ČEZ commences international investment arbitration proceedings against Bulgaria

Today the ČEZ Group officially filed a Request for Arbitration against the Republic of Bulgaria with the International Centre for Settlement of Investment Disputes (ICSID), by which it officially commenced international investment arbitration proceedings due to Bulgaria’s failure to observe the investment protection provisions of the Energy Charter Treaty. It decided to take this step following a number of actions of Bulgarian authorities damaging ČEZ companies in Bulgaria, causing the long-term critical situation on the local energy market that is not improving. The claim amounts to hundreds of millions of Euros.

ČEZ repeatedly asked the Bulgarian government for speedy rectification of the current state of affairs and for compensation for the damage caused. ČEZ officially sent a Notice of Dispute to the Government of Bulgaria in November 2015, in which it requested amicable settlement of the dispute, without prejudice to ČEZ’s right to bring investment treaty arbitration proceedings. Since then, Bulgaria has not used the opportunity for amicable settlement of the dispute. "We are prepared to protect our investments by all possible means and arbitration is therefore the next logical step," explained Ivo Hlaváč, Chief External Relations and Regulation Officer.

The ČEZ Group entered the Bulgarian market by the end of 2004. Its distribution and sales businesses serve some 3 million customers there, mainly in the western part of Bulgaria. The ČEZ Group also owns other assets in Bulgaria, among which is a black-coal power plant in Varna that ceased operations in January 2015. The situation in the Bulgarian energy sector is critical and especially the pricing decisions of the local regulator have not been, on a long-term basis, in line with the expectations at the time of the privatization process. Therefore, businesses operating in the energy sector have in recent years faced declining profitability or losses and low liquidity.

Barbora Půlpánová, ČEZ Spokesperson