

If the possibility of the Electric Power Industry of Serbia (EPS) privatizing the Electric Power Industry of the Republika Srpska in Bosnia and Herzegovina were realized, this would be a move that would make one of the leading energy companies in the Balkans the largest Serbian power producer.

This is, however, at least for now, the option which has been only mentioned in the speculation and this has not been officially discussed at the level of the authority representatives of the two states and the leading people of the two companies.

According to director of the Electric Power Industry of Republika Srpska, Luka Petrovic, there were no official contacts on the privatization of the company.

“What is true is that there have been some business-technical cooperation contracts, and anyone can always take something out of context. I had contacts with director of the Economic Institute wanting to ask what the problem was and why such information came out to the public, and he told me it was taken out of context, “Petrovic told Herceg TV, referring to articles in some of the Serbian media.

He also added that 80 percent of electricity surplus is sold through the Belgrade Stock Exchange, and that electricity supply to border areas, along the border between Serbia and BiH, is made through the Electric Power Industry of Serbia.

However, it should be recalled that the speculation on this issue has been going on for several years at the highest levels of the government in Serbia.

On several occasions, the intention of EPS has been confirmed by Serbian President Aleksandar Vucic, saying that there is interest in buying electricity in the region.

Back in 2015, the then Prime Minister of Serbia, Aleksandar Vucic, in a statement to RTS (Radio Television of Serbia), indicated that Serbia was interested in buying shares in the RS Electric Power Company.

Vucic has also recently talked about the possibility of buying electric power companies in the region, all with the aim of strengthening the Electric Power Industry of Serbia. It is a public utility. Because of its unwillingness to privatize the company, Serbia is also criticized by the International Monetary Fund.

On the other hand, the Power Company of Republika Srpska is one of three public companies that produce and distribute electricity in BiH. In addition to the three power companies in BiH, more than 20 companies have licenses for electricity supply. The electricity market was liberalized in 2015.

However, according to analysts and interviewees of Radio Free Europe (RFE), the possibility of selling shares in the ownership of the Republic of Srpska Electric Power Company of Serbia is growing into a major political issue in relations between Serbia and Bosnia and Herzegovina.

## “Political question”

At present, given the partial arrangement, says economic analyst Zoran Pavlovic, it is difficult to answer the question of whether to go for sale of shares or opt for own development within Bosnia and Herzegovina.

“What is certain is that BiH needs to come to life as a single market and to find the harmony of needs and production. In this case, if we exclude Aluminum from Mostar now (July 10, it ceased to operate), which was a significant consumer, then even the Federation of BiH is in a situation where it will have energy surplus, and thus, further increase of capacity in BiH will be oriented towards export or towards some joint venture with some larger companies, “says Pavlovic.

“So, in this case,” he continues, “I don’t think it’s an important political issue, because when we look at it, we have investments from a Chinese company in Tuzla, and the same thing is happening in Banovići.”

“So, after all, this market is small, and on the other hand, there are not many cohesion elements that would lead to development in accordance with some plans for the development of energy production and consumption, and so on. Everyone in this country is having in their minds current interests or current motives only, and unfortunately we do not have a strategy, concepts or development policy at the BiH level to determine, first of all, whether it is better to develop internally, within BiH or whether we should leave everything to some foreign companies”, Pavlovic concludes.

Former Director of the Electric Power Industry of Bosnia and Herzegovina Amer Jerlagic deems that before the eventual sale of the Electric Power Industry of Republika Srpska, the dispute between BiH and Serbia over hydropower plants on the Drina River should be resolved. That is, he specifies, necessary to regulate the issue of compensation for the damage from the use of energy from hydro power plants of Bajina Basta and Zvornik, in the east of BiH.

“Since 1992, Serbia has been arrogating this energy to itself without any agreement with BiH, and I think that until such a major issue between two countries is resolved, there is no point in talking about any privatization of the Power Company of Republika Srpska by the Power Company of Serbia. In my estimation, according to market conditions, that energy, which went towards Serbia, and should have gone partly towards BiH, is worth 2.7 billion euros without any default interest, without anything. This is much more than the value of Elektroprivreda RS, both in book and market terms.”, Jerlagic said.

In the whole discussion, the issue of the situation in Elektroprivreda RS itself is largely ignored. Judging by the trade unions of the company, which are persistently opposed to privatization, it is extremely complex.

At the Summit of Trade Union Representatives in Banja Luka, chairman of the Trade Unions

of the Electric Company of Republika Srpska, Zoran Micanovic, described the situation in the company as follows:

“We were counting that from one kilowatt we make in mines, power plants and hydropower plants and with our distribution networks, these 900,000 people in the RS should not do anything but enjoy those kilowatts. What’s going on at the Power Industry of Republika Srpska? Political parties are the biggest evil in our country, and then their representatives sit somewhere in Mrakovica, and they say, ‘Listen, you will get this, they will get that.’ We don’t mind, somebody has to rule, we vote for these people, but we in Elektroprivreda are rather perplexed why the officials have to employ a veterinarian here?! It seems as if there is only a priest missing here in our company, and I think he will come soon, because Elektroprivreda RS is already dead. We just haven’t made an obituary.

Why am I telling you all these? Because, Elektroprivreda RS has a budget of DM 661 million (EUR 320 million), a value of over KM 3.5 billion (EUR 1.75 billion) and no positive result. ”

However, Electric Power Company of Serbia is also interested in the Electric Power Industry of Republika Srpska because of the realization of joint projects, water potential in electricity production, as well as the fact that, according to official data, last year it made a profit of 16 and a half million marks (slightly less than nine million euro).

Economist Zoran Pavlovic draws a parallel with the privatization of the former Telekom Srpska, which was purchased by Serbia’s MTS for 1.29 billion KM in 2007, stating that it is good that large systems are interested in taking over smaller ones in the region.

“Because, by definition, it also enables some other large electricity systems to recognize opportunities in the RS. Whether we will have competing demands from others, whether privatization or just segments will occur at all, is now a matter of policy,” commented Pavlovic.

“So,” he notes, “the energy policy of both the RS and BiH can be oriented towards strengthening the power system in the RS, and it can be also directed towards sales so that some investments are made by someone who has greater potential for investment than RS.

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“We will see developments, but what we can recognize is that the pattern of MTS and Telekom Srpska is similar to the situation and relations between Elektroprivreda Srbije and Elektroprivreda RS, so it can be expected that a lot of work is being done in this field even though it has not been announced in the media.” , emphasizes Pavlovic.

There are no official comments on the possible sale of Elektroprivreda RS to Serbia at the institutions of the Republika Srpska. Radio Free Europe is still waiting for a response to a query about it at the entity’s Ministry of Energy and Mining.

Source: slobodnaevropa.org



Power Industry of RS in the area of interest of Power Industry of  
Serbia