

While Serbian politicians are saying that natural gas pipeline is cost-effective, Goran Radosavljević, secretary general of the National Petroleum Committee and vice president of the Social Democratic Party, told the Center for Investigative Journalism of Serbia (CINS) that there was still not enough information to draw that conclusion. Seeing as the gas in question is from Russia, like the one we already have, the price of gas probably will not change, says Radosavljević. The price decreases when there are more suppliers of this fuel on the market which, he explains, is not the case here. The only thing we will pay less are the transportation tariffs. In ideal circumstances Radosavljević sees the possibility of Serbia becoming a transit country for gas deliveries to Montenegro and Bosnia and Herzegovina and in that way collecting tariffs, but also the possibility of the southern and eastern parts of the country getting gas connections. However, this is all just conjecture because the government's policy regarding TurkStream is not transparent, he adds, which is why it is still unknown who the gas buyers will be, bearing in mind that at this time Serbia does not need gas beyond what it procures under current contracts.

The competent Ministry of Mining and Energy answered these questions from CINS. Ministry officials say that the consumers will be the same as they have been so far and confirm that Serbia will be a country of transit for natural gas transportation. At the moment we are importing more than 85% of gas, while the inauguration of the new pipeline provides procurement from two directions.

"Up until last year, Serbia could get Russian gas only from the direction of Hungary, which meant serious problems with supply in the event of disruptions on that route."

Energy security requires gas deliveries from different suppliers, too, the officials explain and announce new projects - the construction of a Niš-Dimitrovgrad pipeline and the possibility of procuring gas from the Middle East in the future.

However, the government has no answer yet as to whether the opening of TurkStream in Serbia will increase the use of gas, i.e. whether coal will be replaced:

"These calculations will be done as part of the making of an integrated national climate plan and any forecast we made now would be neither objective nor adequate."

If there is no appropriate cleaner energy, natural gas in Serbia can be a good substitute for other fossil fuels, Belgrade Faculty of Technology and Metallurgy professor Petar Đukić told CINS.

"If you need to replace dirty fuels such as coal and fuel oil in cities, then the easiest way to do that is with gas. You can use gas to make power plants that emit far less hazardous substances and are much more efficient than other fossil fuels," said Đukić. Natural gas is more stable than solar and wind energy because it can be stored, i.e. kept in reserve.

The European Union, on the other hand, has some objections to TurkStream.

The natural gas market and the Srbijagas company are among the key problems in Serbian energy, judging by the European Commission's Serbia Progress Report 2020. The Serbian leg of the so-called TurkStream stretches from the Bulgarian border near Zaječar in the east, to Horgoš near Hungary in the north, and the pipeline section was built by Russia and Serbia through the mixed company Gastrans (51% owned by Russian state company Gazprom, 49% owned by Serbian Srbijagas).

Representatives of the Energy Community Secretariat, which implements the EU energy policy with the aim of establishing a single market, told CINS that they had launched several procedures against Serbia for violating a set of European regulations, adding that two procedures were currently under way. The representatives claim that the construction of the new pipeline will result in discrimination on the market, because the Russian and Serbian company will be the natural gas monopolist.

The possibility of competition on the market is to reduce dependence on one supplier and help to avoid a crisis that can be felt by the economy, the population and the state in the event of halted delivery, Petar Đukić explains. He mentions the example of the 2009 gas supply crisis, when a dispute between Russia and Ukraine left certain Serbian cities and towns on the brink of freezing, and heating plants had to switch from gas to dirty fuel oil. Even though they do not have the power to make binding decisions where Serbia is concerned, the Energy Community representatives said in their reply to CINS that the matter "must be resolved as soon as possible."

Goran Radosavljević does not see this as a good argument because, as he puts it, the EU buys gas from Russia, too:

"Continental Europe has no alternatives. There is currently no capacity for that quantity of any other gas to be delivered to Europe, except Russian. It does not physically exist."

Petar Đukić has a different opinion:

"It doesn't matter that there is no other competitor at the moment. You cannot artificially find competitors, but you can maintain conditions for those competitors to appear."

More competitors will mean a more affordable price and a technologically more advanced offer, adds Đukić. Competition and an energy market within the *Energy Community* are not just one of Serbia's formal obligations, but also the key premise for enhancing Serbia's energy efficiency and economically sustainable energy, Đukić says in his paper titled *Competition, Competitiveness and Sustainability of Serbian Energy*.

## Coal pollution

According to the 2020 Energy Balance, the document that determines the annual amount of energy and fuels, Serbia obtained the most energy from coal – 67.5%, followed by oil – 9.2%, natural gas 3.1%, hydropower – 7.5%, biomass – 11.4%, and geothermal, solar and wind energy and biogas – 1.2%. While the state is investing in expanding coal combustion capacity, this fuel has been causing problems for years.

When burning coal, thermal power plants emit carbon dioxide (CO<sub>2</sub>), sulfur oxides (SO), nitrogen oxides (NO) and particulate matter (PM). These substances cause heart and respiratory problems in humans, including bronchial asthma, chronic bronchitis and lung cancer. As CINS reported earlier, excessive air pollution in the vicinity of the second largest thermal power plant, Kostolac B, was recorded every fourth day in the period between 2016 and 2018.

This power plant's capacity is now being expanded, and so the construction of a new, third block B is under way, for which the Government of Serbia borrowed money from the Chinese state bank in 2014, while pledging to comply with Chinese laws, as previously reported by CINS. The government has also announced additional investment in Kostolac A, which was supposed to shut down by 2025. The Ministry officials also claim that projects aimed at reducing air, water and soil pollution are being invested in, and, as they put it, the Electric Power Industry of Serbia (EPS) between 2002 and 2019 invested 324.9 million euros, while ongoing projects are worth 607.7 million euros in total.

The SO<sub>2</sub> problem at Kostolac B has been solved by a flue gas desulfurization facility, reads the reply from the Ministry. The construction of the same facilities for both blocks of the TENT B plant started in October 2020 and is slated for completion in the first quarter of 2024.

Nevertheless, the Energy Community, according to the portal Balkan Green Energy News, recently called on Serbia to reconsider, i.e. limit subsidies in the coal sector, while on February 5 it warned the Balkan countries, including Serbia, that they were violating the obligation of reducing harmful gas emissions.

“The energy sector remains largely inefficient and highly polluting,” says the last EU progress report for Serbia.

## Higher electric bills and problems with green energy

According to the latest data, for 2018, the EU gets more than a third of its energy from renewable sources (33%), whereas 40% still comes from fossil fuels, including coal. That same year, Serbia generated roughly 20% of energy from renewables, including small power

plants, wind parks, solar energy and biomass, and about 70% from coal. In a bid to reduce coal consumption, Serbia has been subsidizing renewable energy sources since 2013 through so-called feed-in tariffs, and citizens have so far paid hundreds of millions of dinars through their electric bills. Small hydropower plants are the most popular among investors, even though their contribution is practically negligible - in 2018 they contributed 0.7% to the energy sector. Those who benefited the most from small HPPs were the state-owned EPS and companies linked to the Serbian president's best man Nikola Petrović.

In January 2021 the government raised the levies paid by citizens on renewables fivefold, so now that figure is 0.437 dinars per kilowatt-hour, thereby raising the monthly energy bill as well. For example, those who previously paid around 50 dinars now pay around 250 dinars for the same electricity. The Ministry of Mining and Energy officials explained this price hike to CINS by a bigger number of green energy producers, especially wind power plants. Although the price at which electricity is bought up from investors in renewables has not changed since 2015, the cost of purchasing energy has "gone up significantly" because the EPS has to buy up all the energy from producers with privileged and temporary privileged status. That, according to the officials, was "a serious financial burden on the EPS." The Ministry also announced the construction of medium and large hydropower plants, an increase in energy efficiency and the construction of gas-fired power plants and connections to the gas network.

On the other hand, the state has received a warning from Europe that, instead of earmarking more money, it is time to abolish feed-in tariffs and introduce auctions as a riskier form of incentive for investors. The new law on renewable energy sources is still being drafted, but it could change the method of incentives for investors. Wind park owners on average get more money than small hydropower plants for electricity from renewable energy sources because they produce more of it, according to EPS data. As we reported earlier, Nikola Petrović has expanded his business to wind parks. Behind it are natural gas and biomass. Our biggest renewable energy source biomass is today used without a strategy, CINS' research shows.

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