

**15 Annex - Energy**

**97. ENERGY POLICY OF THE REPUBLIC OF MONTENEGRO**

## **ENERGY POLICY OF THE REPUBLIC OF MONTENEGRO**

This Energy Policy identifies the goals and objectives, as well as the instruments to be used by the Government of the Republic of Montenegro, aimed to develop the energy sector with respect to: secure and reliable power supply, environmental protection, ownership, market operation, investments, energy efficiency, new renewable resources, regional and broader integrations, social protection measures etc. In line with the economic development of the Republic of Montenegro, and also with the energy practices and relevant standards for candidate countries to EU association, this Energy Policy particularly outlines the need to establish adequate legal, institutional, financial and regulatory frameworks required for sustainable development of the energy sector. Together with the national energy strategy document (Energy Development Strategy of the Republic of Montenegro), this Energy Policy defines the role of energy undertakings in the reform process of the energy sector and encourages both domestic and international investors to invest in new energy facilities.

### **A. Background**

The existing situation in Montenegrin energy sector is characterized by the following:

- initial activities in the energy sector reform process (Energy Law is passed; integration into the Athens Memorandum process has been started; Energy Regulatory Agency is established; Electric Power Company of Montenegro (EPCG) is functionally unbundled; the Decision to establish the Energy Efficiency Unit is made; Energy Efficiency Strategy is designed, together with the Action Plan for 2005-2006, etc),
- the Republic of Montenegro has declared in its Constitution to be an Ecological State,
- a lack of national energy strategy that would define medium-term and long-term objectives, priorities and conditions for development of Montenegrin energy sector,
- an extremely high dependence on power import (total needs for liquid and gaseous fuels and around 1/3 of the electric power), resulting from the fact that no new energy facility has been constructed for many years now,
- huge good quality potentials, but unfortunately unused (especially hydro potentials)
- great possibilities for usage of renewables, which would create a good position for the Republic to participate in trade for carbon dioxide emission,
- predominant share of electricity in Energy Balance,
- inherited industrial structure substantially relying on high energy consumption; extremely high consumption by two biggest consumers in the field of ferrous and non-ferrous metallurgy, as well as high demand and consumption by the households,
- energy inefficiency present in the field of consumption (particularly with respect to consumption of electricity for heating purposes) and high energy intensity,
- insufficiently explored oil and gas resources, and renewables as well,
- highly depreciated energy infrastructure and the need for its fast rehabilitation and technological improvements,
- lack of funds for researches and technological development in the field of energy,
- incomplete legal regulation of energy sector ,
- partially non-regulated energy sector and privatized in the field of procurement and trade of oil products.

### **B. Goals and Objectives of Energy Policy**

Endeavouring to provide available, accessible and affordable energy, as well as to secure the preconditions for establishment of an open energy market and fast integration into regional energy markets, Government of the Republic of Montenegro, in accordance with its obligations arising from:

- Energy Law,
- Agenda of Economic Reforms in Montenegro,
- Athens Memorandum of Understanding,
- Montenegrin Strategy for Development and Reduction of Poverty,
- general policy of the Government of the Republic of Montenegro regarding creation of relevant conditions for entry into EU,
- laws and documents regulating the area of environmental protection, urban planning and other relevant legislation,

and in line with the documents of European Commission, World Energy Committee, International Energy Agency, sets out this Energy Policy thereby supporting the sustainable development of the energy sector, with the following goals and objectives:

1. Secure, high quality, reliable, and diversified power supply aimed to comply the supply with the demands in all forms of energy,
2. Maintenance, rehabilitation and modernization of the existing infrastructure and the construction of reliable new infrastructure required for generation and utilization of energy ,
3. Reduction of import dependence, primarily through creation of stable conditions for investments in research /exploration and construction of new power facilities (especially on the basis of already explored resources related to unused hydro-potentials), as well as investments in other energy infrastructure,
4. Design of relevant legislative, institutional, financial and regulatory framework to encourage private sector involvement and investments in all aspects of energy infrastructure,
5. Creation of conditions for higher utilization of renewable energy resources, combined power and heat generation (CHP) and for the usage of fossil fuels based on clean technologies,
6. Establishment of competitive market in order to provide energy in the fields where there is a possibility to do so (generation and supply) in accordance with the concept of regional energy market, with regulated monopoly network activities,
7. Provision of institutional and financial incentives with the purpose to improve energy efficiency and reduce energy intensity in all sectors, from generation to consumption of energy,
8. Sustainable production and utilization of energy in relation with environmental protection , and international cooperation in this field, especially with respect to reduction of GHG emission,
9. Supporting research, development and promotion of new, clean and efficient energy technologies, as well as implementation of energy policy based on expert and scientific grounds.

### **C. Instruments for implementation of Montenegrin Energy Policy objectives**

The basic instruments for the achievement of the above mentioned goals and objectives of the Energy Policy are to:

- 1) System:

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- a) design Energy Development Strategy of the Republic of Montenegro for the period until 2025 (with sector studies),
  - b) establish and implement data monitoring system, in line with the EUROSTAT system for the presentation of national energy data,
  - c) adopt encouraging measures for scientific-technological development in energy sector and cooperation in international programmes in the field of energy,
  - d) establish and implement transparent and clear procedures regarding proper operation of all segments of the energy sector, aimed to prevent corruption,
  - e) provide fostering measures for the implementation of Energy Efficiency Programme, new renewable resources and clean technologies, including the utilization of energy efficient devices acceptable for environment,
  - f) create preconditions required for construction of a new generation capacity in order to provide permanent energy supply,
  - g) diversify energy sources and fuels, taking into account specific regional characteristics,
  - h) promote technological achievements and develop infrastructure in order to reduce the GHG impacts.
- 2) legislative:
- a) develop relevant secondary legislation required for proper implementation of Energy Law and Energy Development Strategy of the Republic of Montenegro, as well as harmonize domestic and international legislation in this filed, including UN Declarations, EU Directives, Kyoto Protocol, Athens Memorandum of Understanding, etc.,
  - b) review the existing and develop/adopt new legal documents, technical standards and regulations in the filed of construction of power and other facilities, particularly with the aim to increase energy efficiency,
  - c) set out rules and regulations defining simplified procedures for obtaining concessions and authorizations for construction of small hydro power plants and other renewable energy facilities, and for issuance of permits for network access and licences for power generation and sale, as well;
- 3) institutional and organizational:
- a) build the capacities of Government administration to be capable to monitor implementation of Energy Development Strategy of the Republic of Montenegro and also to design Energy Balance,
  - b) strengthen Energy Efficiency Unit in order to enable it to promote and implement the Government's Energy Efficiency Programme in a good manner, including its capability to make the proposals for the design of the appropriate regulation framework aimed to encourage proper implementation of this Programme,
  - c) restructure EPCG and other energy undertakings into financially sustainable companies being capable for operation/participation in a competitive market, and to finance the development as well,
  - d) improve inspection control;
- 4) economic and social:
- a) establish tariff and pricing policy for fuels, taking into account market based costs (including environmental protection costs) and profit, which would encourage efficient energy utilization and protect the interests of consumers / customers with respect to security and quality of energy services, and which would also respect the component of affordability for the energy bills payment, as well,
  - b) develop subsidy programme for vulnerable groups of citizens in order to enable them to satisfy their minimum needs for electricity and heating.

