

Serbia energy sector reforms made the environment ready for investments, Dejan Trifunovic, Deputy Minister of Energy

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No need for rash moves. - Its time for reforms in EPS. - Major reform of the sectors is underway

Thanks to an adequate knowledge and political will we managed to complete the set of legal documents necessary for the development of renewable energy sources in Serbia in only six months, as well as to clearly demonstrate dynamics and orientation of the government. In an interview for "kWh" magazine, Dejan Trifunovic, Deputy Minister of Energy, outlines the following facts: four decrees related to renewable sources were adopted, Serbia has a potential in "green" energy, some investors have already shown their interest which opens up employment opportunities, and it is estimated that in the next seven years the value of investment could reach EUR 2 billion. According to Trifunovic, the implementation of the Energy Law, liberalization of the market, as well as the adoption of decrees in the field of "green energy" will bring about some changes and reforms in operation of "Electric Power Industry of Serbia". But everything should be implemented in a balanced manner, without sudden moves.

What has been done so far and what is to be done in terms of regulation of the sector of renewable energy sources?

The formulation of the Strategy of the energy sector development by 2025 is in the final stage and we expect that everything will be completed by the first half of 2013. At the end of December 2012 we amended some parts of the Energy Law that for years were hindering the optimal functioning. We have limited the validity of energy permits to three plus one year

and have raised the criteria for further extension. The regulation on obtaining approvals for facilities smaller than one megawatt which was previously vaguely defined is raised to the level of an administrative act, with a validity period of three plus one year. Many investors obtained permits and did not build anything except buying lands and dealing with papers. Despite the fact that 200 energy permits and approvals have been issued, only 40 facilities are in operation or are about to be. All decrees were conceived in collaboration with the International Finance Corporation (IFC) and partly with European Bank for Reconstruction and Development, as credible consultants, as well as with other ministries and institutions. We had a permanent dialogue with associations and investors, but the Ministry made an optimum decision independently based on conditions and requirements typical of our country.

Is the National Action Plan on Renewable Sources ready and what does it bring?

This document, created with the assistance of Dutch and local experts, has been given the green light by the Energy Community of South East Europe and will soon be adopted by the Serbian Government. It is projected that new 1,092 MW from renewable sources will be produced in 2020, which would be in accordance with the targeted share of 27% of renewable resources in gross final energy consumption. The National Action Plan was prepared with the assistance of the Dutch Government. The capacities for renewable energy generation are determined as follows: 500 MW should be generated from the use of wind power, large HPPs should have the capacity of 250 MW, small ones 188 MW, biomass 100 MW, 30 MW should be generated from biogas, 10 MW from solar energy, as well as 10 MW from landfill gas, 3 MW from waste, and one MW from geothermal energy. This approach is balanced and we will regularly report on progress.

Will there be investors for these projects?

According to the data from recently held Assembly of the International Renewable Energy Agency (IRENA), the investments in RES will continue to grow, after reaching USD 270 billion in 2012. We can also expect a “competitive race” between investors to take place, since seven projects of wind farms are currently underway, while the projects for the construction of small HPPs also attract a considerable interest of investors. We plan to draw investors’ attention to the potential of biogas, since we currently have only three biogas plants in spite of the fact that there are as many as 66 farms only on the territory of Vojvodina. The public call for 317 locations for small hydro power plants was announced on February 19, but I have to emphasize that the reason we opted for this procedure isn’t the lack of investors’ interest, but the need to bring law and order to all levels of government, from republic to local. This is the very beginning of the process of simplifying procedures for investors. Moreover, the bylaw on the guarantee of origin for the energy produced from renewable energy sources as well as the bylaw on biofuels will be enacted this year. We are currently implementing a major reform of RES sector and we are ready to embrace new ideas and new investments.

What is the key criterion that an investor will have to meet in order to get the right to location?

The criteria will be clearly defined, assessing the solvency and references of an investor. In

addition, the location will not be given on a blanket basis, but conditionally. Selected investors are to sign an agreement with the Ministry and a municipality (three party agreement), then they are given a six-month period to perform the inspection of the site, detailed analysis, shootings, to gain an insight into the status of property rights on municipal level, after which they can obtain permit or approval from the Ministry. Beginning from that moment, the energy permit (or approval) for investment is valid for three years plus one year. We have done everything to protect investors from bureaucracy. From now on the whole process will be disclosed and all investors (whether they are local or foreign) will be treated equally.

What was the basis of the amendments on Decree on incentives?

Each amendment was based on analytics and the key parameters were determined according to the data from national basis, as well as following the experience and standards in the USA, the UK and the EU. Despite of the pressures we haven't changed the essential aspects of the new incentives that were first presented on December 10 in the Serbian Chamber of Commerce. Taking into account the parameters such as investment cost, labor costs, labor time and credit conditions we determined the actual level of stimulating tariffs. Decrees should be integrally read, paying attention on incentive period, inflation in the euro area, the cost of balancing. We will soon adopt a universal model of the Contract on the purchase of electricity for the capacities up to 5 MW and those larger than 5 MW. It is a balanced document that does not give an advantage to any party. Both EPS and EMS should take responsibility, but the private sector should act fairly as well.

Why have the incentives for the use of wind power been reduced and initial quota increased from 450 MW to 500 MW, or namely 300 MW by 2015?

The activities in the field of wind power are satisfactory and we will soon get eco-friendly facilities with high power capacity. The Public supplier, which has an obligation to take over energy, bears significant financial costs and balancing cost that will be reimbursed. Taking into consideration the financial factors, we introduced dynamic quotas, which means that the system will be able to receive up to 300 MW by 2015, and entire quotas of 500 MW by 2020. Dynamics of process put the pressure on investors to hurry up and position themselves among the group that is eligible for 300 MW. The development of projects will not be interrupted and it will be possible to acquire the temporary status of privileged producer for entire quota.

Do the new incentives provide EPS with an opportunity to launch investment in "green" energy?

It seems to me that EPS' attitude towards renewable sources in general was characterized by inertia and lack of focus for many years. Given that EPS has defined locations in its disposition, now it's the right time to seize opportunities.

Serbia has the greatest potential for producing energy from biomass. Why are there no interested investors?

Of course there are interested investors, but the problem is that we haven't thus far established market for biomass. We are currently implementing two projects with the German KfW bank and UNDP, as well as the project with the Western Balkans Development and Investment Fund. There some private investors, mainly from Italy, which are interested in biomass production, but we still have to do our best to increase demand.

One of the adopted regulations relates to the amount of special incentive for 2013 of RSD 0.044 per kWh. When is it expected to be applied?

EPS is preparing for its implementation, as it will be invoiced as a new item in customers' bills. If an average monthly consumption of household amounts up to 500 kWh, monthly cost for "green" energy is 22 dinars.

Source Kwh/Serbia Energy