

In Montenegro electricity is mainly produced from hydropower, and hydropower plants Piva and Perucica have the most important role. There is also a coal fired thermal power plant in Pljevlja of 218.5 MW capacity.

Montenegro has recently changed retroactively its statistic data on the use of biomass for heating and cooling. This has had a significant impact on the data related to renewable energy sources. For example, in 2014 Montenegro recorded a 44.9 percent share of renewable sources. However, when revised data are taken into account, it turns out that the country exceeded the target back in 2009. In order to clear up the situation, in March 2016 the Government adopted a moratorium on decisions regarding the construction of new power plants based on renewable energy sources.

Montenegro is a country where the opening of small hydropower plant of 18MW in 2015 is considered a great success. Projects for the construction of two wind farms in Krnovo and Mozura are in the development phase, for which concessions and PPA have already been approved. They are expected to get permits during 2017 and 2018. Although NREAP 2013 estimated that the capacities in Montenegro will be expanded to 150MW by 2020, it seems that these are the only two power plants that will be constructed up to this year.

The potential of renewable energy sources in terms of cost-competitiveness:

Montenegro has significant hydropower potential of 1,3GW which involves additional costs and whose development could be also prevented by the legislation in the field of environmental protection. Investments in solar and wind power plants could also be an interesting option for this country. With less extraordinary costs additional 300MW of solar and 1.7GW of wind energy could be provided, which is far more than predicted by NREAP. As for the wind potential, the most interesting locations are seaside and hills in the vicinity of Niksic.

Investment framework for renewable energy:

FIT system is currently in force in Montenegro. It is related to all RET and provides support for 12 years. In addition, the measuring scheme for power plants up to 50MW capacity was adopted at the beginning of 2016. For solar PV total quota is only 10MW, although it is likely that solar energy will be exempted from quota restriction.

According to the measuring scheme, the electricity supplier is obliged to take electricity surplus on a monthly basis. The consumer pays only the amount of electricity taken from the grid, along with associated costs. Due to the fact that there are many sunny days, this scheme makes small PV systems very attractive for investors, especially in the tourism sector.

The main obstacles for development of wind power projects are the soil characteristics and

the expropriation process. It is not known who owns a certain part of a private property; there are no maps or accurate cadastral documentation. In addition, the obstacle for development of sustainable energy capacities is the lack of good financing models, as well as underdeveloped environmental awareness.

On the other hand, foreign investors estimate that PPA in Montenegro offers a stable financing framework in this area. Although each producer is a part of a separate balancing group, there is no compensation for deviations in the planned production. If there are delays in payment, interest is paid for that period. Moreover, producers from renewable energy sources can easily enter the market from the support system. They must sell electricity on the market for a minimum of 12 months, but that time is exempted from the total period in which they are guaranteed the status of a privileged producer.