

The implementation of the Large Combustion Plants Directive and the Industrial Emissions Directive will result in the closing down of almost all coal fired power generation capacities before 2030. In Bosnia and Herzegovina, the participation of coal in electricity generation amounts to 69 percent, whereas the remaining 30 percent comes from hydro energy. The total of 1.775 MW of installed capacities is represented by four thermal power plants located in Tuzla, Kakanj, Gacko and Ugljevik. So as to fulfill the requirements of the Industrial Emissions Directive, significant investments in the thermal power plants Tuzla and Kakanj, built in mid-60's, are required, particularly in terms of dust and desulphurisation. The implementation of the Large Combustion Plants Directive and the Industrial Emissions Directive will result in the closing down of almost all capacities before 2030.

BiH is planning to go one step further in the use of coal, with the 1.95 GW of capacities that will be added in the future, including the following units: Tuzla 7 (450 MW), Kakanj 8 (300 MW), Ugljevik 3 (600 MW) and Banovići (300 MW). The lack of strict regulations leads towards new, potentially "stranded" investments. A good example of this is the investment of 550 million euros for the thermal power plant Stanari, with the capacity of 300 MW, financed by the China Development Bank, through a loan of 350 million euros.

BiH has a relatively large share of renewable energy resources, 24 percent in final consumption. This is based on the great use of hydro potential in electricity generation and the use of wood for heating and cooking. Small hydro power plants are the greatest potential for future development of renewable resources, in spite of the considerable opposition from local communities. For example, the residents have set up an all-day watch so as to prevent the continuation of works on the hydro power plant on the river Zeljanica, an area with high biodiversity and significant tourism potential. Similar opposition has been noted in the case of the hydro power plants Medna on the river Sana and in the canyon of the river Ljuta.

Wind potential has been estimated at 2.000 MW. In a short period of time, BiH is planning the construction of wind power plants with the capacity of 270 MW, and then the additional 420 MW. In addition to this, the use of solar and geothermal energy is planned, but the low energy prices are preventing the development of renewable resources. The low feed-in electricity tariffs are not a motivating factor for foreign investors.

As the European Commission presented in the latest report, complicated administration, lack of cooperation between two entities and the division of competences among sectors, interfere with the development of renewable energy resources. In addition, the Government has not provided an action plan for achieving the objective for 2020 - the renewable resources share of 40 percent. The Commission expressed their concern because of the country's failure to fulfill its obligations in accordance with the Treaty Establishing Energy Community.

The fact that plants, technologies and equipment are outdated, and that they generate great energy losses, even up to 40 percent, represents the next challenge for BiH. District heating and households are other sources of energy inefficiency. Because of the artificial maintenance of electricity prices at a low level, energy companies will not be able to absorb the costs of CO₂ without transferring them to end consumers.

In the report, it is concluded that the domination of lignite in the energy mix and the low electricity prices bear significant hidden costs. Plants should satisfy the conditions prescribed by the large combustion plants and the industrial emissions directives, but it is expected that, instead of this, some of these plants will be closed.