

The Energy Community requested from Serbia to submit a new plan for state owned gas monopoly company Srbijagas restructuring by 12th March, since the current one was not in conformity with the EU regulations, deputy director of this organization's Secretariat, Dirk Buschle, said on 21st January.

In the Energy Community, they say that Serbia should bring itself into conformity with the European regulations in this sphere by 30th June 2015 and that, if this should not be done, Serbia can expect the initiation of a procedure due to the violation of regulations and, possibly, sanctions. In this organization, they also warn that a failure to comply with the European regulations when it comes to the gas operators, Serbiagas and Yugorosgaz, could affect the negotiations about Serbia's EU membership, i.e. that, by all odds, this will be the parameter for opening the negotiations in the energy sector.

Buschle said the week before, the Energy Community Secretariat had sent the assessment on the Serbiagas restructuring plan to the competent Ministry of Mining and Energy.

"Unfortunately, (and despite the previous Secretariat recommendations) in this phase, the plan is not sufficient for eliminating the violations of the Energy Community regulations", Buschle said.

The Energy Community Secretariat, within which candidate countries are prepared for the EU membership within the energy sector and for the integration into its market, asked from Serbia to submit by 12th March a "detailed action plan which [would] enable that the legal and functional separation of the gas transport system operator be brought in full conformity with the Energy Community regulations by 30th June 2015 at the latest".

Buschle reminded that, otherwise, a procedure could be initiated against Serbia which, in this case, could face sanctions.

"The discrepancies must be eliminated by 1st July 2015. If this should not be the case, the Secretariat is invited to initiate the procedure within which it could be found that Serbia has been violating the Treaty obligations (The Treaty Establishing Energy Community) seriously and continuously. Should this failure to comply with the regulations be further continued, this could lead to the imposition of sanctions", said Buschle.

He warned that, should there be any deviations from the Third Energy Package after 1st July 2016, this would lead to a failure to issue the license for managing gas pipelines to operators which would also affect their operating licenses.

Functional Separation not Envisaged by the Plan

At the end of December, the Serbian Government adopted the Serbiagas restructuring plan by which this state-owned company was turned into a holding consisting of two units - for gas transport and supply.

The plan for Serbiagas, as Buschle said, [envisaged] a legal separation of activities in this company in the way that the sector dealing with the transmission system [would] become a branch within the Serbiagas holding, but it [did] not envisage a sufficiently precise

functional separation in accordance with the EU regulations.

Buschle said that the legal separation was the easier part of the task, that Yugorosgaz had done this, and that it was surprising that Serbiagas had not already done this on their own. He also added that the plan “was not preparing the ground” for the separation of activities in accordance with the Third Energy Package.

“On the contrary, it sets illegal preconditions, by bringing the deadlines (for separation in accordance with the Third Energy Package) in connection with the ‘construction of a new supply direction’, i.e. an alternative route with respect to the (only) existing route leading through Ukraine and Hungary”, said Buschle.

He specified that, regardless of the fact that the project for the construction of the South Stream gas pipeline had been given up on, such connection was not allowed by the Third Energy Package.

“In addition, during the plan implementation, it is also necessary to eliminate all potential violations of the European rules, such as the ban on state aid”, Buschle said.

Consequences to Negotiations with EU

In this organization, they remind that, in September 2014, the Ministerial Council of the Energy Community called Serbia to separate the activities in Serbiagas in accordance with the European regulations, which is the obligation from the Second Energy Package which Serbia should have fulfilled in 2007.

“It becomes increasingly obvious that the failure to bring Serbia in conformity with the Energy Community requirements with respect to Serbiagas and Yugorosgaz will be treated as the parameter for opening the accession negotiations, i.e. that it will block the negotiations within the energy sector”, Buschle warned.

In the Energy Community, they said that they had not been accessing the reorganization plan for the Electric Power Industry of Serbia (EPS), approved by the Serbian Government at the end of 2014.