

## BRIEF EXPLANATORY NOTES FOR THE GENERAL PUBLIC

The study finds:

1. The calculations in AIP5 are correct, with the exception of minor errors, such as inadequate discounting of the investment costs in the years prior to 2012.
2. Incorrect selection of a discount rate, as the sectoral policy for the energy industry published by the Ministry of the Economy defines a minimum 9 % discount rate for such projects. Negative project evaluation (NPV) at this discount rate.
3. Increased risk of higher cost of financing due to changes in the policies for hedging interest rates, which otherwise lowered the financing costs during construction in AIP5. Given the long-term nature of the project, such a risk is very real.
4. Strong sensitivity of the ŠTPP6 project to changes in the price of electricity, as even a 10 % decrease of the price of electricity causes the project evaluation (NPV) to become negative.
5. A sensitivity analysis shows that the project is less sensitive to the price of coal.
6. A reduction of the price of coal to the prices planned in AIP5 is difficult to achieve.
7. Interdependence of the Velenje Coal Mine and ŠTPP and risk of transfer pricing.
8. Insufficient addressing of alternative solutions (e.g. renovation of Units 4 and 5 ...).
9. Risk due to the fact that a long-term coal supply contract is not concluded between the Velenje Coal Mine and ŠTPP.
10. The ŠTPP6 project is less sensitive to changes in the price of emission credits than to, for example, changes in the price of electricity.
11. Assuming that the price trends for CO<sub>2</sub> emission credits will be in accordance with the EU's long-term goals to reduce greenhouse gas emissions, the project evaluations (NPV) are strongly negative in all scenarios.
12. AIP5 contains certain assumptions that are too optimistic (CO<sub>2</sub> credit prices, improved performance without any substantiation, prices of coal).
13. Unrealistic assumption of increasing efficiency.

### Risks

1. Increased risk of higher cost of financing due to changes in the policies for hedging interest rates. Real risk due to the long-term nature of the project.
2. Risk due to changes of the price of electricity. Strong sensitivity.
3. Risk due to the capability of the Velenje Coal Mine to achieve the target price of coal.
4. Risk due to the unrealistic presentation of the actual situation of interdependence of the coal mine and ŠTPP6 and consequently the possibility of transfer pricing.
5. Risk of an increase of CO<sub>2</sub> emission credit prices in accordance with the EU's long-term goals to reduce greenhouse gas emissions.
6. Risk of failing to achieve the anticipated increased efficiency foreseen in AIP5.