

Serbia is the first member of the Energy Community to have transposed the Third Energy Package of the European Union, but implementation has been delayed in many areas. The huge obstacle is that the Law on Energy adopted in 2014 is not being implemented. The biggest problem is unbundling of gas company Srbijagas, which is also a condition for the start of negotiations with the EU on Chapter 15 - Energy, Director of the Energy Community Secretariat Janez Kopač said at the presentation of the report on the implementation of the EU acquis in 2017 in the Serbian Parliament.

The meeting was attended by State Secretary at the Ministry of Mining and Energy Mirjana Filipović and members of the Parliamentary Committee on the Economy, Regional Development, Trade, Tourism, and Energy.

He noted that this report shouldn't be seen as a judgment, but as a recommendation and support in the work. However, he stressed that this document is almost regularly part of the European Commission's annual report on Serbia's progress in European integration.

Kopač said that in 2016, the Energy Community's Ministerial Council adopted a decision stipulating that Serbia's failure to unbundle Srbijagas in line with the Second Energy Package is a serious and persistent breach.

"The Serbian Government adopted in 2016 a binding action plan on the restructuring of Srbijagas, in line with the Third Energy Package requiring Srbijagas to unbundle by May 2017. However, no actions were taken in this respect. The highly concentrated share of Srbijagas in the wholesale and retail markets explains the company's obstruction to unbundling and making space for new entrants. The question is - what is Government doing?! Srbijagas seems to be above the law. We expect Government to act and to implement the Law on Energy adopted in 2014. The ones that are hurt are customers because the market is highly concentrated and foreclosed," Kopač stressed.

He underlined that the Energy Law transposes the Third Energy Package in the gas sector, but that only the secondary regulations adopted by the Energy Agency of the Republic of Serbia are aligned with the Law.

Introduction of renewable energy auctions is priority

Priorities for 2018 in the electricity sector are to align the secondary regulations with the Law on Energy, to pass Decree on Terms of Electricity Delivery and Supply and to finish the unbundling and certification of the transmission and distribution system operators.

"Joining a capacity allocation platform SEE CAO and unblocking implementation of the signed agreement with KOSTT in 2014 remain the highest priority tasks for public utility Elektromreža Srbije, Serbia's transmission system operator, in order to close the long-standing disputes," Kopač said.

The introduction of renewable energy auctions is also a priority for 2018. Kopač said that Albania has already introduced auctions, as the public discussion is ongoing in former Yugoslav Republic of Macedonia, while Montenegro has started the procedure.

“Contracts with renewable energy producers must be adapted to enable integration of electricity generated in their facilities into the competitive market. The administrative, permitting and grid connection procedures and commercial agreements have to be further streamlined to ensure a conducive environment for investors. Compliant sustainability criteria and a certification system for liquid biofuels isn't part of the Law on Energy so a separate act on this must be issued,” Kopač noted.

In the energy efficiency sector, the priority is the adoption of a new law to transpose the Energy Efficiency Directive and the implementation of the Buildings Directive. Kopač repeated that dissolution of the Energy Efficiency Agency was a mistake.

#### Shadow over AERS' expertise

The Energy Community chief underlined the importance of the national regulatory authority's independence. The organization of AERS complies with the independence criteria stipulated by EU directives except in that the management does not have a full autonomy in designing the authority's internal management which requires approval by parliament.

“AERS is the Constitutional Court for energy in Serbia. The regulatory independence is threatened by budgetary uncertainty, a lack of autonomy in setting staff salaries, and the fact that it has no right to impose fines. All of this isn't obligatory under the Third Energy Package, however, this weakens AERS' independence. Serbia should look up to Montenegro, Croatia, Slovenia, Hungary regarding AERS' independence. AERS has proven its expertise which was shadowed by positive certification for Yugorosgaz and EMS despite the lack of the companies' compliance with unbundling requirements,” Kopač said in the Parliament. Serbia has transposed the Environmental Impact Assessment Directive into national law but efforts are needed to ensure efficient implementation and involvement of the public. Serbia failed to fulfill its obligations to transpose the Sulphur in Fuels Directive by December 31, 2011 into national legislation. Kopač said that Government extended the effect of the secondary regulation on fuel quality until 2019 although the regulation should have been valid only until 2012.

He confirmed that this problem is connected with oil refinery in Pančevo, owned by Naftna Industrija Srbije, which is majority-owned by Russian Gazprom Neft.

“We know that investments are ongoing and we assume the issue will be resolved by 2019,” Kopač added.

He said that National Emission Reduction Plan must be adopted until the end of the year.

State Secretary: We are aware of our obligations

Mirjana Filipović, State Secretary at the Ministry of Mining and Energy, admitted that Serbia hasn't fulfilled all obligations, especially in the gas sector. She said that the country is aware of its obligations regarding fuel quality, and that secondary regulation was passed as well as model to solve this problem in NIS. Such a project takes time and money, she added.

"We are grateful for the proposal for the introduction of renewable energy auctions, but we have to consider how this will affect the situation in Serbia, in order not to endanger the valid subsidy model and signed contracts. Sometimes it's good to be the first, and sometimes it is not," she said.

Filipović said that EMS hasn't become a member of the capacity allocation platform SEE CAO due to obstacles from some of its members, but that it has become a member of another auction platform JAO, which, according to her, amounts to Serbia's fulfillment of obligations.

Filipović underlined that work on the establishment of a distribution system operator is ongoing, as it is on the certification of the transmission system operator, but that more time is needed as the procedure is very complicated and several laws have to be changed.

The Ministry is also preparing a new Law on Efficient Use of Energy.

Filipović underlined that implementation of the agreement between EMS and KOSTT is more of a political than technical issue, and part of the Brussels Agreement.

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