

Serbia exclusive: Power utility company EPS role in the negotiations on the new EU Decision on the implementation of Large Combustion Plants Directive, the report

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The new decision is in line with the EPS plans and does not lead to the plant closure in 2018th, but also provides a great period of adjustment and does not threaten the energy security of the country. - Serbia was the main for the changes explanation, but the final decision is almost entirely based on the proposal of the Republic of Serbia. Serbian stakeholders facing the need for large investments into existing power plants in order to fulfill all requirements, environmental projects and energy efficiency increase which may come thru foreign loans and bilateral state credit arrangements.

If the Decision on the implementation of Directive 2001/80/EC on the reduction of certain pollutants emissions into the air from large combustion plants of the European Parliament and the Council from 23rd October 2001st was not adopted on the 11th Ministerial Council of the Energy Community of South East Europe, "Serbia Power Utility Company" would welcome the 2018th with many problems. The new decision ensured the period extension and conditions changes for the Directive implementation for at least six years, namely from the 2018th to the end of the 2023rd. Council was held on 24th October, and was chaired by prof. dr Zorana Mihajlovic, Minister of Energy, Development and the Environment Protection.

We talked to Milos Stojanovic, Director of EPS Directorate for strategy and investments and Aleksandar Jakovljevic, director of Department for strategy in production on the question how the deadline and postpone of all the changes were negotiated. At the beginning of the interview they note that Serbia, by the Agreement on Energy Community establishing, signed on 25th October 2005th in Athens, committed to implement the Large Combustion Plants Directive (2001/80/EC) until 31st December 2017th. Asked about the requirements of the Large Combustion Plants, our interviewees say that the implementation of this Directive means that existing EPS plants must emit sulfur dioxide in a concentration of less than 400 mg/Nm³, nitrous oxides less than 200 mg/Nm³ and particles less than 50 mg/Nm³.

- EPS has already implemented or implements projects that should provide this (except SO₂, where we adjust the concentration to be less than 200 mg/Nm³ because of the Directive requirements on the industrial emissions whose application is expected after the expiry on the Large Combustion Plants Directive). They are worth about 335 MEUR, and it is planned that EPS implements projects worth about 290MEUR in the future, what is in total of about 625 MEUR- explained Milos Stojanovic, Director of EPS Directorate for strategy and investments. - Strict implementation of the Large Combustion Plants Directive would mean the shutdown of all power units less than 300 MW which work without activities for these emissions reduction in the beginning of the 2018th. That would be a total power of more than

1.100 MW. The problem would be in the work of those units that will not complete all the projects in the field of environmental protection until the beginning of 2018th, which is problem for additional 1. 200 MW .

Stojanovic says that the application of this Directive in its original form in all countries of the Energy Community would lead to significant problems in the power system and potential threats to the supply security. Therefore, earlier this year, the Energy Community Secretariat together with the European Commission , for the first time in the last nine years , began to alter the activities of the EC Agreement precisely in the part referring to the Large Combustion Plants .Stojanovic indicates that the original decision draft provided solutions that for PE EPS meant additional deficiency in the electricity production of nine billion kilowatt - hours by 2020th, and for the country a major problem in supply security. However, through the large number of meetings and correspondence with representatives of the Energy Community Secretariat, as well with other member states, based on the argument of the Republic of Serbia supported by the analysis,it has been essentially changed the decision content and thus significantly improved the position of Serbia and PE EPS .

- The final decision, which is almost entirely based on the proposals from Serbia, opens up a real possibility of the implementation of the Large Combustion Plants Directive and gradual transition to the provisions of the Industrial Emissions Directive - said Stojanovic. - It is essential that a new decision is in accordance with the EPS plans and does not lead to the the plants closure by 2018th, but also provides a great period for adjustment and does not threaten the energy security of the country . Principle of Decision implementation also leads to a gradual emissions reduction, and thus to the external costs reduction and improvement of air quality and the environment in general.

Aleksandar Jakovljevic points out that the first decision draft in May this year, which the Energy Community proposed, was slightly better than the implementation of the current Directive, because it enabled the implementation of a National emission reduction plan , but the other conditions were extremely unfavorable for Serbia and EPS.

-In the previous decision had remained, the reduction of TPP production compared to the average annual production, would have been at the level of 10 billion kilowatt-hours in 2018th, and more than seven billion kilowatt-hours in 2019th (units less than 300 MW, and also TENT B on which would not have been complete system for desulphurization) - indicates Jakovljevic. - It would be a serious threat to the supply security in Serbia.

Director of EPS Directorate for strategy and investment said that the Ministry of Energy and EPS succeeded to impose their position from May to October with joint appearance at meetings of the Energy Community in Vienna, with EC representatives in Serbia and representatives of other states signatories, through daily communication, sometimes on an hourly level.

-Serbia was the main for the change explanation and the final decision is almost entirely based on the proposal of the Republic of Serbia - explained Stojanovic. - New decision opens up a real possibility of the implementation of the Large Combustion Plants Directive (LCPD) and gradual transition to the provisions of the Industrial Emissions Directive (IED).

According to our respondents, amended items proposed as Serbian position are that the reference year on which is calculated National emission reduction plan (NERP) would be the 2012th, instead of the 2010th (favorable for EPS due to higher production in the 2011th and 2012th), and that the existing plants are those that entered into operation until 1992nd instead of the previous decision in 1987th (in order to include Kostolac B in the NERP).

-It was proposed and accepted that the NERP application according to the emission limit values (ELVs) started from the 2018th- says Stojanovic. - In addition, emission limit values (ELVs) for nitrogen oxides, that are used for NERP, will have linear decrease from 500 mg/Nm³ in 2018th to 200 mg/Nm³ in 2023th, which represents a much better position for EPS than originally proposed 200 mg/Nm³ during all years.

Aleksandar Jakovljevic notes that the possibility of "OPT AUT" mechanism has been introduced (which involves the use of 20.000 working hours in the period 2018th-2023rd for those units where it has not been planned use of protective measures), but with the possibility of reconnection if meanwhile it would not comply with Industrial Emissions Directive (IED).

-It is significant that the projects in progress would be treated as they were completed, but it is necessary to provide funding for the implementation and define the implementation term-plan - said Jakovljevic. - It is planned to introduce NERP towards IED from 2024th by 2026th, with a linear decrease from LCPD on IED, and in 2026th and 2027th towards IED. NERP on the Serbia level should be prepared by the end of 2015th and also should be defined the units which will be included in the NERP, and which in the "OPT AUT".

Our interviewees indicate that the the possible difference in the the thermal capacities production from 2018th and 2023rd is more than 32 billion kilowatt-hours by the new decision application, or that the EPS got the opportunity for additional production in this amount from existing thermal capacities. The difference is in the range of about four to more than 10 billion kilowatt-hours per year - depending on the engagement systems mode that will be able to work for 20.000 hours during this period, without the measures application for environment protection.

-If it is viewed from a financial perspective, a new decision brings the possible additional revenue of 1.35 billion EUR (for the selling price of 42 EUR/ MWh) to 1.75 billion EUR (for the selling price of 55 EUR / MWh) - explained Stojanovic.

Excellent cooperation

Stojanovic and Jakovljevic point out the outstanding collaboration with the Ministry of Energy, Development and the Environment Protection, and in particular the contribution of the Working Group of the Ministry, established in May. They hope to continue cooperation in order to ensure all prerequisites for the successful decision implementation. Ministry of Energy represented the interests of Serbia through the work of their representatives in the Working Group for the Environment Protection, Jelena Simovic, head of the Sector for Sustainable Development and Climate Change in the energy sector and in the Permanent Working Group on high level, and Tatjana Jovanovic, Head of Department for European

Integration and international cooperation in the energy field .

Source; Serbia Energy