

The authorities of Bosnia and Herzegovina (BiH) estimate that incentives for small hydropower plants will increase from the current 80 euros/MWh to as much as 100 euros/MWh in the coming years. In the Federation of Bosnia and Herzegovina alone, in the first five months of this year, producers of electricity from renewable sources, ie small hydropower plants, solar and wind power plants, were paid a total of around 19 million euros on the basis of incentives paid for produced electricity, according to the document titled final report on the reform of incentives for electricity generation from renewable energy sources.

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However, the plans to continue generously financing the operation of small hydropower plants are currently being thwarted by the Energy Community, which sent a letter to authorities in both BiH entities. In the letter, the Energy Community offered its help and proposed an emergency meeting at which all open issues on the problem of construction and encouragement of the operation of small hydropower plants in the country would be discussed.

Director of the Energy Community Secretariat Janez Kopac was very resolute and explicit in terms of the way the state finances the operation of small hydropower plants in BiH and what it should do next. The guaranteed purchase price in BiH for all hydropower plants with installed capacity above 0.5 MW is in fact against the rules of the Energy Community. According to the rules that BiH is obliged to follow, the subsidies should only apply to SHPPs up to 0.5 MW. Those above the threshold can also be subsidized, but with different support mechanisms, such as a market premium.

So if BiH would respect the regulations within the Energy Community, there would be no subsidies for small hydropower plants over 0.5 MW because wind and solar power plants, which are cheaper, would always win the auctions. Kopac stressed that this is the first step towards a complete ban, because in that way you get rid of that investor pressure which is completely unnecessary because it is caused only by high subsidies which are much higher than those in the region, let alone in the European Union.

In June, the House of Representatives of the Federation of Bosnia and Herzegovina (FBiH) passed a decision to completely ban the construction of small hydropower plants. However, similar proposal did not pass the Parliament of the Republic of Srpska (RS).