

WindVision, as an international investor with experience in the development, management and operation of RES projects, started development of the wind farm complex “Alibunar” with a total installed capacity of 174 MWe in Serbia in 2010. Serbia was deemed an attractive destination due to good wind speeds (an average speed of 7.5 m/s) and an attractive tariff system. Over the past five years spent developing the project, WindVision has faced several challenges in its investment in renewable energy in Serbia worth discussing, from establishing criteria for the selection of the wind farm location and meeting environmental criteria, to land acquisition, and navigating complex administrative procedures and permitting processes (location, energy, environmental and building permit). Bearing in mind Serbia’s obligation under EU Directive 2009/28/EC on renewables, one of the biggest challenges in Serbia is raising awareness among the general population and state-level actors of the benefit of wind farm developments. Since 2009, investors forming part

of the Serbian Wind Energy Association (SEWEA) have invested more than €30 million into wind farm development in the country. 90% of these funds have remained in the Serbian economy and have been spent on engaging the services of local companies in preparing permits

(technical documentation, geological research, land acquisitions, employment of people, taxes, technical conditions, etc.). Once the construction of these projects starts (expected in 2015), the total investment potential is between €700 million and €1 billion.

Construction of wind farms will also improve Serbia’s energy security. 500 MW of energy generated from wind farms could substitute 90% of Serbia’s electricity imports. The construction of large infrastructure projects in wind will also contribute to the recovery of the Serbian construction sector, with a spill-over effect to other industries.

However, despite these clear benefits, challenges continue to impede the further expansion of wind in Serbia. One of the most important impediments is the absence of a comprehensive, straight forward and complete national legal framework. Although key legislation (the Energy Law) was adopted back in 2011 and updated in December 2014, a majority of the by-laws required for full implementation of the 2014 Energy Law have yet to be adopted and harmonised with latest amendments.

For the 2014 Energy Law to be implemented in practice in such a way as to secure that construction of wind farms beginning in 2015, it is absolutely necessary that regulations be adopted as soon as possible and in close collaboration with investor associations, representatives of international financial institutions (IFIs) and commercial banks which provide the financing for these large projects. In the past few years there were some poor

attempts by interested parties to contribute to legislation preparation, but the regulations necessary for creating a reliable legal framework for investors have not yet come about. An essential piece of legislation that is outstanding is a model Power Purchase Agreement (PPA) for wind in Serbia since the actual draft has not been accepted by the banks. A PPA is an extremely sophisticated agreement based on which banks lend money to investors for the construction of electricity generating projects. Thus, it is instrumental that banks be consulted in the process of drafting a model PPA for the industry and that, at the end of that process, they find the terms agreeable to supporting wind farm development in Serbia in the long term.

Several other obstacles to wind farm development deserve mention here:

wind farm complex construction challenges involving substations,
grid connections and roads;

the deadline prescribed for wind farm construction (three years), regardless of range or size of the project; and implementation of the Environmental Impact Assessment (EIA) only after issuance of a location permit and resolution of land acquisition that poses a significant risk for investors, given previously invested funds in project development, and the alteration of design terms at the EIA stage threatening the profitability of entire projects.

To conclude, the challenges facing wind farm investors in Serbia should be addressed before the first wind farms start spinning. WindVision strongly believes that Serbia is a reliable partner for the development of RES projects and looks forward to the realisation of the “Alibunar” wind farm project, with construction commencing in 1Q 2016.