

There is no doubt that **Elektroprivreda** needs reforms, but experts point out that the biggest challenge for the state will be the way in which they will be implemented. The path to more efficient operations and more stable energy supply is neither easy nor short, but it could be accelerated by the demands of the **International Monetary Fund** on the professionalization of management in this company and the **European Union** that **EPS** reduce pollution during electricity production.

However, experts indicate that the EPS will need much more than “cosmetic changes”. To increase efficiency, significant investments in production capacities are necessary, which have been absent in the past three decades.

[The Government of Serbia](#) has defined investments in energy as a priority, because the energy crisis has additionally highlighted the challenges in this sector, especially in EPS, and **Finance Minister** Siniša Mali emphasizes that investments, modernization and capacity building are needed.

He announces that work will be done on reforming EPS, which “must have stronger corporate governance and better managerial capacities”. He also adds that the professionalization of this company is a strategically important step for the entire Serbian energy sector and that the Government of Serbia will implement it. He also says that there is no more delay in this important task.

Prime Minister Ana Brnabić also says that the reform must be implemented without delay, but notes that there are always different types of obstacles, because energy companies “employ a huge number of people who are afraid of change”.

**A big loser, but also the company that invested the most in the Serbian economy**

Director of the Economic Institute, Dragan Šagovnović, tells Euronews Serbia that the restructuring of this company has been talked about for decades, but that EPS’s contribution to the Serbian economy is being lost sight of.

He points out that the analysis conducted by the **Economic Institute** showed that this public company lost from 500 million euros to 1.2 billion euros annually through the conduct of social policy when it comes to electricity prices.

“This means that in ten years we have lost from 5 to 12 billion euros due to the policy of low energy prices.

Estimates are that the total income from the privatization of all companies in Serbia is below five billion euros, which means that through the conduct of social policy we are in EPS “we lost much more than we gained through the entire privatization process. In this sense, we have to be careful when evaluating the role of EPS.

It is a development opportunity for Serbia, but for that to happen, it is necessary to make some changes,” Šagovnović points out.

He says that EPS is seen as a loser because of the events that happened a year and a half ago, but that it is the company that has invested the most in the Serbian economy and its

competitiveness.

**The state hired foreign experts from Norway as partners, and Šagovnović says that EPS is one of the few companies in which foreign consultants have been hired before.**

He pointed out that large systems must be managed by people who know them and that after the change in EPS management, when you look at where we were a year ago, we already have a serious business consolidation.

Aleksandar Milošević, the editor of the economic column in the daily newspaper Danas, notes that, when it comes to experts from Norway, it is questionable whether they have greater competence to see the problems and offer a solution than those people who have already been working in this company for decades.

Milošević says that it is not so much a matter here that the people in the EPS are not capable of governing, but that they are not allowed to do so due to the influence of politics. "EPS has to keep a huge number of employees, it had to allocate a huge part of money to the budget before, it has electricity prices that are regulated according to social and not economic requirements.

The question is how much the state is able to allocate for that EPS and to invest into the energy transition that we need. These are some things that have little to do with whether or not someone knows what to do, but what they are allowed to do.

Likewise, [the Norwegians](#), if they make proposals, will not will be nothing if they are not politically accepted. I would not expect any magic or spectacle from them, nor an overnight solution," says Milošević.

**What would the transition to a joint-stock company mean?**

The **Prime Minister** and the competent ministries state that the reforms of the power sector are necessary immediately. However, not everyone agrees that, among other things, transforming EPS from a public company into a joint stock company would be a good solution.

"By switching to a joint-stock company, you can more easily attract foreign capital, but you somehow lose the ability to manage that system.

Each of us should be a shareholder of that public company, because each of us, that is, our parents, participated in the construction of EPS.

It is possible to manage well in a public company with good management. In the past ten years, there was bad management and that led to the collapse of EPS, not whether it was a public company or a joint stock company," believes professor Miloš Banjac from the **Faculty of Mechanical Engineering in Belgrade**.

Aleksandar Milošević says that this is a good solution, if we want EPS and the entire power system to move towards further liberalization of the market and to open up, and he believes that we are moving towards that. He notes that this is a good thing, but that this change

alone will not solve EPS's problems.

"The point is that they have good management and are free to work professionally, without the influence of politics and without the need for party recruitment.

What, in a formal sense, the transition to AD actually offers to EPS is the possibility of privatization, i.e. to recapitalize, to have a private partner come in or do some other kind of strategic partnership, the ability to go public, and that's all it can't do today.

That's something that gives flexibility to the company, but in a practical sense it's not something that's going to make drastic changes in management EPS compared to the current situation," Milosevic believes.

Dragan Šagovnović says that the transformation into a joint-stock company is not privatization, but that it should lead to the improvement of corporate management, and that its essence is that the state becomes a responsible owner instead of an irresponsible manager. It is less important to the unions whether the EPS has the prefix JP or AD.

"Back in 2006, it entered the open electricity market and became the first business in Serbia that is a fully equal member of the **Energy Community of Southeast Europe**, which means an equal member of the EU.

The other day you had the news that EPS made a record daily result in money, not in exported electricity, but in money, where more than 4.5 million euros were earned that day, and he earned that by selling that electricity on the stock exchange," says Dragoslav Ljubičić, chief trustee of the EPS "Nezavisnost" Trade Union.

### **Challenges of changing the way electricity is produced**

Apart from the reforms related to the way of management, EPS will also have to change the way of electricity production. About 70 percent of its energy now comes from thermal power plants, but experts warn that, due to EU rules, in the next 10 years it will have to shut down coal-fired units or pay expensive carbon taxes.

EPS will have to reduce the pollution produced by thermal power plants, but also to reduce their participation in the overall energy mix.

EPS, which faced a decrease in liquidity during the winter season due to the import of significant amounts of electricity, will receive 300 million euros from the **European Bank for Reconstruction and Development (EBRD)** loan, which is also the support of international financial institutions for the government's strategy for the decarbonization of the electricity sector, with the goal of gradually phasing out coal by 2050.

When signing the contract with the [EBRD](#) representatives, Minister Siniša Mali pointed out that this is the support of international financial institutions to the government's strategy for the decarbonization of the electricity sector, with the aim of gradually phasing out coal by 2050.

He added that it will help in the development of the regulatory framework for the development of the use of renewable energy sources and encourage their introduction, as

well as ensure the security and sustainability of energy supply.

Professor Banjac says that if Serbia wants to join Europe, it will have to slowly deal with this problem, but he points out that Europe has now returned coal to electricity production.

“The energy crisis and the problems that are happening with the war in Ukraine have disrupted the energy system so much that now practically everything is allowed. The programs of renewable energy sources are not abandoned, but at the same time these programs are returned, as a temporary solution, so that it can still be used coal, and especially gas, which is now in short supply in Europe,” said Banjac.

According to the Green Road EPS plan, the Morava and Kolubara A thermal power plants are the first on the list to be shut down by the end of 2024. That fate should befall Tent 1 and 2 in 2027, and Kostolac in 2028. If it does not drastically reduce emissions of harmful substances, it could cost Serbia hundreds of millions of euros.

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