechs might try to float an integrated CEZ on the stock market, finally achieving a successful privatisation, while at the same time reviving the equity market, and providing the Czech public with good investment opportunities.

Jan Pravda, Pravda Capital, www.pravda.cz

Ignalina still the dominating force

The privatisation process stalled earlier in 2002 due to various technicalities. The Lithuanian government is very keen to revive the privatisation process at the earliest opportunity, very possibly in early 2003. There are very limited opportunities for new entry in generation because of the dominance of Ignalina. The decommissioning of the first unit is still on course for the beginning of 2005 and the date for the second unit has been agreed for 2009. The Lithuanian authorities are in the process of negotiating funding for the decommissioning. It is possible that the EU would provide funding to refurbish the existing thermal stations to allow them to meet the EU accession criteria of compliance with the Large Combustion Plant Directive. Funding might also be provided for changes in control and instrumentation of power stations to meet UCTE standards in terms of response characteristics, and to allow the generators to provide all of the reserves required by UCTE.

The Lithuanian authorities are concerned about the potential influence of Russia within a privatised industry. Gazprom owns a 34% stake in gas utility Lietuvos Dujos and a majority stake in Kaunas, the second largest CHP plant in the country. In addition, Gazprom owns the national oil refinery and is responsible for all the oil and gas imports into Lithuania.

David Yamoah, Consultant, IPA Energy

The time has come for Serbia and Romania

Romania and Serbia will start playing a more prominent role in the energy market in southeast Europe in 2003. Romania will do so as a result of the recent opening of its electricity market, whilst Serbia, benefiting from significant rehabilitation of its thermal generating units, is finally coming out of a deep shadow.

However, one should not expect miracles from this ‘convalescent’ market as the long awaited reconnection to the UCTE network, which could double import capacities, will most probably not happen until the end of 2003.

Bosnia, Romania and Bulgaria will continue to be the main sources of power for the energy deficient countries: Montenegro, Albania and Macedonia. Greece will continue to profit from its most stable economic position, but will have to unlock the door to transit of energy to Italy, via the submarine cable. Kosovo will most probably stabilise production output, unless something unexpected falls from the sky again. Eon and Sempra are pushing hard to take possession of more of the pitch, looking to score in the regional market, but luckily EFT has an excellent goalkeeper.

For those that imagine the early development of a regional electricity market, consider the following: in places like the UK, where significant over-capacity exists, it was an easy progression to introduce trading, since traders (who generally like to trade around a long position) have easily available supply with which to play. Consider the deficits that exist in southeast Europe, and the substantial bottlenecks in transmission, leading to the strategic need for countries to fix export and import flows for at least a year (it isn’t their job to gamble), and suddenly there is no