

Conflicts are threatening Romanian wind boom

Regulatory uncertainty could derail a rising giant of the European renewables scene

Two major wind-power developers — Czech utility CEZ and Spain's Iberdrola Renovables — are involved in a dispute over rights to build massive projects in the same area of eastern Romania.

CEZ's 600MW [Fântânele-Cogealac](#) wind farm is a flagship project for the country, while right next door Iberdrola's 1.5GW Proyecto Dobrogea is the single largest onshore wind project in the world.

There are many reasons for the inhabitants of the dusty farming country in the region of Dobrogea to be optimistic as the area spearheads Romania's emergence as Europe's fastest-growing wind-power producer.

But the dispute is threatening to cause serious damage to investor confidence in the region and to the wider image of the wind industry, after rivalry between the developers spilled over into violence, political infighting and allegations of corruption.

Legal conflicts mean the second phase of CEZ's project has been stopped by local officials (as reported by *Recharge* on 10 September), and a low-level conflict with the authorities in the town of Cogealac blew up into violence in late July. Five people were injured by plastic bullets fired by security guards, and arrests were made.

Meanwhile, construction of Iberdrola's Proyecto Dobrogea is due to begin in the next few months and last until 2017,

with a substantial part of it also to be built around Cogealac.

CEZ and Iberdrola have worked through local companies that have developed and sold dozens of projects to them. Both big groups are quick to point out that they are not directly engaged in a conflict with each other.

"We are in no way involved in a battle with CEZ," says an Iberdrola official in Madrid. "This is basically a consequence of an anomaly in the Romanian permitting system."

Attempts by US-owned [Continental Wind Partners](#) (CWP) and Romanian developer Monsson, which acted for CEZ, to push through permits resulted in CEZ's project being denied construction permits from the municipal government in Cogealac, but gaining a permit from the county council of the main regional centre, Constanta. Allegations are widespread that CWP/Monsson has gained political influence in Constanta's government, and that paperwork submitted to support its application was incomplete or incorrect. An investigation into the application by a local inspector, Gigi Chiru, led to the suspension of work on the 252.5MW phase of CEZ's project at the end of August.

Sources close to the conflict describe Chiru as "very brave" for going up against powerful political interests in Constanta. Sources also tell *Recharge* that a lack of key documentation could be a factor in the developers not taking into account what was occurring on neighbouring land. Local analysts also question the thoroughness of CEZ's due diligence when it took over the project. "The

local developer made mistakes, which weren't detected by CEZ," says one official involved in the dispute.

The conflict revolves around legal uncertainty in the Romanian planning system. Until October last year, permits could be issued by county rather than municipal governments, which often lacked their own planning departments.

However, from October 2009, the regulations state that where municipalities have their own planning departments, local permits known as "urbanistic certificates" must be obtained.

Eolica Dobrogea was able to take advantage of the new rules when the town of Cogealac set up its own urban planning department to receive construction permits, after an earlier application to Constanta had been denied.

CWP's failure to obtain municipal permits put CEZ on a collision course with the town, which is run by fiery local politician [Cati Hristu](#).

Hristu says the municipality and villagers have signed legally binding agreements with Iberdrola's developer, Eolica Dobrogea, and he argues that CEZ's lack of town hall permits means it will not pay local taxes. He says his actions in leading a crowd to stop CEZ's construction works on 26 July were motivated by villagers' concerns that their contracts with Eolica Dobrogea would be jeopardised.

"We know certain local representatives don't like us," Fântânele-Cogealac project manager Ondrej Safar tells *Recharge* at the site office, "but we were surprised they went as far as they did."

Iberdrola and CEZ are trying to achieve a solution to the conflict, which is threatening to damage their public

images. Two meetings have been held in Bucharest, and both companies are optimistic that a solution can be found. "There is enough space for both of us to develop," an Iberdrola official tells Recharge, adding that the number of turbines on the two wind farms that actually interfere with each other is no more than four to six.

Co-operation is also essential because the two groups are building transformer stations that will occupy separate but adjacent buildings, which will be connected to each other. "Peace must be achieved," says Eolica Dobrogea chairman Christoph Kapp, while officials in Madrid say Iberdrola is pushing its local partner to reach an agreement "as soon as possible".

Harmonising wind farm designs and negotiating land swaps with local landowners should be straightforward, but several judicial processes are under way involving permitting for the CEZ project, some of which will have to run their course. Officials involved in the dispute say there may be as many as 20 ongoing legal cases involving CEZ, some of which involve local authorities, and other disputes over land ownership.

"It's not enough just for the parties to make a deal," explains one official involved in the dispute. "They have to make all this legal as well."

CEZ officials do not want to comment in detail while legal action to get their project restarted is ongoing, but they also point to the government's responsibility. "This has to do with discrepancies over jurisdiction between different parts of the Romanian authorities, and the government has to clarify the position," says one CEZ official in Bucharest.

Cristian Georgescu, an energy specialist with the Ministry of Economy, Commerce and Business, tells *Recharge* : "We are not sure who is right. The national courts must decide."

Dana Duica, president of the Romanian Wind Energy Association, says she hopes that the conflict will be solved quickly, and that both CEZ and Iberdrola can move ahead with their projects.

Duica adds that Romania needs to "create clear favourable conditions, simplify administrative procedures and offer a stable legislative framework", to continue attracting foreign investment. 12 February 2008 Eolica Dobrogea sells its wind development pipeline to Iberdrola Renovables and agrees to work exclusively for the Spanish company in the Dobrogea region

Timeline

26 August 2008 CEZ buys Fântânele and Cogealac wind farms from CWP and announces total investments of €1.1 bn (\$1.47bn). "The project has all necessary licences and permissions, including guaranteed connection to the grid," says CEZ chairman and chief executive Martin Roman

30 March 2010 Eolica Dobrogea receives a grid-connection permit from the national grid operator, Transelectrica, for 600MW, with a technical approval for a further 900MW once upgrades have taken place

2 June First Fântânele turbine connected to the Romanian national grid

6 July Eolica Dobrogea receives a building licence for a 1.5GW substation at Tariverde, next to CEZ's substation

9 July Cogealac issues construction licences for four more wind farms developed by Eolica Dobrogea at Cogealac. It

says its remaining ten projects in the municipality will receive permits during the coming two to six months

16 July CEZ receives a licence from Constanta county council to build 252.5MW of wind farms in Cogealac, in the same area as Eolica Dobrogea's projects

26 July Cogealac's mayor, Cati Hristu, leads a group of up to 200 villagers in an attempt to stop construction at the CEZ site. Five people are injured by plastic bullets fired by CEZ security guards, and Hristu is arrested and jailed

30 August Building at Cogealac is halted by a Constanta inspector after an enquiry into the paperwork submitted by CEZ for its construction licence

8 September Iberdrola chairman Ignacio Galán has meetings in Bucharest with Romanian Economy Minister Ion Arton and the chief executive of grid operator Transelectrica

[Ben Backwell in Cogealac, Romania](#)

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