

The Serbian energy sector is entering liberalization process and improvement of investor friendly environment, says Zorana Mihajlovic Energy Minister of Serbia

Categories : [Uncategorized](#)

Date : November 14, 2012

Minister of Energy Zorana Mihajlović Milanović, spooked several times about upcoming changes in the energy sector of Serbia and its liberalization. In addition to reducing red tape, the Ministry will next year take charge of the processes of licensing and permitting in the renewable energy sector. As to consumption, the price of electricity will rise next year, but not before the social maps have been made. The changes will affect the operation of all heating plants in Serbia, but the state will provide support by stimulating them to use biomass, Minister Mihajlović Milanović announced.

Latest interview the Minister used to explain her opinion on power market liberalization and different situation with investors in RES projects.

Before being appointed as Minister of Energy, Development and Environmental Protection, you were advocating a necessity of radical changes in this sector with a special emphasis on the development of renewable energy sources. What is your standpoint now when you have the opportunity to implement the strategies which you championed in the previous period?

My position on the use of renewable energy sources has not changed. However, during the entire past decade it was fashionable to speak of the renewable energy sources, but nobody considered them as an issue of a critical importance for the country's energy system

stability. Although the Strategy for energy sector development, treating also the renewable energy sources, was adopted ten years ago, the present situation reveals that we are the worst in the region, having only 5, 6 or 7 small hydropower plants built out of possible nine hundred locations, that there is no trace of a complete wind farm or solar power plant, and that biomass is sporadically used only in few heating plants.

What steps your Ministry will take to change this situation?

We are going to cut off procedures, i.e. on the one hand we will encourage investors to invest more in renewable energy, and on the other, we will stimulate the public enterprises, for instance, the heating plants, to change their inputs, today mostly including gas, coal and heavy fuel oil, and to start using biomass.

Didn't you recently say that you are going to reduce the level of feed-in tariffs or, namely, to reduce a guaranteed price at which the producers that use renewably sources could sell electricity? Is that the final decision?

I must point out that I have never said that we will reduce feed-in tariffs, but that they will be reassessed... Our Ministry is responsible for the level of feed-in tariffs and their impact on the economy. If we estimate that our economy will be able to function normally with the existing level, there will be no changes of feed-in tariffs.

When you say that you are still assessing this issue, does it mean that there are no indications of what will actually happen?

Given the difficult state of its economy, Serbia would hardly withstand such a high level of feed-in tariffs, even with a current price of electricity. However, this doesn't mean that they will be reduced... I believe that we will formulate a policy regarding the feed-in tariffs and preferential quotas extension for renewable energy sources.

The news about feed-in tariff reduction, came as a surprise to investors, for instance, those from SEWEA Group that invest in wind farms. Are you aware of their comments?

An impression that this Ministry and Government somehow reject investors certainly would not do us any good, but I think that Serbia's interest always comes first and, thereby, we will have to work together with the investors in order to achieve our mutual goals. Namely, the investors should satisfy their own interests since they didn't come here because they like Serbia, but to invest and make profit, which is quite normal. On the other hand, Serbia wants to attract more investors and to see new energy infrastructure projects that will provide us with a sufficient energy supply... We will certainly find a common ground, which will bring benefits to all of us.

The Energy Law, which has to enable the aforementioned, was adopted in August last year, but we are still awaiting the bylaws which would regulate this field. Is there any progress in this area?

Some areas will be regulated according to bylaws, but also by the National strategy for renewable energy sources which we are developing at the moment. Everything should be finished by early December. The most important activities will be carried out in two phases. A regulation which will reduce a number of permits will be introduced in the first phase. After the second phase, which will probably last a little longer and will take place in the course of the next year, the Ministry should be able to issue all investment permits.

Another issue that has been controversial with regard to the renewable sector is Electric power purchase agreement, which the investors should obtain if they want to begin construction works. Will this issue also be resolved by the end of the year?

A procedure isn't contestable in this case, it exists, and accordingly, there is a way to conclude an agreement. I would rather say that EPS, as well as its distribution companies, didn't have enough will to conclude such agreements. The regulations are absolutely clear, such agreements must be signed and EPS is obliged to accept a privileged producer of electrical or thermal energy. It is up to us to verify if the law is implemented.

EPS is an example of a monopoly that originates from the past of the country. Would you be able to bring about some changes?

As soon as independent energy power producers join the market, the power of a monopoly will be reduced and we will see the first results. We will do our best to liberalize some parts of the market by the beginning of next year. On the other hand, thanks to our initiatives, EPS has an opportunity for electricity trading on the international market for the first time in its history... To conclude, we are thus undertaking the liberalization process through reforms such as adopting these bylaws, introducing independent energy power producers, market liberalization and separation of distribution network operator, i.e. public supplier.

Is electricity in Serbia expensive or cheap?

A simple answer would be that it is cheap, but when taking into account the price of electricity we should know where it comes from and who can afford to pay that price. I agree that the price of electricity should be adjusted in the next year and, therefore, should be higher than the current price. But this cannot happen as long as we don't finish social maps. The Government is working on this project at the moment. Ten years passed since its beginning and it has not been completed yet, but I hope that we will have the social maps finished by the first or second quarter of the next year. Once we identify the categories which cannot pay the electricity, we can speak of a lot more realistic electricity price.

Source Serbia Energy/Energynews/Beta