

Report on the energy balance of Montenegro for 2014<sup>th</sup> confirmed once again that domestic production could not meet the demand for electricity. Montenegro will face with the electricity lack accounting for 9.2 percent of total consumption. One reason for this is the congestion of transmission systems in the region of Southeast Europe, which are directly related to the electricity import in Montenegro.

Also, Electric Power industry of Serbia has broken the long-term agreement on technological cooperation in 2013<sup>th</sup>. The contract, which was supposed to be in force until January 1<sup>st</sup>, 2016<sup>th</sup>, provided the delivery of one megawatt during maximum load from EPCG plants (HPP Piva), in exchange for a 1.4 megawatt of base load from EPS plant. Montenegro signed a similar long-term contract with the Electric Power Industry of Republika Srpska. The hallmark of the electricity market in Montenegro also is the uncertainty associated with the destiny of aluminum smelter KAP, which went bankrupt in 2013<sup>th</sup>. KAP is the consumer of 50 percent of electricity available in the market, and consumption continuity will depend on the outcome of the bankruptcy proceedings.

In terms of interconnection, the project undersea cable Tivat-Pescara is still in progress. The project is implemented by the Italian company Terna, and the goal is to connect the power systems of Montenegro and Italy. The project should facilitate the export of electricity from Balkan countries. This project worth 760 MEUR is part of a broader strategy of Italy to become “energy hub of Europe”.

When it comes to renewable energy sources, Montenegro has a number of concession contracts for the construction of small hydro power plants up to 10 MW.