

Energy Balance Report once again confirmed that production capacities cannot meet consumer demand for electricity. The same trend from 2014 is expected to continue in 2015.

It was reported that Montenegro will face an energy balance shortfall amounting to 9.2% of overall consumption, or cca 316 GWh. Other key characteristics of the 2014 and 2015 Montenegrin Energy Balance Report as well as the reasons for the energy shortfall can also be found in the present congestion of transmission facilities in the SEE region that are directly related to the import of electricity in Montenegro – under very strict UCTE rules, capacity is divided bilaterally on the basis of load flow calculations for two months in advance.

Also, in 2013 EPS terminated a long-term agreement on technical cooperation with EPCG. The agreement, which should have been valid until 1 January 2016, provided for the delivery of 1 mW of peak power from EPCG from its Piva hydro-power plant, as an exchange for the 1.4mW of base power delivered from the EPS production units. The peak power from Piva was used for running major thermal-power plants and hydro-power plants in Serbia. Facing the loss of 0.4mW of output from Piva, EPCG turned to the Republic of Srpska and concluded a similar long-term agreement with ERS.

Another uncertainty marking the consumption of electricity in Montenegro is the fate of the only aluminium smelter in the country – Kombinat alumijuma Podgorica, which faced bankruptcy in mid-2013. As a key purchaser, KAP consumed in excess of 50% of the energy available on the market and their continued consumption will depend on the outcome of the bankruptcy proceedings, which has generated a fair amount of uncertainty for all market participants.

In terms of interconnectivity, the Tivat-Pescara power cable project is still ongoing. This high-voltage electric interconnection project is being implemented by the Italian company Terna and will connect the electricity networks of Montenegro and Italy by 2015. The project will ultimately facilitate the export of energy from renewable sources produced in Montenegro and the Balkans to Italy. Recent information claims that 2015 deadline will be extended.

The EUR 760 million cable is at the centre of the Montenegro-Italy power deals, which form part of a broader Italian strategy to make Italy the “energy hub of Europe” and to meet EU requirements for higher consumption of energy from renewable sources.

As for renewables, Montenegro has granted several concession agreements for the construction of small hydro-power plants in 2012 and 2013. Past tenders have also generated significant interest from both Montenegrin and international investors, attracted

by incentives. Three projects are scheduled for grid connection in early 2015.