

“Power Utility Company of Republika Srpska ERS” and “Serbia Power Utility Company EPS” concluded in September 2010<sup>th</sup> an agreement on a joint draft of the feasibility study for HPPs “Middle Drina” with a concept design, after which a preliminary agreement on cooperation in the project entered into EPS and Italian “Secci energia”. The investment value is estimated at 830 MEUR. Start of the project was planned for 2014<sup>th</sup>, and completion is scheduled for the period from 2020<sup>th</sup> to 2023<sup>rd</sup>. For the building of the hydropower system is planned strategic partnership or credit. The funds have not been provided yet. And projects are on hold despite all announcements. Serbia Energy brings insight story of the halted Drina HPPs project.

This project is of strategic importance to our country and should provide green kilowatts that Serbia needs to meet stringent environmental requirements which the European Union sets on its accession way.

The technical solution on the middle Drina involves the construction of three hydropower plants in the cascade – Dubravica, Tegare and Rogacica, the total installed capacity of 320 megawatts with an average annual generation of about 1,200 gigawatt – hours. Drina in the middle course has great potential that is cost effective and should be exploited, but with harmonization of users and space. Numerous studies on the possibility of the hydropower plants construction on the Drina have been done throughout history and it was confirmed that these facilities should be built from artificial lake in Zvornik to HPP Bajina Basta.

Even the negotiations have started in 2010<sup>th</sup> the project still is at the beginning.

There were speculations that the possible reason for delaying the construction start was that the electricity produced in this plant would be treated as electricity produced in Italy.

In early January this year, the President of Republika Srpska, Milorad Dodik said he was not sure the negotiations related to the construction of HPP “Middle Drina” would be successful and that the participation of Republika Srpska in the project depended on the agreement between the Serbian government and the representatives of Italy.

Construction of the “Middle Drina” is accompanied by frequent disputes between BiH Federation and Republika Srpska, usually about competence. The Federation believes that this deal must go over the State Commission for concessions, while in RS point out that this is a project from the Agreement on Special and Parallel Relations between RS and Serbia. But the problem of holding also came around later. It is obvious that much more about the project is not defined, and the start of the project is permanently disposed.

It is anticipated the Italians to be the owners of 51 percent of future hydropower plants, Serbia would have 12,25, and the rest goes to RS and BiH.

The project of four hydropower plants construction on the Upper Drina has similar fate. According to the technical – investment documentation that was made during 2008<sup>th</sup>, the investment value of four hydropower plants on the Upper Drina is estimated at 435MEUR. In collaboration with the Power Utility Company of Republika Srpska, PE “Serbia PowerUtility Company” with German company RWE signed a Memorandum of Cooperation which includes the implementation of this project. Despite the agreed collaboration, the contract was terminated last year, although the construction start of hydropower plants was planned for 2013<sup>th</sup>. There is no official explanation for the failure of this cooperation. If we continue to delay the implementation of these and other projects, then could happen that the security of electricity supply in Serbia would not be stable. The needs for primary energy will increase worldwide by 46 percent since 2010<sup>th</sup> until 2040<sup>th</sup>. Growth in oil demand in this period will increase by 19 percent, 36 percent for coal (mostly 2020<sup>th</sup>), 64 percent for gas, 72 percent for atomic energy and 92 percent for energy from renewable sources. This is the data that have been recently listed in the study presented by the Institute for Energy Research of the Russian Academy of Sciences and the Analytical Center of the Russian Federation Government. This means, the most important investments should be investments in renewable energy sources, as the demand for renewable energy grows the most.

Serbia needs serious investment in the energy sector. With the energy market opening and the increase in electricity prices, the door to foreign investment also should be opened. As a reminder, in Serbia was adopted the Draft Energy Strategy of the Republic of Serbia for the period until 2025<sup>th</sup>, with projections by 2030<sup>th</sup>, which should increase the share of energy from renewable energy sources, which will contribute to the environment preservation. It also was presented a draft on the new Energy Law that implements the Directives on the promotion of using energy from renewable sources and Third Energy Package of the European Parliament and the Council, simplified procedures for investing in energy and created the legal basis for accession to the network for cross-border exchanges in electricity. The aim is that the new Law on Energy rectifies the problems in the old law practice from 2004<sup>th</sup> and 2011<sup>th</sup>, to create a favorable climate and to simplify procedures for investment in the energy sector. The law will be adopted soon and it is expected that its adoption will have a positive effect on the Serbian energy sector.

Source; Serbia Energy