



Anchoring Stability in the Western Balkans: Fulfilling the Promise of Euro-Atlantic Integration

Session II: Energy Policies and Co-operation in the Western Balkans

*Over a decade of energy reforms and donor assistance in Western Balkans:
Assessment and Perspectives*

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Outline



1. Energy reforms and donor assistance in Western Balkans
2. Overall assessment
3. Perspectives

Western Balkans Energy Features



- Energy consumption
 - ❑ 25 Mtoe (2% of EU27)
 - ❑ Energy intensity: 0.24 toe/thousand GDP (EU27: 0.14)
- Supply: 39 Mtoe-imports: 40%
- Electricity
 - ❑ Consumption: 68 TWh (~ Czech Rep.)
 - ❑ Peak demand: 16.4 GW (available capacity: 23 GW)

Map 2.....Electricity infrastructure of the Western Balkan region



The boundaries and names shown and the designations used on maps included in this publication do not imply official endorsement or acceptance by the IEA.

1. Energy reforms and donor assistance in Western Balkans



- Objectives

- Reconstruction of energy facilities
- Transition from autarkic central planning to open and regional markets (SEEREM and ECT)
- Regional cooperation and EU integration

- Financing

- TA \$ XX bn ??
- Loans & grants \$XXbn ??

2. Overall assessment



→ IEA/UNDP Energy Policy Survey of Western Balkans, 2008

- IEA methodology
- Country reports (7)
- Regional chapters (3) inc. oil and gas transport

Overall assessment (2)



❖ Facilities

- Functioning and rehabilitated energy systems
- Low power plant efficiency and high electricity distribution losses: 22% (EU: 8%)
- Over-capacity as power companies over-estimated electricity demand

❖ Market transition

- Institutions: core ministries, regulators and TSOs
- Uneven in terms of tariffs and subsidies, energy sector (monopolies)
- FDI: Electricity distribution (FYROM), oil (CR)
- Open and regional markets:
 - Not yet effective free choice of electricity supplier, open trade and regional markets
 - Natural gas under development

Overall assessment (3)



- ❖ **Regional cooperation:** intense and thorough ECT process (towards NIS) and EU integration for CR
- ❖ **Transversal regional issues**
 - Energy poverty: 16% (2004)
 - Subsidies: 9% GDP (regional)
 - High energy savings potential (~ 7 Mtoe/30%)
 - Security of supply
 - Deforestation and pollution
 - Electricity market transparency

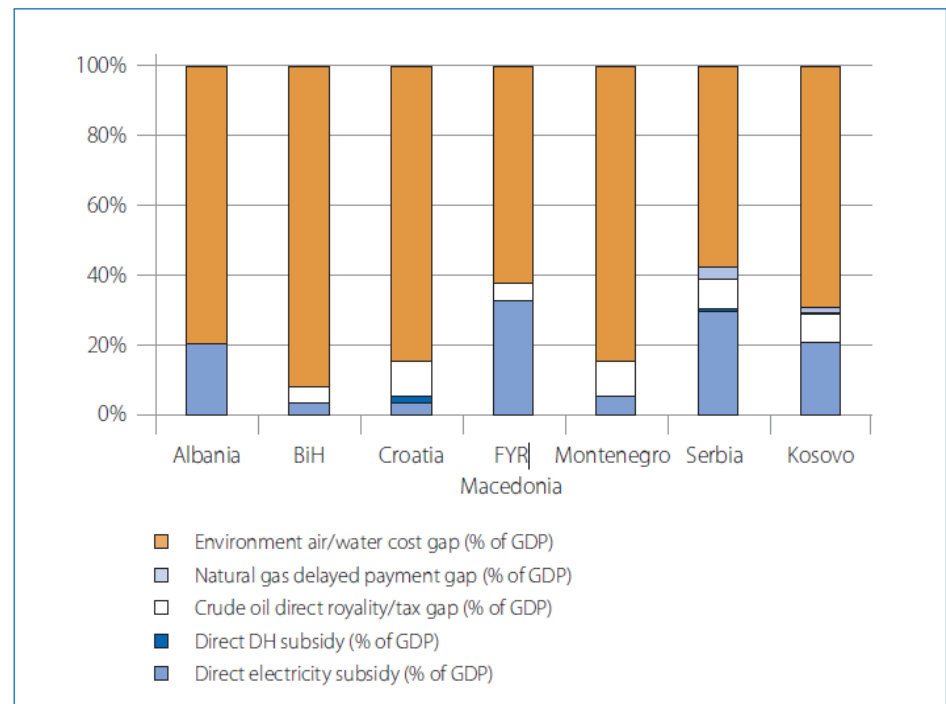
Subsidies



Energy related subsidies as % of GDP (UNDP, 2011)

- Albania: 7-8%
 - BiH: 9-10%
 - Croatia: 5-6%
 - FYROM: 8-9%
 - Montenegro: 10-11%
 - Serbia: 7-9%
 - Kosovo: 35-36%
- **Average: 9%**

Diagram 2: Distribution of subsidies per type



Overall assessment (4)



- On track & EU compatible: CR
- Advanced: AL SER MAC
- Less advanced : BiH KOS

Overall assessment (5)



What is still missing?

1. Policy

- State powers separation
- Institutions: Statistical offices, Energy Efficiency and Renewable Energy (EE&RE) departments and EE&RE agencies
- Strategies: 3 pillars-energy security, economics & environment
- Data system: reliable and accessible

2. Regulation: EU directives not enough without rule of law and independent judiciary system

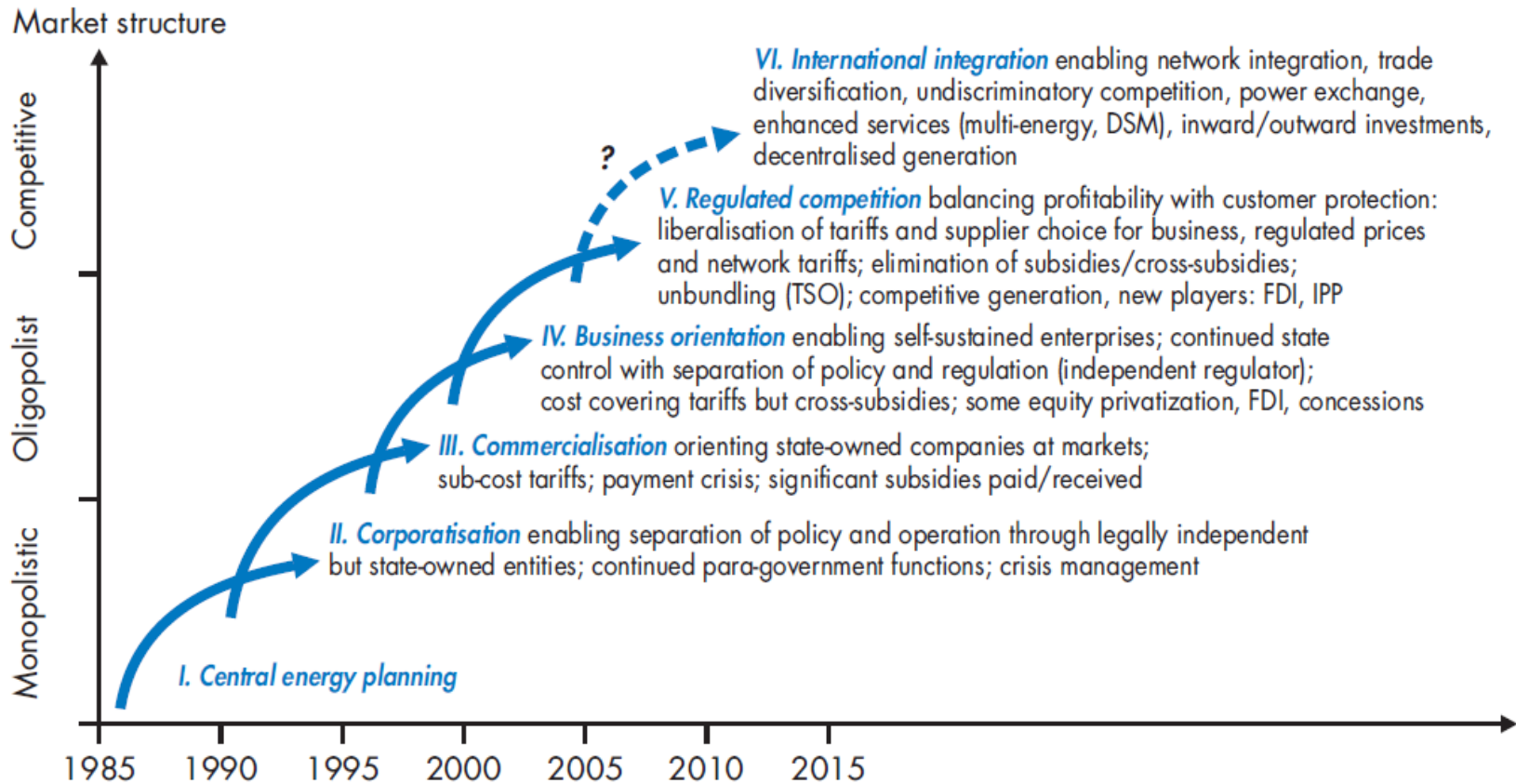
3. Reforming and modernisation of energy sector: corporate governance, planning tools

4. Regional: market transparency

Reform Sequencing



Figure 7 Dynamics of energy reform in transition economies



FDI: foreign direct investment, IPP: independent power producer.

EU



- *Energy Efficiency Facility*
- *Infrastructure Projects Facility*

ECT: a realistic balance and meaningful contribution



■ Policy

- Institutions: Capacity building
- Strategies: Regional Energy Strategy/6 targets, Task Forces on EE&RE and National Energy Efficiency Action Plans (NEEAPs)
- Energy statistics: regional initiative (study, trainings with IEA)

■ Regulation: Road Maps and overall monitoring

■ Regional Infrastructure: studies and coordination

→ Regional focal and reform catalyst

→ Rebalanced reform process

3. Perspectives: some priorities



I. POLICY

- Integrated energy/climate strategies (security and access, full cost-reflective energy prices and energy sector restructuring) & effective EE&RE action plans
- Robust institutional set-up (CB and reinforcement): ministries and agencies
- Enhanced public governance
- Solid statistical system with international standards

II. REGULATION

- Enforcement of EU acquis
- Fuel mix: develop gasification & re-orientate subsidies
- Poverty and access: poverty reduction strategy with targeted subsidies (block tariffs)

Priorities (2)



III. KEY REGIONAL ENERGY CHALLENGES

1. Capacity Building and Policy Formulation

- Regional reinforcement
- Energy Statistics (cf. MEDSTAT)

2. Energy Market Reform and Regulation

Regional renewable electricity market for exports & carbon financing

3. Energy Security

- Emergency plan and coordination
- Oil stocks
- Gas market: diversification, interconnections & gas hubs, Energy Community Gas Ring

Priorities (3)



4. Sustainable Energy

- Balkan EE&RE Centre (cf. Black Sea Regional Energy Centre, RCREEE in Egypt)
- EE regulation: building codes, Standards & Labels (S&L), electricity losses, compact fluorescent lamps (CFLs)
- RE: efficient wood stoves, Solar Water Heaters (SWH), small hydropower, wind
- Regional fund for small and medium EE&RE (cf. EBRD Sustainable Energy Direct Financing Facility) and investment bank

Some References



- ECT, inc. Regional Energy Strategy (2011)
- Energy in the Western Balkans: The Path to Reform and Reconstruction (IEA/ UNDP, 2008)
- Status of Energy Efficiency in the Western Balkans (World Bank, 2010)
- Fossil Fuel Subsidies in the Western Balkans (UNDP, 2011)
- South East Europe Energy Outlook (IENE, 2012)



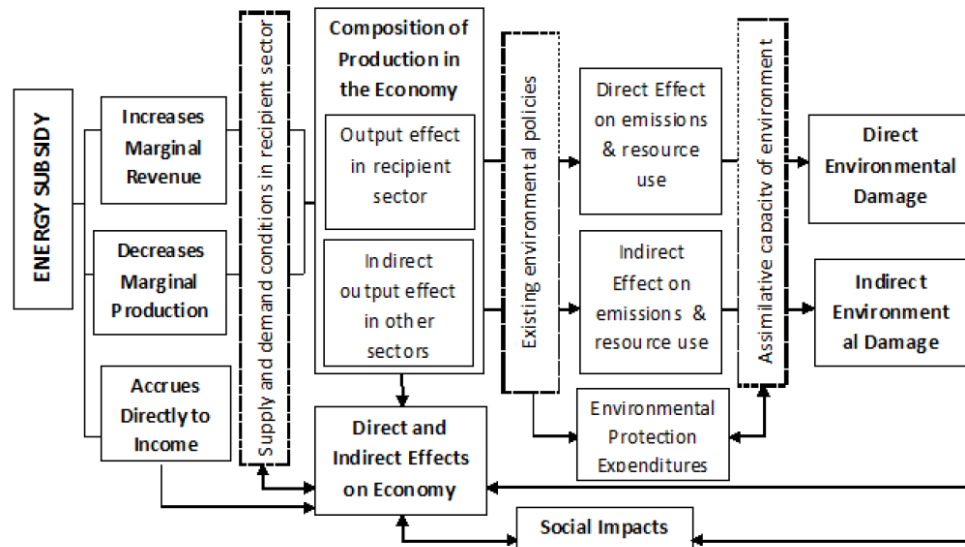
Thank you! Vhala!

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Energy Subsidies (UNEP)



Fig. 1.1 Social, Economic, and Environmental Impacts of Energy Subsidies (UNEP)



Source: adapted from UNEP (2004)