

The total in the five years through 2019 landed at EUR 2.15 billion, of which Serbia, Bosnia and Herzegovina, Kosovo\*, Montenegro and North Macedonia account for EUR 655 million. Albania, Moldova and Georgia, which are also part of the international organization, don't have coal-fired electricity generation capacity. Serbia and Bosnia and Herzegovina account for almost all of the coal subsidies in 2018 and 2019 among the Energy Community contracting parties in the Western Balkans, Damir Miljević revealed in a study. The two-year total was EUR 149 million, compared to EUR 655 million from 2015 through last year. Energy Community contracting parties channeled EUR 901 million in direct subsidies to electricity generation from coal in 2018 and 2019, a study revealed. While investors in Ukraine received the vast majority of the sum, the Western Balkans granted EUR 149 million to the sector.

### **Coal subsidies may be illegal**

“Significant support was provided in the form of state loan guarantees, which pose an imminent risk to governments that guarantee these loans. The amount of state guaranteed loans reached EUR 2 billion in 2019 alone. In many instances, coal subsidies are likely to amount to state aid as prohibited by the Energy Community Treaty”, the document's author Damir Miljević said and noted that the organization's secretariat has raised the issue. In the 2018-2019 period, Serbia supported electricity generation from coal with loans and guarantees of nearly EUR 1.2 billion. In 2019 alone, Bosnia and Herzegovina issued loan guarantees to thermal power plants of EUR 742 million.

Miljević is an economist and energy consultant and a member of the Board of RESET, a new think tank based in Sarajevo.

“The sheer scale of the subsidies wasted on the most polluting source of energy is alarming. While the European Union is moving firmly towards a carbon-neutral energy system, the report shows that the contracting parties continue to be stuck in the past” Energy Community Secretariat Director Janez Kopač said.

Subsidies channeled to electricity generation from coal and lignite often sustain unprofitable and inefficient thermal power plants and coal mines, according to the study, which highlights loan guarantees as an indication that the support is likely to continue in Ukraine and the Western Balkans excluding Albania.

### **Sending wrong signals to investors, consumers**

The subsidies significantly distort the energy markets, sending wrong signals to potential investors and consumers, and adversely impact decision making about the future

development of the electric power sector, the author adds and stresses the continued high use of these subsidies is a direct obstacle to the energy transition and meeting carbon neutrality goals. Most of the contracting parties have ignored the issue for decades in order to maintain artificially low electricity prices and thus avoid facing potential economic and social disruptions, according to Miljević. The subsidies are divided into fiscal support, public finance support and investment support by state-owned enterprises.

### **Risk for public finances**

The question arises whether new or rehabilitated coal-fired thermal power plants supplied from new mines can be economically and financially viable in times when solar and wind power are becoming cheaper and more competitive, the study reads.

“Considering the level of national debt, the practice of deficit budget financing and exposure arising from issued state guarantees, it is even questionable whether countries can secure financing for the planned coal-fired electricity generation,” Miljević concludes. With the exception of Ukraine, the contracting parties lowered their annual subsidies since 2015. In the 2019 total of EUR 72.7 million, Serbia is the first by far in coal subsidies in the Western Balkans. Its share was EUR 41.4 million. The sum dropped 12.7% below the previous year. BiH even increased coal subsidies year on year, by 12.4% to EUR 22.7 million. Ukraine provided an average EUR 8.99 per MWh of coal-fired electricity in 2018 and 2019, followed by BiH, where the state granted EUR 2.1. Serbia is in the third place, with EUR 1.92, and Kosovo’s\* subsidies come in at EUR 1.22 per MWh. Kosovo\* had the highest share of coal last year in the production of electricity, 95%. The level was 66% in Serbia, compared to 60% in Bosnia and Herzegovina, 41% in Montenegro and 26% in Ukraine.

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