

Serbia: RES electricity export project with Italy

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Italy and Serbia have signed a memorandum of understanding on joint projects in 2011. Italy was interested to exploit hydro potentials in Serbia as part of joint projects to meet its 2020 targets. The joint projects would be realized via an undersea cable from Montenegro to Italy that will be built by 2015.

Italy has set legal preconditions to make use of the cooperation mechanisms: It promotes the import of RES electricity from non-EU countries based on international agreements provided that (1) the electricity is imported to the Italian grid, (2) the incentive provided has an equal duration in Italy; (3) the incentive paid to the electricity produced in a third country is lower, compared to the value of incentives for the same source and type of plant located in Italy; (4) the incentive is determined in the agreements referred to it and takes into account the greater productivity and efficiency of plants situated in third countries as well as the average value of incentives for RES plants located in Italy and that (5) the production and the import are made in ways to ensure that the imported amount of electricity contributes to the achievement of the Italian target on renewable sources. By decree of President of the Council of Ministers a different value of the incentives can be established, taking into account the economic burdens from the recognition of the incentive itself and the economic effects due to the non-compliance with the target.

The memorandum provides that the electricity has to be exported to Italy and used for the Italian 2020 RES target according to the RES Directive provisions (physical and statistical transfer of RES shares). The plants in Serbia will get an Italian feed-in of 155 Euro/MWh for a period of 15 years. The Italian operator GSE (Gestoredei Servizi Elettrici) commits to undertake all energy produced from Serbian HPP's until 2020. The project is not allowed to get Serbian feed-in as stated in the memorandum. The memorandum includes a list of eligible hydro power projects in Serbia. A capacity of up to 800 MW of the planned 1000 MW cable between Italy and Montenegro will be reserved for the plants listed in the memorandum.

The Ibar river hydro chain

The Ibar river chain of 10 small hydro plants would be the first joint project planned. It would be built by the Italian SECI Energia and the Serbian EPS, who establish a Joint venture called Ibarske Hidroelektrane: The financing of the project is divided in ratio 49:51 in favour of SECI Energia. After the end of the agreement the plant would belong to EPS and the electricity contribute to the long term Serbian RES target. The Ibar river hydro potential would not have been exploited in the short term by EPS and therefore it can be regarded as win-win situation for Serbia and Italy.

The transit via Montenegro

The transit will follow the ICT mechanism. The transit from Serbia to Italy will be possible only if the cable between Montenegro and Italy is built, associated 400 kV lines inside Montenegro and between Serbia and Montenegro. The undersea cable to Italy will have 760 million investment costs, mostly paid by TERNA, 110 million paid by Montenegro. The EBRD decided in May 2013 to grant a loan for the cable. Investors calculate with 147.5 Euro per MWh (of the 155 paid via the feed-in) considering the transit costs.

At Italy seems closer in the meantime to meet its 2020 RES target it is unclear whether the joint projects in the MoU will be implemented and whether the MoU is still operational. The Italian government plans to revisit the MoU as soon as there is more certainty regarding 2030 targets.