

According to the annual report of the Energy Community (EC), this body will decide on sanctions against Serbia in October. Serbia failed to resolve the key issue of separation of activities in gas companies and the Ministerial Council will now decide on possible sanction against the country on its next meeting in Sarajevo on 14 October.

The separation of activities has not been fully completed in state-owned power utility EPS either, although some progress has been made on this matter and EC is demanding for quick assessment whether Serbia needs regulated electricity prices or not. EC also assessed that in the field of renewable energy Serbia has not made significant progress, while in the field of environmental protection the country failed to introduce the Directive on sulfur in fuel in the national legislature.

Serbia did not resolve the key issue of noncompliance with the EU acquis, which represents a persistent and continuous violation of obligations under the Energy Community Treaty - the separation of activities in Srbijagas and Jugorosgaz in accordance with the Second Energy Package, let alone the Third Energy Package, said the report, which includes the period between September 2015 and September 2016.

The report further said that Srbijagas continues to hold license and perform the function of both the transmission system operator and the supplier of natural gas. It is noted that Serbia has made a big step forward in the transposition of the Third Energy Package into national law and initially made efforts to remedy the violation of the Second Energy Package regarding the separation of activities in Srbijagas. However, in the past year Serbia virtually cancelled all the progress that was done on the separation of activities in the gas companies.

Director of the Energy Community Secretariat Janez Kopac said in March that more than a decade long delay in the restructuring of Srbijagas, the company which took an obligation in 2005 to separate natural gas transportation and distribution businesses, will not be tolerated any longer. The deadline for the completion of these obligations was 1 July 2016. Kopac explained that sanctions will most likely be symbolic, such as voting bans and denying the compensation for the participation in EC's meetings (roughly 30,000 to 40,000 euros per year). But there are also more severe sanctions like withholding of IPA European funding for energy sector.