

Bosnia and Hercegovina faces sanctions from the Energy Community which may result in blocking all EU energy financed projects. Beside infringement cases and remarks on the level of compliance, the assessment of the Energy Community Secretariat brings clarifications on the status of environmental directives and power plants compliance with the Large Combustion Plants (LCP) and Industrial Emissions (IED) Directives.

There are different issues related to the implementation of environmental directives in the cases of Bosnian power plants. According to the Energy Community Secretariat's statement for ESIA, new coal fired power plants which are promoted by entity governments, and for which Chinese contractors and banks are interested, shall be considered by the Energy Community as new plants (if their environmental permits are issued after 1 January 2018, provided that they are put into operation no later than 1 January 2019) and consequently have to meet the stricter emission limit values of the IED. This means that it is likely that the newly promoted projects such as TPP Banovici, TPP Tuzla and TPP Gacko will be considered as new plants falling under the scope of the IED.

The case of TPP Stanari is finally cleared from doubts. In 2013, the Energy Community Secretariat received a complaint from local NGO CZZS, with allegations for non-compliance with Energy Community environmental law. The investor company (EFT) stated that its newly built power generation facility will be in compliance with all local and EU environment standards. In July 2015, the Energy Community Secretariat issued a press release in which it stated that Republika Srpska has recently changed its legislation on large combustion plants in order to harmonize it with Energy Community law and as a consequence, all existing environment permits for such installations (including TPP Stanari) have to be reviewed. After the introduction of the newly harmonized Rulebook on measures to prevent and reduce air pollution and improve air quality by Republika Srpska the competent authority issued a revised environmental permit for TPP Stanari. At the same time, after an assessment of the relevant procedures, the Energy Community Secretariat rejected the part of the complaint related to the improper implementation of the Environmental Impact Assessment (EIA) Directive, given the lack of sufficient proof indicating the Directive's provisions were not complied with in the case of TPP Stanari's permitting procedures. The TPP Stanari complaint case has therefore been closed by the Energy Community Secretariat.

The situation of the gas sector in Bosnia and Herzegovina has long been an issue of concern to the Secretariat. This goes in particular for the lack of legislation and regulatory institutions at the state level, but also concerns the arrangements made at the level of the two entities, Republika Srpska and the Federation of Bosnia and Herzegovina. The lack of

an appropriate legal framework constitutes an obstacle to the development of the gas sector both on national and regional level, and therefore jeopardizes the achievement of a key objective of the Energy Community Treaty. Energy Community complained at the issues of non-compliance by Bosnia and Herzegovina in the gas sector include the lack of regulatory authorities for gas in the Federation of Bosnia and Herzegovina, the lack of proper legal, functional and account unbundling in either entity, the lack of properly set and published network tariffs, issues related to exemptions for new infrastructure, the lack of market opening in line with the deadlines set in the Gas Directive 2003/55/EC.

Sanctions may block the financing of all energy projects which are nominated to be financed by various EU funds. Beside the HPPs, BiH may lose financing for new high voltage cross border connections with Serbia and Montenegro.