

Government of Montenegro

Ministry of Economy

Questionnaire

Information requested by the European Commission to the Government of Montenegro for the preparation of the Opinion on the application of Montenegro for membership of the European Union

15 Energy

Minister: Branko Vujovic

Podgorica, December 2009

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**CHAPTERS OF THE ACQUIS – ABILITY TO ASSUME THE
OBLIGATIONS OF MEMBERSHIP**

Chapter 15: Energy

I. GENERAL

1 Please provide the latest statistical information using a Eurostat compatible methodology (see <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:304:0001:0062:EN:PDF>) on energy supply, energy use, energy prices and energy balances (past, present and if available forecasts). Please use a structure concerning sectors and fuels similar to the one published in the Energy and Transport DG's Annual Energy Reviews or in the publication "Europe Energy and Transport - Trends to 2030" of the Energy and Transport DG. For this purpose, statistical data should be provided by filling in the summary template attached (see Annex: Summary Questionnaire on the energy situation: Montenegro - energy production).

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Table 1 Summary Questionnaire on the energy situation: Montenegro – energy production¹

Primary Production	Statistics				Forecast				
	2000	2004	2006	2008 ²	2009	2010	2015	2020	2025
	x 1000 toe (Tonne of Oil Equivalent)								
Solid Fossil Fuels	348	339	336	386	275	336	667	663	659
Oil	0	0	0	0	0	0	0	0	0
Natural Gas	0	0	0	0	0	0	0	0	0
Nuclear Energy	0	0	0	0	0	0	0	0	0
Hydro and wind power	136	193	151	132	167	182	269	272	274
Geothermal	0	0	0	0	0	0	0	0	0
Other Renewable Energy Sources	32	53	53	39	54	58	90	94	97
Total	516	584	539	558	497	576	1026	1029	1030

Source: Statistical Office of Montenegro, Ministry of Economy of Montenegro

¹ The data presented are relevant for the years 2004 and 2006 as detailed data were available – i.e. the mentioned years were particularly treated in the document *Energy Development Strategy of Montenegro by 2025*

² The last year available

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Table 2 Summary energy balance and indicators - Montenegro (in 000 tonne of oil equivalent, unless otherwise specified)

	Statistics ³				Forecast ⁴					Annual % change			
	2000	2004	2006	2008	2009	2010	2015	2020	2025	'00-'06	'06-'09	'09-'15	'15-25
Primary Production	515.8	583.7	538.9	558.0	496.5	576.2	1025.6	1028.8	1029.8	0.7	-2.7	12.9	0.0
Solid fuels	347.6	338.6	335.6	386.3	275.1	335.6	666.6	663.0	658.7	-0.6	-6.4	15.9	-0.1
Oil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Natural gas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Nuclear energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Renewable energy sources:	168.2	245.1	203.3	171.7	221.4	240.6	359.0	365.8	371.1	3.2	2.9	8.4	0.3
- Hydro power	136.4	192.6	150.5	132.4	167.0	179.7	263.8	263.8	263.8	1.7	3.5	7.9	0.0
- Biomass	31.8	52.5	52.8	39.3	54.4	58.3	64.7	66.2	64.2	8.8	1.0	2.9	-0.1
- Waste	0.0	0.0	0.0	0.0	0.0	0.0	22.9	23.0	23.0				0.1
- Wind power	0.0	0.0	0.0	0.0	0.0	2.7	5.1	7.7	10.3				7.4
- Solar and other energy	0.0	0.0	0.0	0.0	0.0	0.0	2.6	5.2	9.7				14.3
- Geothermal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Net Imports	447.0	453.2	515.4	613.3	437.1	562.9	479.4	622.9	764.3	2.4	-5.3	1.5	4.8
Solid fuels	-15.7	-8.4	-16.9	-8.8	-14.8	0.0	0.0	0.0	0.0	1.3	-4.3		
Oil	351.1	347.7	371.9	469.3	361.2	431.3	529.5	638.4	744.7	1.0	-1.0	6.6	3.5
- Crude oil and Feedstocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				

³ Source: Statistical Office of Montenegro, Ministry of Economy of Montenegro⁴ Source: Ministry of Economy of Montenegro

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- Oil products	351.1	347.7	371.9	469.3	361.2	431.3	529.5	638.4	744.7	1.0	-1.0	6.6	3.5
Natural gas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Electricity	111.6	113.9	160.4	152.8	90.8	131.6	-50.2	-15.5	19.6	6.2	-17.3		
Gross Inland Consumption (GIC)	962.8	1037.1	1048.5	1167.2	933.6	1461.7	1960.4	2107.0	2249.4	1.4	-3.8	13.2	1.4
Solid fuels	333.3	331.5	318.7	379.4	260.2	335.6	666.6	663.0	658.7	-0.7	-6.5	17.0	-0.1
Oil	349.6	346.6	366.1	463.3	361.2	429.2	524.0	626.2	723.4	0.8	-0.4	6.4	3.3
Natural gas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Nuclear energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Electricity	111.6	113.9	160.4	152.8	90.8	131.6	-50.2	-15.5	19.6	6.2	-17.3		
Renewable energy forms	168.3	245.1	203.3	171.7	221.4	565.3	819.9	833.3	847.6	3.2	2.9	24.4	0.3
as % in GIC													
Solid fuels	34.6	32.0	30.4	32.5	27.9	23.0	34.0	31.5	29.3				
Oil	36.3	33.4	34.9	39.7	38.7	29.4	26.7	29.7	32.2				
Natural gas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Nuclear energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Renewable energy forms	17.5	23.6	19.4	14.7	23.7	38.7	41.8	39.5	37.7				
Electricity Generation in TWhe	2.7	3.3	3.0	2.8	2.8	3.4	6.0	6.1	6.2	1.8	-2.1	13.8	0.4
Nuclear energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Hydro and wind power	1.6	2.2	1.8	1.5	1.9	2.1	3.1	3.1	3.1	1.7	3.5	8.1	0.1
Thermal energy (including biomass)	1.1	1.1	1.2	1.3	0.8	1.3	2.9	3.0	3.1	2.0	11.7	23.4	0.6

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Fuel Inputs for Thermal Power Generation	310.2	310.8	310.3	366.0	253.6	316.7	693.6	722.0	773.8	0.0	-6.5	18.3	1.1
Solid fuels	306.8	309.6	306.8	363.2	251.4	309.5	642.7	642.7	642.7	0.0	-6.4	16.9	0.0
Oil	3.4	1.2	3.5	2.9	2.2	7.2	27.9	56.4	108.2	0.3	-14.0	52.8	14.5
Gas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Biomass – waste	0.0	0.0	0.0	0.0	0.0	0.0	22.9	22.9	22.9				0.0
Geothermal heat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Hydrogen–methanol	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Fuel Input in other transformation processes	0.5	0.8	0.8	0.7	0.9	86.5	90.3	93.9	96.3	8.1	4.0	115.5	0.6
Refineries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
District heating	0.5	0.8	0.8	0.7	0.9	1.7	2.9	4.5	6.7	8.1	4.0	21.3	8.8
Production of bio-fuels and hydrogen	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Others	0.0	0.0	0.0	0.0	0.0	84.8	87.4	89.4	89.6				0.2
Energy Branch Consumption	18.1	16.0	13.1	15.2	19.0	17.4	36.5	36.3	36.3	-5.2	13.1	11.5	-0.1
Non-Energy Uses	15.0	8.2	11.1	7.2	8.2	12.9	17.9	24.1	30.3	-4.9	-9.6	13.9	5.4
Final Energy Demand	670.4	733.9	754.3	836.8	743.6	849.1	969.0	1103.2	1229.5	2.0	-0.5	4.5	2.4
<i>by sector:</i>													
Industry	293.3	352.4	389.3	403.9	257.6	370.2	396.5	449.0	516.1	4.8	-12.9	7.5	2.7
Residential	129.6	152.0	160.2	158.6	172.9	170.1	193.0	214.5	240.0	3.6	2.6	1.8	2.2
Tertiary	63.0	77.9	58.0	75.0	87.8	114.6	141.9	170.1	193.9	-1.4	14.8	8.3	3.2
Transport	184.5	151.6	146.9	199.2	225.3	194.2	237.6	269.7	279.4	-3.7	15.3	0.9	1.6

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by fuel:													
Solid fuels	25.9	21.1	12.0	16.3	8.9	17.0	17.2	16.0	15.0	-12.1	-9.5	11.7	-1.3
Oil	325.4	334.4	357.3	459.2	350.8	330.6	396.2	459.1	503.0	1.6	-0.6	2.1	2.4
Gas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Electricity	286.8	325.3	331.5	321.4	328.7	366.9	397.7	443.0	491.5	2.4	-0.3	3.2	2.1
Heat (from CHP and District heating)	0.4	0.7	0.7	0.6	0.8	78.6	92.7	114.9	144.7	9.8	4.6	120.8	4.6
Other	31.9	52.5	52.8	39.3	54.4	56.1	64.7	70.7	75.5	8.8	1.0	2.9	1.5
CO₂ Emissions (Mt of CO₂)⁵	2.6	2.7	2.7	3.3	2.4	2.9	4.7	5.0	5.3	1.0	-4.0	11.5	1.2
Electricity and steam production	1.3	1.3	1.3	1.5	1.1	1.3	2.8	2.8	2.8	0.0	-6.5	17.6	0.1
Energy Branch	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-5.6	19.5	-2.0	0.0
Industry	0.5	0.6	0.6	0.8	0.2	0.6	0.7	0.8	0.9	4.7	-28.6	19.7	3.1
Residential	0.1	0.3	0.3	0.2	0.3	0.3	0.4	0.4	0.5	10.8	1.3	4.3	2.6
Tertiary	0.1	0.1	0.1	0.1	0.2	0.1	0.2	0.2	0.2	-0.9	20.6	-0.3	2.5
Transport	0.6	0.5	0.4	0.6	0.7	0.6	0.7	0.8	0.8	-3.8	15.5	-0.4	2.0
CO₂ Emissions Index (2000=100)	100.0	104.9	106.1	127.2	94.0	112.7	180.8	192.9	203.4				
Main Energy System Indicators													
Population (Million) ⁶	0.61	0.62	0.63	0.63	0.64	0.64	0.65	0.67	0.69	0.5	0.5	0.4	0.5
GDP (in 000 MEuro '00) ⁷	1.07	1.67	2.15	3.34	3.72	-	-	-	-	12.4	20.0	-	-

⁵ CO₂ emissions from fuel combustion

⁶ Source: Statistical Office of Montenegro

⁷ Source: Statistical Office of Montenegro. Data for 2009 – estimate made by the Ministry of Finance of Montenegro. Forecast for the period 2010-2025 was not available

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GIC/GDP (toe/MEuro '00)	904.0	621.4	487.9	349.6	251.3	-	-	-	-	-9.8	-19.8	-	-
GIC/Capita (toe/inhabitant)	1.57	1.67	1.66	1.85	1.46	2.28	2.99	3.14	3.26	1.0	-4.3	12.7	0.9
Electricity generated /Capita (kWh/inhabitant)	4328	5317	4686	4489	4322	5320	9160	9084	9003	1.3	-2.7	13.3	-0.2
Carbon intensity (t of CO ₂ /toe of GIC)	2.68	2.61	2.61	2.81	2.60	1.99	2.38	2.36	2.33	-0.4	-0.2	-1.5	-0.2
CO ₂ emissions/Capita (t of CO ₂ /inhabitant)	4.2	4.4	4.3	5.2	3.8	4.5	7.1	7.4	7.6	0.5	-4.5	11.1	0.7
CO ₂ emissions to GDP (t of CO ₂ /MEuro '00)	2423.4	1622.8	1274.7	983.1	653.2	-	-	-	-	-10.2	-20.0	-	-
Import dependency (%)	46.4	43.7	49.2	52.5	46.8	38.5	24.5	29.6	34.0				

2 Please provide a short description highlighting the current energy situation including the organisation of the sector and infrastructure developments. Do current energy prices reflect the costs (electricity, gas, heat, coal, oil)? Please give an overview of main energy prices and compare them with their costs. How has the privatisation process developed in the sector and what are the perspectives (please provide information per sub-sector)? Is the organisation of collection of (energy) statistics satisfactory in order to reply to reporting requirements of the EU in the energy (sub)sectors?

COMPETENCIES IN THE ENERGY SECTOR

The competences of the main entities in the Montenegrin energy sector are as follows:

The Parliament of Montenegro establishes and adopts legal framework for the energy sector, adopts annual performance report and approves annual budget of the Energy Regulatory Agency, appoints (removes from office) members of the Board of the Agency.

The Government of Montenegro

- 1) establishes and implements:
 - the national energy policy and the national energy strategy;
 - the long-term and annual energy balance and implementing policy thereof;
- 2) ensures implementation of environmental protection measures;
- 3) promotes and facilitates:
 - investments in the energy sector of Montenegro;
 - competition within the energy sector of Montenegro, based on transparency and non-discrimination;
 - the connection of Montenegro's energy system with the systems of other countries, taking into account economic trends and energy needs;
 - private sector participation in the energy sector;
- 4) defines the policy and strategy for building of new and rehabilitation of existing facilities and in this respect adopts appropriate procedures;
- 5) through the ministry competent for energy affairs:
 - implements energy efficiency policy and conservation of energy resources;
 - encourages and advises on energy efficiency and rational use of energy;
 - develops and promotes incentives for the efficient use of energy and renewable resources;
 - promotes the increased use of renewable energy sources for generation in the internal market;
 - manages funds intended for energy saving and more efficient use of energy.
- 6) nominates members of the Board of the Agency to the Parliament of Montenegro;
- 7) adopts decisions and secondary legislation.

The Ministry responsible for energy affairs (Ministry of Economy), through its Energy Sector:

- 1) prepares and proposes the national energy policy, long-term and annual energy balance and submits them to the Government for adoption;
- 2) fulfils its obligations:
 - arising from the Energy Law;
 - arising from international agreements;
 - related to membership in international organisations;
 - arising from obligations related to demand and supply of electricity;

- related to inspection control.
- 3) reviews and recommends:
 - the necessity for natural gas, coal and petroleum products trade with the neighbouring countries;
 - the possibilities for using available domestic energy resources;
- 4) promotes:
 - the use of new energy-related technologies;
 - private sector participation in the energy sector of Montenegro and privatisation of state-owned energy undertakings or parts thereof;
 - the use of renewable energy sources.

Local authorities regulate energy services at the local level (including public lighting) and take part in decision-making on locating and constructing new power plants, networks and other infrastructural energy facilities and plants.

The Energy Regulatory Agency (the Agency) performs activities of the regulator of energy business in Montenegro. Among other things, the Agency carries out the following duties:

- 1) adopts and issues rules and regulations required to:
 - a) fulfil obligations under the Energy Law ([Annex 59](#));
 - b) fulfil and enforce the energy policy;
 - c) revise and approve all market rules, grid codes, terms and conditions for connection and access to networks;
- 2) issues licenses to conduct activities, interconnect energy sector facilities, networks and equipment for generation, transmission, distribution, supply and sale of energy;
- 3) issues authorisations for construction of new or rehabilitation of existing energy generation facilities;
- 4) sets tariffs and prices pursuant to the terms under the Energy Law and general acts;
- 5) issues orders to energy undertakings pursuant to the terms under the Energy Law and general acts;
- 6) modifies, suspends, revokes, monitors, controls and enforces compliance with terms from licenses;
- 7) establishes, approves or amends regulations:
 - that define the energy market structure;
 - for market operation;
 - for the unbundling of energy undertakings;
 - related to the rights and obligations of all energy undertakings;
- 8) establishes regulations related to:
 - a) public hearings and orders conducted by the Agency;
 - b) monitoring of energy undertakings;
 - c) safety of energy facilities, personnel, people and property;
 - d) compliance with environmental protection regulations by energy undertakings;
- 9) ensures tariff consumer protection that enables:
 - a) fair and non-discriminatory treatment of tariff customers by energy undertakings;
 - b) high quality of services rendered by energy undertakings;

- c) establishment of mechanisms that encourage participation of concerned parties in the development of rules that affect tariff customers;
- 10) promotes competitive conduct in the energy sector, including:
 - a) fair and non-discriminatory transit of energy;
 - b) increase of the sources of energy for generation, improvement of possibilities for energy transmission, distribution and supply;
- 11) establishes regulations related to:
 - a) keeping books, accounts, papers and records of energy undertakings;
 - b) resolving disputes in accordance with applicable laws, regulations, treaties and other internationally recognised norms;
- 12) ensures that tender procedures related to the construction of new generating capacities comply with applicable regulations;
- 13) establishes regulations related to the transport, storage, distribution, sale and delivery of petroleum products;
- 14) participates in the activities of international associations in the energy sector.

The Agency was established in January 2004 as an autonomous, functionally independent, and non-profit organisation carrying out public authorisations in accordance with the Energy Law. Independence of the Agency is reflected in its financial, functional, and legal independence. The financial independence is based on an independent budget, approved by the Parliament of Montenegro and funded by fees for the licences issued by the Agency. The functional independence is achieved by the fact that the Board members of the Agency are elected by the Parliament of Montenegro, while director and deputy director are elected by the Board with the consent of the Government. The legal independence is ensured by the fact that the Agency's decisions are final, which means that there is no two-stage procedure, i.e. an appeal may only be submitted to the competent court. The Agency controls and supervises work and operation of energy undertakings and is entitled to request information necessary for fulfilment of obligations arising from the law.

The objectives of the Agency are to ensure:

- 1) that the principles, policy and programmes established and promulgated by the Government are implemented and applied on the basis of principles of objectivity, transparency, and non-discrimination;
- 2) a reliable, safe and environmentally sound supply of energy to tariff customers in Montenegro at fair prices;
- 3) that energy undertakings supplying energy may cover their costs at a reasonable rate of return on their investment;
- 4) the balancing of the interests of customers and energy undertakings;
- 5) that energy undertakings promote preservation of stability, competency and efficiency.

ACTIVITIES AND ORGANISATION OF THE ENERGY SECTOR

Pursuant to the Energy Law (Official Gazette of the Republic of Montenegro 39/03) the energy sector of Montenegro consists of the following activities:

- 1) generation, transmission, distribution and supply of electricity;
- 2) organisation and functioning of the electricity market;
- 3) production and the market of coal for the needs of electricity generation; and
- 4) transport, distribution, storage, wholesale and retail and supply of petroleum products and gas.

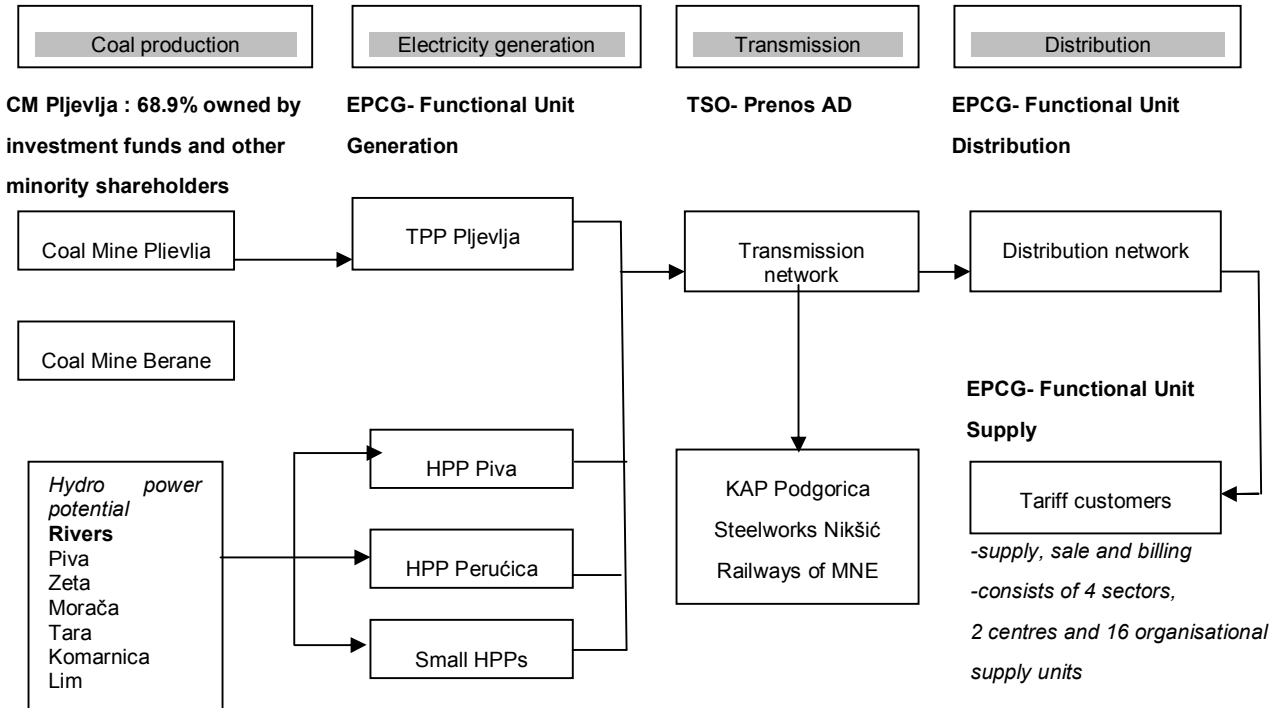
The basic energy structure in Montenegro consists of electric power system, coal mines and petroleum products trading companies.

Generation, transmission, distribution and supply of electricity

Elektroprivreda Crne Gore AD Nikšić - EPCG (hereinafter referred to as the “Electric Power Holding Company of Montenegro”), in which the state owned 70.59% of shares, was the only power utility company in Montenegro dealing with generation, transmission, distribution and supply of electricity until April 2009. Electric Power Holding Company of Montenegro was organised in four functional units: Generation, Transmission, Distribution and Supply, and two organisational units: Directorate and Elektrogradnja (dealing with energy-related design and construction).

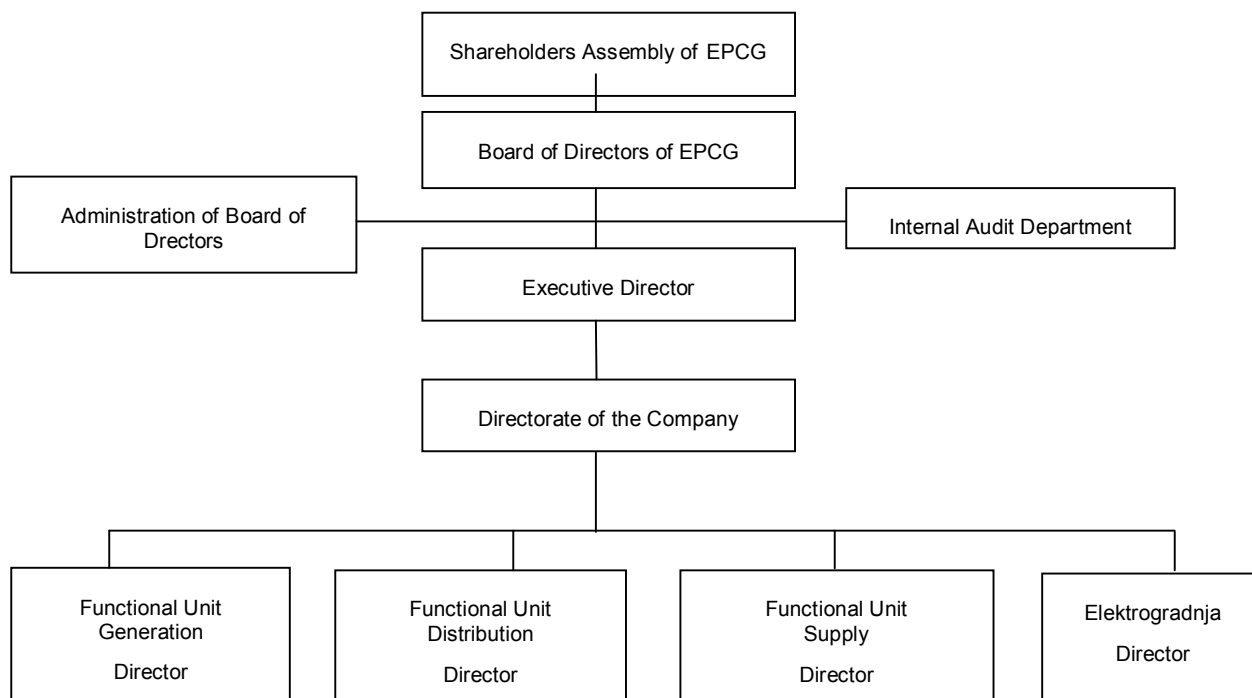
Within the process of legal unbundling of Electric Power Holding Company of Montenegro, separation of the Transmission from Electric Power Holding Company of Montenegro was carried out in late March 2009 resulting in the establishment of Prenos AD (Transmission AD). This joint stock company started to operate as an independent legal entity in April 2009. Transmission AD deals with transmission of electricity over transmission system of power lines network on 110 kV, 220 kV and 400 kV levels, management of electric power system and maintenance and development of the transmission network on the territory of Montenegro. The function of the market operator has been (temporarily) embedded to the Prenos AD. The company has three licences – for network owner, transmission system operator and market operator. The transmission network is specific for its mostly radial structure at all three voltage levels and good connection with the neighbouring power systems in Serbia, Bosnia and Herzegovina and Albania. Prenos AD joined ENTSO (the European Network of Transmission System Operators for Electricity) in mid-2009.

Structure of the Energy Sector



After the establishment of Prenos AD, Electric Power Holding Company of Montenegro as a vertically integrated and functionally unbundled company now comprises of three functional units: Generation, Distribution and Supply (which are organised as profit centres) and two organisational units: Head Office and Elektrogradnja.

Organisation chart of vertically integrated and functionally unbundled Electric Power Holding Company of Montenegro



Functional Unit Generation carries out the electricity generation activities. Montenegro's power system comprises of two large-scale hydropower plants (HPP Perucica with capacity of 307 MW and HPP Piva of 342 MW), seven small hydropower plants of total installed capacity of 9 MW and one thermal power plant fuelled by domestic lignite (TPP Pljevlja with capacity of 210 MW). Total installed generating capacity of all power plants is 868 MW, whereof 685 MW or 76% comes from hydropower plants and 210 MW or 24% comes from the thermal power plant Pljevlja. Total projected annual generation at power plants threshold is approximately 3.000 GWh.

Operation of hydropower plant Piva is regulated under the Long-term Cooperation Agreement between Electric Power Holding Company of Montenegro and Electric Power Industry of Serbia (EPS), signed in 1991 and is effective for the period of 25 years. Annex to the Agreement is signed every year for the subsequent year, detailing the quantities, prices, deadlines, metering points, and the like. According to the Agreement on Amendments to the Long-term Cooperation Agreement signed in 2006, EPS will continually, in the period from 1 January 2007 to 31 December 2010, deliver the guaranteed base load energy of 1 075 500 MWh on annual basis (or 1 078 450 MWh during leap years), and in return Electric Power Holding Company of Montenegro will deliver electricity generated in HPP Piva to EPS. According to the available data, share of electricity generation in total industrial output in the Republic of Montenegro in 2006 was 22%, and in GDP 4.1%.

FU Distribution is in charge of transport of electricity through the distribution network, maintenance, development and management of the network. There are 16 local distribution companies operating within the system, supplying a total of 322 000 customers. The development of the network in the past was based on two stages of transformation at 110/35 kV and 35/10 kV. Increased consumption gradually made such concept of the distribution network inadequate, thus, in early 80's direct transformation 110/10 kV was introduced.

FU Supply deals with electricity supply, sales and bill collection to the tariff customers (households, industrial and commercial consumers). FU Supply, in addition to supply (as its core business) and billing of delivered (sold) electricity, also manages analyses, planning and control of consumption, market research and monitoring, preparation of summary annual consumption plans by energy and capacity based on the quantities contracted with the customers, and consumption balances and calculation of missing quantities. Furthermore, Supply acquires planned energy and delivers and sales electricity, suggests tariffs for specific customer groups, analyses tariff system from energy and economic aspect with the purpose of rational use of capacities, proposes changes of the tariff

system, makes electricity sale plans, and deals with improvement of sale and collection. Also, FU Supply signs and implements contracts on the supply of tariff customers, delivers bills, etc.

Key data on generation, consumption and import of electricity in 2008:

Annual Generation	GWh
HPP Perućica	878.2
HPP Piva	634.2
Small HPPs	19.1
Total for HPP	1 531.5
TPP Pljevlja	1 155.4
Total Generation	2 686.9
Import	1 571.5
Annual Consumption	4 584.5

In terms of generation capacities, Montenegrin power system belongs to smaller European systems, nonetheless, it is a particularly important factor for the neighbouring countries when it comes to electricity transit. In recent years the existing generation capacities have not met the energy needs of Montenegro, therefore significant amounts of electricity have been imported.

Organisation and functioning of the energy market

According to the Treaty establishing the Energy Community, ratified by Montenegro by means of the Law on Ratification of the Treaty between the European Community and the Republic of Montenegro establishing the Energy Community (Official Gazette of the Republic of Montenegro 66/06), ([Annex 64](#)) the contracting parties must ensure that all customers, excluding households, become the eligible customers from 1 January 2008, i.e. they are free to choose a supplier, and as of 1 January 2015 this will apply to all customers. Since the conditions to open the energy market were not in place on 1 January 2008, a series of measures and activities, in compliance with the Energy Law, were taken during 2008 to create conditions for establishment and operation of the energy market in Montenegro starting from 1 January 2009. The Energy Regulatory Agency adopted the Rules on Establishment and Operation of Electricity Market in late December 2008, which defined the legal framework, objectives and conditions for establishment of electricity market, basic principles for supplying the eligible customers and methods of changing suppliers, operation of the public supplier, and basic principles for competition development, and prevention of anti-competitive behaviour and abuse of a monopoly position in the market.

The Agency approved the Market Rules defining participants, organisation and operation method of the market, determined by the Board of Directors of the Electric Power Holding Company of Montenegro. Subsequently, on 30 December 2008 the Agency passed the Decision on Opening the Electricity Market in Montenegro, becoming effective from 1 January 2009. The Decision specified that the market organisation and operation would be compliant with the Market Rules. The electricity market comprises of wholesale market, which involves electricity producers, traders and suppliers, as well as eligible customers – self-suppliers, and retail market with suppliers and eligible customers i.e. consumers who acquired the right to choose their own supplier. Development and liberalisation of the market will take place gradually in accordance with the development of competition and overall relations in the market. During the initial period following the opening of the market, i.e. conditioned upon the emergence of the competition in the supply business, all end customers are entitled to be supplied by the public supplier applying the valid regulated tariffs, except the customers who are supplied under special contracts.

Following the opening of the market, all legal persons in Montenegro and abroad, interested in electricity trade and supply are permitted to request an appropriate licence from the Agency that allows them to participate in the electricity market in Montenegro.

Production of coal and coal market for the needs of electricity generation

In addition to hydro potential, **coal** is the most important energy resource in Montenegro. Coal reserves in Montenegro are found in the area of Pljevlja (lignite) and Berane (brown coal). Degree of coal exploration is high in Pljevlja area, while it is insufficient in Berane. Coal from Pljevlja area holds a particularly important place in the energy sector of Montenegro. Exploitation reserves in Pljevlja basin are around 71.5 million tonnes, in Maoče basin around 113 million tonnes, and total exploitation stocks in the area of Pljevlja amount to 184.5 million tonnes. Average heat value of coal found in Pljevlja basin is approximately 10.4 MJ/kg, and of that in Maoče basin is 12.3 MJ/kg. The advantage of lignite from Pljevlja is an extremely small percentage of sulphur (below 1%) and relatively small portion of ashes and moisture. The Coal Mine is managed by the joint stock company Rudnik uglja AD Pljevlja (hereinafter referred to as the “Coal Mine Pljevlja”), with 31.1 % of shares owned by the state and the remaining 68.9% privately owned i.e. property of private, legal entities and natural domestic and foreign persons. Average annual production of the Coal Mine Pljevlja amounts to about 1.5 million tonnes, whereof 90% is used for electricity generation in TPP Pljevlja and the rest is used for mass consumption. Total output of the coal mine Pljevlja in 2008 was 1.74 million tonnes, in 2007 it was 1.20 million tonnes, and in 2006 the production was 1.50 million tonnes. Geological reserves in the area of Berane are about 158 million tonnes, however, due to a poor level of exploration, overall exploitation reserves are estimated at 18.5 million tonnes. Average heat value of this coal is 13.68 MJ/kg. The company responsible for the mine in Berane basin is joint stock company *Rudnik mrkog uglja Ivangrad AD Berane* (hereinafter referred to as the “Brown Coal Mine Berane”), which was privatised/sold to a foreign investor in mid September 2007, following the company’s bankruptcy in 2004. The concession agreement signed with the foreign investor was for the period of 20 years. Further research and determination of the level of reserves exploitation are underway, and depending on the results, the interest of the owner in the future development of the Mine will be defined.

Transport, distribution, storage, retail and wholesale and supply of petroleum products and gas

Operation of companies engaged in oil and petroleum products business is organised as a market activity. Supply of petroleum products in Montenegro is managed by a number of oil companies awarded with the licences for the sale and supply of petroleum products and gas (there were 44 oil companies on 26 August 2009). In addition, certain quantities of petroleum products are directly purchased by some companies through international tenders (Steelworks Nikšić, Aluminium Plant Podgorica, Public Works Directorate, etc). Liquefied petroleum gas (LPG) is present in the Montenegrin market in small steel cylinders, in small reservoirs for the service sector and households, in big reservoirs of various volumes for industrial and tourist customers, and as gas for vehicles. Major companies dealing with petroleum products trade in Montenegro are: Jugopetrol AD – Kotor, Montenegro Bonus DOO – Cetinje and INA Crna Gora DOO - Kotor.

Jugopetrol AD Kotor is a shareholding company for exploration, exploitation and trade of oil and petroleum products. In October 2002, 54.53% of the company’s shares were acquired by Hellenic Petroleum International AG. The company has a leading position in Montenegrin petroleum market and has been successfully operating for more than 60 years. The main business activities of the company include retail, wholesale, supplying, storage and distribution of petroleum products, as well as the exploration of hydrocarbons in Adriatic undersea area. Jugopetrol AD Kotor has a network of 35 petrol stations in Montenegro, 3 petrol stations in Bosnia and Herzegovina, 3 yacht supplying facilities, storage facilities at 2 petroleum installations, aviation supplying facilities at 2 airports, 3 warehouses for products, spare parts and materials and its own fleet of tank trucks and lorries. **Montenegro Bonus DOO Cetinje** has no retail facilities for petroleum products as its exclusive activity is wholesale business. Total capacity of the warehouses for petroleum products used by this company is 52 500 m³ and they are located in Bar, Lipci and Bijelo Polje. In addition to the above capacities, Montenegro Bonus has an LPG warehouse in Podgorica of total capacity of 1000 m³, which is intended for supplying the industry and the citizens with gas. Montenegro Bonus

DOO Cetinje is 100% state-owned company. Privatisation Plan for 2009 has envisaged the privatisation of this company.

INA Crna Gora DOO Kotor deals with the trade of petroleum products, LPG, oil and lubricants. This company trades, mostly through wholesale, about 15 000 tonnes of petroleum products and around 5 000 tonnes of LPG per year, which consumption has significantly grown in traffic in Montenegro.

ENERGY BALANCE

Overall energy balance of Montenegro comprises hydropower, petroleum products, coal, wood and wood waste, as well as imported electricity. A solid diversification of supply has been accomplished since three major energy groups have approximately equal shares in the overall energy balance. Petroleum products (37.1%) accounted for the major share in the structure of total primary energy consumption in 2008, followed by coal (33.9%), hydropower (11.8%) and wood (3.5%). Therefore, the share of renewable energy sources in total primary energy consumption is 15.3%.

Primary energy production

Out of primary energy sources in Montenegro, brown coal, lignite, and firewood are produced, hydropower and industrial wood wastes are exploited, but there is no oil and natural gas production. In the period from 2000 to 2008, the most important primary forms of energy were hydropower, depending on the hydrologic conditions, and lignite, firewood, and industrial wood wastes. Trend of gradual growth of domestic production was perceived in the same period: hydro power – 3.6%, lignite – 3.1% and firewood – 6.2%, while domestic production of primary energy in 2008 accounted for 50% of total primary energy consumption (energy independence). According to Eurostat methodology, total domestic production of primary energy in 2008 was 23.4 PJ (100%), of which hydropower was 5.5 PJ (23.7%), lignite 16.2 PJ (69.2%), and firewood 1.6 PJ (7.0%).

Energy import and export

Energy import: Montenegro imports petroleum products, more than a third of total needed electricity and minor quantities of lignite. Montenegro fully imports **oil and petroleum products**. In the period from 2000 to 2008 import of liquid fuel ranged between 13.3 – 17.5 PJ. Ratio of petroleum products ranges between 55% and 70%, while share of electricity was between 35% and 40 %. Imported quantities of lignite remained below 1%. In the period from 2000 to 2008, import of petroleum products rose by 5.0% p.a.

Import of electricity has increased in recent years. In the period from 2000 to 2008 the import went up by annual rate of 0.6%. According to Eurostat methodology, import of electricity in 2008 was 10.1 PJ, while import of petroleum products amounted to 17.5 PJ. In the structure of petroleum products, fuel oil (mazut), diesel fuel and petrol are present. In recent years, ratio of fuel oil was approximately 30%, diesel fuel about 25%, while ratio of petrol was somewhat lower (about 18%).

Export of energy: According to Eurostat methodology, export of 4.1 PJ was achieved in 2008, which is significantly lower compared to import. Minimum quantities of coal (0.4 PJ) and electricity (3.7 PJ) were present in the structure of export.

Consumption of primary and final energy

Total consumption of primary energy in 2008 was 46.9 PJ (100%). In the structure of consumption, petroleum products accounted for the major share – 37.1%, followed by coal – 33.9% and hydropower – 11.8%. Consumption of final energy in 2008 amounted to 35 PJ. Petroleum products - 55% and electricity - 38% accounted for the major share. The remaining part (7%) includes coal, firewood and heat. Petroleum products consumption rose by 11% due to significant increase in consumption of diesel fuel and petrol. Ratio of firewood varied throughout years, and the average annual growth rate of consumption of this energy carrier is 6%. Realised consumption in the period 2003 – 2006 indicated that there was a fairly rapid growth of electricity consumption in Montenegro: in 2003 – 4 406 GWh, 2004 – 4 512 GWh, 2005 – 4 540 GWh and 2006 – 4 685 GWh, or 2.07% annually. Electricity consumption in Montenegro in 2007 amounted to 4 647 GWh, and in 2008 it was 4 585 GWh.

Energy Prices

The Energy Law (Official Gazette of the Republic of Montenegro 39/03), in particular Article 18, regulates the principles and procedures according to which the Agency defines tariffs. Rulebook on Electricity Tariffs (Official Gazette of the Republic of Montenegro 47/05, 50/05, 42/07 and Official Gazette of Montenegro 6/07 and 54/09) defines the method for setting the prices for energy undertakings for running energy business and method for setting tariffs for trade of electricity supplied, and supply-related services provided by energy undertakings to consumers/customers in accordance with the Energy Law.

Table below shows prices by categories charged to customers and prices they should pay based on the costs induced.

Consumer category	Voltage level	Approved price for 2009 €€/kWh	Cost price for 2009 €€/kWh	Difference DIP %
Aluminium Plant	110 kV	3.6804	3.6804	0
Steelworks Nikšić	110 kV	5.6432	5.6432	0
Railways of Montenegro	110 kV	6.2119	6.2119	0
Industrial consumers	35 kV	6.289	6.289	0
Industrial consumers	10 kV	7.4829	7.4829	0
Industrial consumers Level I	0.4 kV	15.2164	10.8603	40.11031
Industrial consumers Level II	0.4 kV	17.549	10.3777	69.10298
Households two tariffs	0.4 kV	8.2301	10.4701	-21.3943
Households single tariff	0.4 kV	9.8794	10.7879	-8.42147
Public lighting two tariffs	0.4 kV	13.8827	10.3171	34.5601
Public lighting single tariff	0.4 kV	13.8827	10.3171	34.5601

Source: Energy Regulatory Agency

The prices match the costs at every voltage level except for 0.4 kV level. Obviously, there is a case of cross-subsidy at 0.4 kV voltage level. At the moment, the range between the lowest and the highest price at this voltage level is 1:2.1323. In 2007, when the Agency started to set prices of electricity the range was 1:3.6 and has gradually been reduced since. This situation was caused by the fact that households at this voltage level have had a cross-subsidised price for several years and it troublesome to drastically increase prices of electricity in a short period of time. The other important reason is that operating expenses of Electric Power Holding Company of Montenegro remain high, and cutting these costs will create space to reduce the price for industrial customers at 0.4 kV. High prices of imported electricity also contribute to this situation.

Prices of petroleum products are set on a two-weeks basis, according to the Decree on Setting Maximum Retail Prices of Petroleum Products (Official Gazette of the Republic of Montenegro 52/02, 55/02, 23/03, 32/05 and 35/05 and Official Gazette of Montenegro 73/08). The main elements of this calculation are price of petroleum products in the global market (Platt's quotations), and the exchange rate EUR/USD. Since Montenegro has no refineries or production of oil and petroleum products, there are no costs to reflect the retail price of petroleum products.

Privatisation process of Electric Power Holding Company of Montenegro (sale of part of the shares and capital increase of EPCG)

On 31 March 2008, the Shareholders Assembly of Electric Power Holding Company of Montenegro, in accordance with the Decisions of the Government of Montenegro of 6 March 2008,

enacted the Decision on Initiation of Procedure of Partial Privatisation and capital increase of Electric Power Holding Company of Montenegro aimed at ensuring the conditions for the construction of new and rehabilitation and optimisation of the existing electric power facilities.

Ownership structure of EPCG prior to the privatisation process is shown in the table below:

Owner	(%)	Number of stocks
State	70.59	80 393 512
Funds:	17.24	19 639 309
EUROFOND	5.49	6 254 672
TREND	3.43	3 911 216
ATLAS MONT	3.41	3 879 618
MONETA	2.85	3 244 319
MIG	2.05	2 329 071
HLT	0.02	20 413
Other legal and natural persons	12.17	13 855 140
Total:	100.00	113 887 961

Source: Central Depository Agency AD Podgorica

Tender Commission was established within the Government of Montenegro to conduct the process and the selected consultant for the given task was UniCredit Markets & Investment Banking – Zagrebačka banka. Public invitation for participation in the tender for the sale of a part of the existing shares and capital increase of Electric Power Holding Company of Montenegro was published on 2 February 2009. The invitation defined the structure of the overall process in the following manner:

Transaction Structure

The Government of Montenegro decided that Prenos AD was not part of the procedure (it was necessary to finalise the unbundling of Prenos AD prior to the completion of the tender) and defined the following transaction structure:

- Strategic partner was offered 11 457 357 of the existing shares owned by the State of Montenegro and the right to simultaneously subscribe 11 457 357 of newly issued shares of Electric Power Holding Company of Montenegro, which will together represent approximately 18.3% of the total share capital of Electric Power Holding Company of Montenegro;
- Strategic partner was obliged to offer to purchase minority shares at the price per share achieved at the tender;
- Following the purchase of a share in the ownership of the company in compliance with the defined conditions, strategic partner would sign management agreement allowing for the management of the company;
- After the five-year period expires, subject to fulfilment of the predefined milestones for efficiency increase and implementation of the investment plan, strategic partner would have the right to acquire from the Government the additional shares thus gaining majority ownership in Electric Power Holding Company of Montenegro. In addition, The Government may as well, upon previous payment of the agreed amount, purchase shares from the selected investor.

After expiry of the bid submission deadline on 17 July 2009, the Tender Commission evaluated the received bids and rated the offer of the Italian energy utility A2A S.p.A as the most favourable one.

A2A S.p.A. also purchased the shares of the privatisation funds and major stake of other minority shareholders. In accordance with the Agreement on Sale of a Part of the Shares and a capital increase of Electric Power Holding Company of Montenegro, signed on 3 September 2009 between the Government of Montenegro and Italian company A2A S.p.A, the closure of transaction was successfully concluded on 30 September 2009, after which the company A2A S.p.A was registered as the owner of 43.7073% of the shares of Electric Power Holding Company of Montenegro.

Organisation of statistical data collection

Organisation of statistical data collection for energy (sub)sectors is not at satisfactory level because the Statistical Office of Montenegro makes only annual surveys of energy carriers at this point. In order to meet these requirements properly, the statistical plan and programme has envisaged introduction of short-term energy statistics (see subgroup C18, topic 3.03 Energy) that will provide full compliance with EU requirements in terms of energy (sub) sectors.

3 Please provide information on your energy strategy documents (energy policy, energy saving or policies in sub-sectors) and legislation on energy matters. If possible the strategy documents and legislation relating to government policy for the energy sector should be provided (in one of the official EU languages). A short summary of the reports and legislative acts would be appreciated. Both for reports and legislative acts, your country is invited to specify which report/act of legislation corresponds with which EU strategy or EU legal act (please provide this information for all questions related to energy). What is the general assessment on their (non-)compatibility with energy strategies and legislation of the EU?

The Energy Law (Official Gazette of the Republic of Montenegro 39/03) ([Annex 59](#)) has defined that the Government of the Republic of Montenegro adopts and implements the national energy policy and national energy strategy.

In February 2005, the Government of Montenegro adopted the *Energy Policy of the Republic of Montenegro* ([Annex 97](#)), which aims to draw attention of energy undertakings to their role in reforming the energy sector and encourage domestic and foreign investors to invest in new energy facilities. The main objectives defined in the Energy Policy of the Republic of Montenegro are:

- 1) Safe, high-quality, reliable and diverse supply of energy for the purpose of balancing the delivery with the demand for all forms of energy
- 2) Maintenance, revitalisation and technological updating of the existing and construction of new reliable infrastructure for generation and use of energy;
- 3) Reduction of energy import dependence, primarily by creating steady conditions for investing in research and development of new energy sources (especially in the investigated objects of unused hydropower potential) and investing in other energy infrastructure;
- 4) Creating the appropriate legislative, institutional, financial and regulatory framework to encourage private sector participation and investment in all aspects of energy infrastructure;
- 5) Creating conditions for greater use of renewable energy sources, cogeneration of heat and power (CHP) and use of fossil fuels using clean technologies;
- 6) Establishment of a competitive market for providing energy where possible (generation and supply) in accordance with the concept of regional energy market, with simultaneous regulation of monopoly network activities;
- 7) Provision of institutional and financial incentives for improvement of energy efficiency and reduction of energy intensity in all sectors, from energy generation to consumption;

- 8) Sustainable energy generation and utilisation with regard to environmental protection and international cooperation in this field, particularly concerning reduction of greenhouse gases (GHG) emissions;
- 9) Support to research, development and promotion of new, clean and efficient technologies and implementation of the energy policy on professional and scientific basis.

Energy policy objectives defined the directions of the energy sector development in terms of: a safe and reliable supply of energy, environmental protection, property, market operations, investments, energy efficiency, new renewable energy sources, connecting with the region and beyond, as well as social protection measures. Achieving these goals provides a safe, high-quality, reliable and diverse supply of energy, and creating an open energy market and involvement in regional and world markets.

The main instruments for achieving the objectives of the energy policy are classified into 4 groups:

- 1) system,
- 2) legislative,
- 3) institutional and organisational, and
- 4) economic and social.

The instruments describe the key activities to be taken in order to create the environment in which the set objectives may be accomplished and defined Energy Policy may be implemented.

Energy Development Strategy of Montenegro by 2025 ([Annex 71](#)), based on the adopted Energy Policy of the Republic of Montenegro, existing international obligations of Montenegro and the EU energy policy guidelines, was adopted by the Government of Montenegro in December 2007. The Strategy is a document defining the control mechanism, i.e. paths, required measures and timetable that will ensure fulfilment of key objectives of sustainable development in the energy domain as defined in the Energy Policy of the Republic of Montenegro. On the grounds of the existing resources and projected needs, the Strategy has determined an optimal guidance for energy progress in Montenegro in order to maximise the effects of the available potential and create conditions for a smooth development in all economic sectors. The Strategy has envisaged increased and more efficient use of the available energy resources, which should contribute to reducing energy import dependence and increasing security of energy supply. This document has foreseen drafting of the Action Plan for Implementation of the Strategy for a period of not less than five years. The Energy Policy of the Republic of Montenegro and the Energy Development Strategy of Montenegro by 2025 are in line with EU energy policy. The Strategy takes into account all relevant EU documents and supports EU energy policy, which is based on five groups of European energy regulation in terms of defining development in the future: (i) security of energy supply, (ii) common market for electricity and natural gas, (iii) efficient energy generation and consumption, (iv) use of renewable energy sources, and (v) nuclear energy. The Strategy has underlined that Montenegro agrees with the accepted proposal of the European Commission made in 2007 that the following objectives are met in EU Member States by 2020:

- Reduce emissions of gasses with greenhouse effect by 20%;
- Increase energy efficiency and reduce energy consumption by at least 20%;
- Increase share of renewable energy sources to 20% of total primary energy consumption;
- Increase share of bio-fuels to at least 10%.

Action Plan for Implementation of Energy Development Strategy of Montenegro by 2025 for the period 2008 - 2012 ([Annex 100](#)) was adopted by the Government of Montenegro in October 2008. The Action Plan contains 35 programmes and projects, which are clustered into 8 major groups called Core Contents. The elaborated programmes and projects are in accordance with the adopted Energy Policy and Energy Development Strategy of Montenegro and correspond to the key objectives and measures of the Energy Policy of the European Union. The Action Plan includes specific actions for the Strategy implementation for the period 2008-2012, including a description of relevant programmes and projects, distribution of tasks between local institutions,

costs, timetable and method of financing of the activities, as well as a way of enabling insight into the process of achieving the Strategy objectives.

According to the Energy Law (Official Gazette of the Republic of Montenegro 39/03), the Government through the Ministry responsible for energy affairs implements the policy for energy efficiency and conservation of energy resources. Accordingly, the Government of the Republic of Montenegro adopted the *Energy Efficiency Strategy of the Republic of Montenegro* in October 2005 ([Annex 72](#)). In accordance with the Strategy, the annual action plans for implementation of Energy Efficiency Strategy for 2006 and 2007 were adopted and implemented. *Action Plan for Implementation of the Energy Efficiency Strategy for the period 2008-2012* ([Annex 99](#)) was adopted by the Government of Montenegro in May 2008. The Ministry in charge of energy affairs prepares annual implementation reports relevant to these action plans, which are then considered and adopted by the Government. The Energy Law has established the obligation of the Government of Montenegro to develop and promote incentives for the efficient use of energy and renewable energy sources, as well as to promote greater use of renewable energy sources in the production in the domestic market. In order to create conditions for increased use of hydropower potential of small watercourses, the Government of Montenegro adopted the *Development Strategy of Small Hydropower Plants in Montenegro* ([Annex 70](#)) with Action Plan for its implementation in April 2006. The main aim of this Strategy is to create favourable conditions for planned and organised, rational and profitable use of hydropower potential of small watercourses through small hydropower plants (sHPP), as well as their multi-purpose use for a faster overall development of Montenegro.

According to the Energy Law, the Government of Montenegro adopts and implements *long-term and annual energy balance* and implementation policies thereof. Energy balance determines the total energy needs, responsible for energy affairs prepares and recommends long-term and annual energy balance and submits it to the Government for adoption. Energy undertakings prepare and submit to the Ministry adequate energy balance, not later than 15 November of the current year for the subsequent year. Annual energy balance is adopted by the Government, not later than 1 December of the current year for the subsequent year. The Parliament of the Republic of Montenegro adopted the *Energy Law* (Official Gazette of the Republic of Montenegro 39/03) in June 2003. This created a basis for reforming the energy sector of Montenegro in accordance with EU legislation. The Energy Law is the basic regulation governing the main principles for implementation of the energy policy and strategy, competencies of the Government in the energy sector, and the establishment, role and responsibility of the regulatory body. Activities regulated by this law are: generation, transmission, distribution and supply of electricity, organisation and functioning of the electricity market, production and market of coal for electricity generation, and transport, distribution, storage, retail and wholesale and supply of petroleum products and gas. One of the main objectives of the Energy Law is to provide secure, safe, reliable quantity and quality of energy supply at real prices, taking into account, among other things, protection of tariff customers. The law has also defined that regulation of the energy sector is objective, transparent and non-discriminatory and conforms to applicable international standards, including the European Energy Charter and the provisions of the European Union in the field of energy.

This law, which is in conformity with Directive 2003/54/EC, amends the existing legal framework as follows:

- a) Setting the prices (tariffs) of electricity becomes a function of the Energy Regulatory Agency (the Agency); the Government does not control the price; this ensures that prices are set on the basis of objective and transparent criteria, including the real costs of production;
- b) EU directives for electricity have been accepted, according to which the Member States are required to provide open access to markets, long-term strategic planning, unbundling of the integrated electricity undertaking into the functions of generation, transmission and distribution and establish common rules for the energy sector;
- c) Alternative energy sources, energy saving and efficiency principles have been particularly promoted;
- d) The framework of the electricity market has been established;

- e) Supply of energy is ensured on the competitive basis, while the Agency determines whether there is a competitive market;
- f) An unrestricted third-party access to network for all users is ensured;
- g) Legal and regulatory framework to attract private investment has been established;
- h) Functional unbundling of separate activities in the energy sector is required (and legal unbundling is allowed) within the existing vertically integrated company and privatisation of state-owned energy undertakings is enabled;
- i) The law is equally enforced to all service providers, both the state-owned and those that are private property.

Pursuant to the Energy Law, the Energy Regulatory Agency was established in January 2004 as an autonomous, functionally independent and non-profit organisation. The Agency regulates the energy sector of Montenegro, contributing to the sector development and liberalisation of the energy market. Objectives and tasks of the Agency are described in detail in the response to the previous question i.e. question No.2.

Law on Ratification of the Treaty establishing the Energy Community between the European Community and the Republic of Montenegro (Official Gazette of the Republic of Montenegro 66/06) ([Annex 64](#)) was adopted by the Parliament of Montenegro in October 2006. By signing the common energy treaty, the EU and its nine partners from South East Europe have created the legal framework for integrated energy market that will provide security of supply, apply the European regulations and strengthen investment guarantees and firm regulatory control of the energy sector.

The main objectives of establishing the Energy Community are to:

- create a stable regulatory and market framework capable of attracting investment in gas network, power generation, transmission and distribution network so that all contracting members have access to stable and continuous energy supply that is essential for economic development and social stability;
- create a single regulatory space for cross-border energy trade that would match the geographic extent of the given market for these products;
- enhance security of supply of the single regulatory space by providing stable environment for investment which may develop links with Caspian, North African and Middle East gas reserves, and exploit domestic energy sources, such as natural gas, oil and hydropower;
- improve the environmental situation in connection with the cross-boarder energy trade and related energy efficiency, increase the use of renewable energy and set out the conditions for energy trade within the single regulatory space;
- develop network energy market competition on a broader geographic level, and exploit economies of scale.

Key responsibilities of Montenegro arising from the Treaty establishing the Energy Community ([Annex 75](#)) are:

(i) implementation of the *acquis communautaire* on energy, environment, competition and renewable energy sources, (ii) adoption of development plans for the implementation of "generally applicable standards of the European Community" in the electricity and gas sectors, and (iii) adoption of the "security of supply" statement describing diversity of supply, technological security, geographical origin of imported fuels and other elements.

In accordance with the provisions of the above laws, a number of by-laws was adopted:

- Rulebook concerning Licenses in Energy Sector of Montenegro (Official Gazette of the Republic of Montenegro 50/04, Official Gazette of Montenegro 54/09); regulating the conditions and procedures for licence application and issuing, exemptions from licensing, contents and appearance of license documents, the procedure to change the licenses, obligations during enforcement and control of enforcing the licenses issued to carry out energy activities in Montenegro, for:

- generation, transmission, transmission network operator, distribution and distribution network operator, market operator, supply and trade of electricity;
- commercial transport, storage and distribution, sale and supply of petroleum products and gas.
- Rules concerning Unbundling of the Integrated Energy Undertaking Electric Power Holding Company of Montenegro (adopted on 13 December 2004 by the Board of the Energy Regulatory Agency); regulating the functional unbundling of the integrated electricity undertaking Electric Power Holding Company of Montenegro in order to set out the basic principles for establishing the organisational structure of functionally unbundled company; the rules have established that the legal unbundling of the company will take place in accordance with the applicable laws.
- Regulation concerning issuing the approval for sale, transfer or renounce of operative control over property of holders of licence for carrying out energy activities (Official Gazette of the Republic of Montenegro 80/04); regulating the procedure of granting prior approval for sale, transfer or renounce of operative control and approval for the sale, transfer or renounce of operative control over any part of the property of licence holder for energy activity, whose gross book value exceeds EUR 100 000.
- Rules on Methodology for Setting Amount of Licence Fees (adopted on 13 January 2005 by the Board of the Energy Regulatory Agency); establishing methodology for determining the amount of licence fees paid by undertakings carrying out energy activities to the Agency for processing of licence requests and annual licence fee.
- Rulebook on Electricity Tariffs (Official Gazette of the Republic of Montenegro 47/05, 50/05, 42/07 and Official Gazette of Montenegro 06/07, 54/09); regulating the method for determining compensation to energy undertakings carrying out energy activities and the tariffication method for purchase or sale of electricity to be supplied, as well as supply-related services to consumers/customers provided by energy undertakings in accordance with the Energy Law, in particular:
 - a) fee structure by activities including setting of the unit price for electricity and services;
 - b) methodology for determining regulatory allowed revenue of energy undertaking granted under approved operating expenses, depreciation and cost of the allowed return on investment, and methodology for transposition of allowed revenue into fees and charges;
 - c) classification of consumption according to voltage levels of customers' connections to the network, including the division of customers connected to low voltage network and the conditions and procedure for change of tariff categories;
 - d) determining tariff elements and tariff rates by place of delivery and metering points, customer category, day of week and time of day based on which the calculation of supplied electricity and services rendered to customers are made;
 - e) procedure for approval and change of fees through change of the allowed regulatory revenue and tariffs;
 - f) method for minimising or completely eliminating cross-subsidies between tariff customer groups;
 - g) transparency of procedure.
- Rules on Pricing Method for Coal for Electricity Generation (adopted on 21 October 2005 by the Board of the Energy Regulatory Agency); governing the method of setting price of coal for electricity generation, methodology for determining regulatory allowed revenue of the coal producer (Coal Mine Pljevlja) on the basis of the approved reasonable operation expenses, depreciation and cost of the approved return on investment, as well as for establishing pricing process.
- Rules on Notification of Tariff Customers in the Event of Delay in Coal Delivery (adopted on 25 September 2006 by the Board of the Energy Regulatory Agency); prescribing notification procedure of electricity producers and tariff customers in the event of planned or unplanned delay in the delivery of coal to the electricity generator or reduction of quantities determined by the contract for coal delivery.

- Rulebook concerning Procedure and Criteria for Issuing Authorisations in Energy Sector of Montenegro (Official Gazette of the Republic of Montenegro 46/07); prescribing more detailed criteria for issuing authorisations for the construction of new and reconstruction of the existing generation facilities, which significantly improves them, new interconnections with other systems and the construction of direct line.

- Rules on Methodology for Setting Amount of Licence Fees (adopted on 26 September 2007 by the Board of the Energy Regulatory Agency); establishing methodology for determining the amount of licence fees paid by undertakings carrying out energy activities to the Agency for processing of licence requests and annual licence fee.

- Rules on Third-Party Access to Transmission and Distribution Network (Official Gazette of Montenegro 13/07); regulating third-party access to transmission and/or distribution network; the network access means the right of third parties – market participants to conclude an agreement with transmission network operator i.e. distribution network operator on access to network to carry out the licensed activities under equal, fair and pre-known conditions.

- Rules on Ownership Transfer of Energy Meters from Consumers to Electric Power Holding Company of Montenegro (Official Gazette of Montenegro 17/07); prescribing the procedure and conditions for ownership transfer of the installed meters that are property of consumers to Electric Power Holding Company of Montenegro, where activity of the distribution operator is performed by the Functional Unit Distribution - Electric Power Holding Company of Montenegro FU Distribution.

- Rulebook on Supervision of Work and Operation of Energy Undertakings (Official Gazette of Montenegro 06/08); regulating the method and procedure for carrying out supervision of operation and business of energy undertakings by the Energy Regulatory Agency, subject matter of the control, duties and authorities of the Agency when performing control, and the obligations and rights of controlled undertakings in the control process.

- Rules on Establishment and Operation of Electricity Market (Official Gazette of Montenegro 01/09 and 54/09); defining the legal framework, objectives and conditions for establishing the electricity market, basic principles of supply of eligible customers and method for changing suppliers, operation of the public supplier, as well as and the basic principles of competition development and combat against anti-competition behaviour and abuse of monopoly position in the market.

- Interim Distribution Code (Official Gazette of the Republic of Montenegro 13/05) determining:

a) the technical rules for minimum technical, design and operational requirements for connecting users to the distribution network and interconnection with other networks;

b) tasks of all distribution operators as licence holders for distribution of electricity and distribution network operators regarding data and information dissemination to the transmission operator needed to perform his work and operations;

c) establishing procedures approved by the Energy Regulatory Agency regarding the functioning of the distribution network in case of emergencies;

d) providing programmes and procedures for rendering services to contract and tariff customers.

Distribution Code is binding for all distribution operators and users of the distribution systems.

- Interim Grid Code (Official Gazette of the Republic of Montenegro 13/05); establishing technical rules for minimum technical, design and operational requirements for connection to the network and interconnection with other networks. Fulfilling these conditions ensures smooth operation of the transmission system; requirements must be fair, non-discriminatory and impartial.

Grid Code also sets the criteria relevant to dispatching based on:

- economic precedence, without prejudice to the supply of electricity based upon contractual obligations;

- technical constraints on the network;

- optimal load balances;

- the Government policy on security of supply;
- giving priority to the use of domestic primary energy sources not exceeding, in any calendar year, 15% of the overall primary energy necessary to generate electricity consumed in Montenegro, and
- giving priority to generators using renewable energy sources, heat or waste or combined heat power.

The above rules are the basis of the Grid Code and include operative procedures and principles defining the relationships between the transmission network operator and Transmission and customers of the transmission system of Montenegro. Grid Code also defines daily procedures for planning and management of both normal and outstanding circumstances.

- Rules concerning Supply of Electricity (Official Gazette of the Republic of Montenegro 13/05 and Official Gazette of Montenegro 54/09); governing the supply of electricity generated in Montenegro or purchased from imports to tariff customers, and in particular:

- conditions for electricity supply of tariff customers;
- contracts;
- calculation and payment of electricity delivered;
- procurement and import of electricity;
- suspension of electricity supply;
- the procedure regarding unauthorized energy consumption.
- Decree on the Manner and Conditions of Granting Concessions for Exploration of Watercourses and Techno-economic Utilisation of Hydropower Potential for Electricity Generation in Small Hydropower Plants (Official Gazette of the Republic of Montenegro 70/06); the Decree will define conditions and manner of granting concessions for exploration of watercourses and techno-economic utilisation of hydropower potential for electricity generation in small hydropower plants.
- Rulebook on Technical Conditions for Connection of Small Power Plants to Electric Power Distribution Network (Official Gazette of the Republic of Montenegro 25/07); the Rulebook will regulate technical conditions for connection of new small power plants with the capacity up to 10 MW and small hydropower plants where reconstruction affects the change of conditions for connection and connection performance.
- Instructions on Establishing the Calculation Methodology of the Purchase Price of Electricity from Small Hydropower Plants (Official Gazette of the Republic of Montenegro 46/07); this Instruction will establish the methodology of determining the purchase price of electricity that is produced in small hydropower plants (sHPP) in Montenegro, with the capacity up to 10 MW, at which the suppliers, license holders, whom the Energy Regulatory Agency has issued the license, buy electricity from producers from sHPP, delivered at connection point of sHPP to the distribution network. Pursuant to these Instructions, the Energy Regulatory Agency adopted the Decision on Setting the Purchase Price of Electricity from Small HPP in December 2007. This Decision determined that the purchase price for electricity generated in sHPP, delivered at the connection point of sHPP to the distribution network, will be 6.8976 c€/kWh. The starting date of application this price was determined to be 1 January 2008, and its harmonisation is performed simultaneously with the change of tariffs for electricity in Montenegro.
- Decree on the Method of Setting Maximum Retail Prices of Petroleum Products (Official Gazette of the Republic of Montenegro 52/02, 55/02, 23/03, 32/05 and 35/05 and Official Gazette of Montenegro 73/08); defining method for setting maximum retail prices of petroleum products.
- Rulebook on Contents and Method of Keeping Concession Register (Official Gazette of Montenegro 47/09), defining detailed contents and method of keeping the Register of concession agreements.

- Decree on Wind Power Plants (Official Gazette of Montenegro 67/09) that regulates the procedure of measuring and exploring the potential of wind, the manner and procedure of leasing the land at the measuring site i.e. location of wind power plant, the procedure of wind power plant construction and its connection to the electricity system, as well as the purchase of electricity.
- Decree on Detailed Method of Tender Process Implementation in an Open and Two-stage Concessions Granting Process (Official Gazette of Montenegro 67/09); regulating a more detailed method of public bidding process implementation in an open and public tender process in two-stage concession granting process.

With the aim of achieving more complete harmonisation of national legislation in the field of energy with that of the European Union, new laws have been prepared, namely:

- Energy Law and
- Energy Efficiency Law.

The adoption of the above laws is expected by the end of 2009.

The draft Energy Law has included provisions of the previously prepared draft Law on Gas and draft Law on Renewable Energy Sources. In addition, draft Energy Law contains provisions relating to security of supply of electricity and gas, cogeneration, and the provisions concerning the obligation of providing 90 days reserves of petroleum products.

The new Energy Law will be more complex than the current one regulating the energy sector as a whole, excluding energy efficiency in energy consumption. This law will regulate: the objectives of energy policy and the implementation method thereof, the competencies in the energy sector, role and responsibilities of the regulatory body, method of organising and functioning of the energy market, the conditions for regular and quality electricity supply to customers, requirements to achieve safe, reliable and efficient generation of energy, management of transmission, transport and distribution systems and method of ensuring smooth functioning and development of these systems, conditions and method of carrying out energy activities, the conditions for environmental protection in carrying out energy activities and supervision of enforcement of this law.

Law will particularly regulate:

- 1) energy activities and public services in the energy sector, as well as activities of public interest;
- 2) organisation and functioning of the electricity market;
- 3) transition from regulated pricing of coal for electricity generation to market pricing;
- 4) distribution, storage, wholesale and retail business and supply of petroleum products, reserves and transport of oil and petroleum products in the part not regulated by other regulations;
- 5) exemptions from the application of regulations, conditions and deadlines for the use of the system, for new infrastructure for transmission of electricity or gas, storage of gas or liquefied natural gas;
- 6) energy development, use of renewable energy sources and cogeneration, incentives to use renewable energy sources and cogeneration during the construction and operational phase;
- 7) policies, standards and rules for organising and regulating markets for electricity and gas including the rights and obligations of market participants;
- 8) energy efficiency in the sector of generation, transmission and distribution of energy.

EU directives regulating market of electricity and gas (2003/54/EC and 2003/55/EC), the use of renewable energy sources (2001/77/EC and 2009/28/EC) and cogeneration (2004/8/EC) in electricity generation, security of electricity (2005/89/EC) and gas (2004/67/EC) supply and fuel reserves (2006/67/EC) will be transposed in this law.

The Law on Energy Efficiency will establish the basic legal framework for development of the energy efficiency system, which means for the rational use and saving of energy wherever possible

through precise defining of documents and measures of energy efficiency, competence, rights and obligations of energy undertakings, as well as any other party in this field. The law will regulate the relations in the field of efficient use of energy in the sectors of final consumption, liability for adopting programs and plans for improving energy efficiency at the national and local level and at the level of energy undertakings and consumers, their enforcement, public authorities and responsibilities for establishing and implementing energy efficiency policies and other energy efficiency measures and persons responsible for their implementation. The law does not apply to energy efficiency in electricity generation and transformation, transmission and distribution facilities. Energy efficiency in these facilities is regulated by the Energy Law.

Text of the Law on Energy Efficiency is harmonised with the European regulations, as follows:

- Efficiency of end-use energy consumption and energy services - Directive 2006/32/EC of the European Parliament and of the Council of 5 April 2006 on energy end-use efficiency and energy services, which among other things, addresses the establishment of special national bodies for energy efficiency;

- Energy efficiency of buildings - Directive 2002/91/EC of the European Parliament and of the Council of 16 December 2002 on the energy performance of buildings;

- Eco-design of products - Directive 2005/32/EC of the European Parliament and of the Council of 6 July 2005 establishing a framework for the setting of eco-design requirements for energy-using products and amending directives 92/42/EEC, 96/57/EC and 2000/55/EC;

- Energy labelling of household devices - Directive 92/75/EEC of the Council of 22 September 1992 on the indication by labelling and standard product information of the consumption of energy and other resources by household appliances. Directive 92/75/EEC has a number of implementation directives, each covering a specific group of household appliances:

- Directive 2003/66/EC amending Directive 94/2/EC with regard to energy labelling of household electric refrigerators, freezers and their combinations;
- Directive 2002/40/EC with regard to energy labelling of electric ovens;
- Directive 2002/31/EC with regard to energy labelling of household air-conditioners;
- Directive 1999/9/EC amending Directive 97/17/EC with regard to energy labelling of household dishwashers;
- Directive 97/17/EC with regard to energy labelling of household dishwashers;
- Directive 98/11/EC with regard to energy labelling of household lamps;
- Directive 96/89/EC amending Directive 95/12/EC with regard to energy labelling of household washing machines;
- Directive 95/12/EC with regard to energy labelling of washing machine;
- Directive 96/60/EC with regard to energy labelling of household combined washer-driers;
- Directive 95/13/EC with regard to energy labelling of household electric tumble driers.

The following secondary legislation is being prepared:

- Rulebook on the Use of Renewable Energy Sources prescribing the types and classification of plants using renewable energy sources, as well as the conditions and possibilities of using renewable energy sources. The Rulebook will define the administrative procedures for the construction of facilities using renewable sources, including licensing procedures for measuring and exploring potential of renewable energy sources and energy permits for the construction of structures. This regulation will determine the issues of granting concessions on the state land, the needs of exploring the potential of renewable sources and prescribe the form, content and manner of keeping the register of plants, managed by the ministry in charge of energy affairs;

- Tariff System for Electricity Generated from Renewable Energy Sources that will determine the right of privileged electricity producers to incentive price of electricity, it will set out tariff items and

the amount of tariff items for electricity generated in renewable energy generating facility, depending on the type of source, power and other elements of supplied electricity, as well as the manner and conditions for application of those elements. Tariff system should be based on justified expenses of business, construction, replacement, reconstruction and maintenance of renewable energy generating facilities and at a reasonable rate of return on investments.

- Rulebook on Energy Efficiency of Buildings, which will regulate allowed annual specific energy consumption for the basic types of structures, the exterior characteristics of building (facades and roofs) in terms of heat insulation, energy consumption for heating water, i.e. the rulebook will define minimum requirements regarding energy efficiency of buildings;
- Rulebook on Energy Performance of Buildings, which will prescribe the methodology for determining integral energy performance of buildings;
- Rulebook on Energy Certification of Buildings, which will stipulate which buildings require issuance of energy certificate, exemption from energy certification, energy classes of buildings, contents and appearance of energy certificate, issuance and validity period of the certificate, energy certification of new buildings and existing buildings for sale, rent or leasing, public buildings that require public disclosure of energy certificates, the method of disclosing and energy certification, obligations of investors or owners of buildings, energy certification procedure and register of issued energy certificates of buildings;
- Rulebook concerning Technical Requirements for Pressure Equipment, which will be harmonised with EU Directive 97/23/EC;
- Rulebook concerning Simple Pressure Vessels, which will be harmonised with EU Directive 87/404/EC;
- Rulebook on technical efficiency requirements for new hot-water boilers fired with liquid and gaseous fuel, which will be harmonised with EU Directive 92/42/EC;
- Rulebook on Gas Appliances, which will be harmonised with EU Directive 90/396/EC;
- Rulebook concerning technical standards for devices and equipment for operation of motor vehicles fuelled with natural gas and liquid petroleum gas, which will be harmonised with EU directives ECE 110, ECE 150, 2005/55/EC and amendments 2005/78/EC, 2006/51/EC and 2008/74/EC.

Drafting of the following secondary legislation is planned:

- Rulebook on Exchange at Connection Point that will regulate the terms of exchange of electricity at the connection point, on the basis of the provisions related to technical conditions, connection standards, protection system, power quality and other issues of importance, which are set out by the regulation of distribution system operator.
- Decree on Guarantees of Origin of Electricity from Renewable Energy Sources that will regulate the manner and terms for issuing guarantees of origin, data that producers must provide for the issuance of guarantees of origin and method of delivery of those data, as well as detailed specification of data that a guarantee of origin must include.
- Decree on Exercising the Right of Privileged Producer that will regulate the manner of exercising the right of privileged producer, the terms for acquiring the status of privileged producer of electricity that can be acquired by project manager or producer who simultaneously produces electricity and thermal energy (cogeneration) or who uses renewable energy sources in individual production facility, content and form of requests for acquiring the status of privileged producer and content of decision on acquiring the status of privileged producer, as well as characteristics and method of keeping the register of privileged producers.
- Rulebook on Registering the Experts for Carrying out the Energy Audits and for Certification of Energy Efficiency of Buildings, which will determine the conditions for giving authority to undertake energy audits and energy certification of buildings, the procedure for granting, extending, validity and amending authority to carry out energy audit and energy certification of buildings, the register of persons authorised to carry out energy audit and energy certification of buildings, and training program for persons carrying out energy audit and energy certification of buildings;

- Rulebook on Conducting Energy Audits, which will determine the conditions and procedures for conducting energy audit, systematic approach and methodology for analysis and evaluation of energy flows and related costs in the production of goods, offer of services, maintenance of microclimate conditions in the buildings, as well as development of measures to reduce energy consumption, while preserving the quality of end-product/service. The energy audit is considered the basis for determining the energy performance of buildings. This Rulebook will also determine responsible persons for conducting energy audit, the periods when they must conduct regular audits, types of energy audit (preliminary, detailed, control) and detailed contents of energy audit report.

General opinion is that the existing legislation in Montenegro in the field of energy is partially harmonised with the EU legislation, but the adoption of new laws, which have been prepared in a draft form, as well as the planned secondary legislation harmonised with those laws, will lead to full compliance thereof.

Annexes:

- Energy Policy of the Republic of Montenegro;
- Energy Development Strategy of Montenegro by 2025;
- Action plan for Implementation of Energy Development Strategy of Montenegro by 2025 for the period 2008 – 2012;
- Energy Efficiency Strategy of Montenegro;
- Action Plan for Implementation of Energy Efficiency Strategy for the period 2008-2012;
- Development Strategy of Small Hydropower Plants in Montenegro with Action Plan for its implementation;
- Energy Law (Official Gazette of the Republic of Montenegro 39/2003);
- Law on Ratification of the Treaty establishing the Energy Community between the European Community and the Republic of Montenegro (Official Gazette of the Republic of Montenegro 66/06).

4 Please provide information and, if possible, the texts of the agreements and conventions (in one of the official EU languages) that have been concluded with third countries or international organisations in the field of energy.

- 1) Treaty establishing the Energy Community of South East Europe (Official Gazette of the Republic of Montenegro 66/06); ([Annex 75](#))
- 2) Memorandum of Understanding between the Federal Ministry for Transport, Innovation and Technology of the Republic of Austria and the Ministry for Economic Development of Montenegro on Technological Cooperation in Energy and Environmental Sector (signed on 7 October 2008); ([Annex 96](#))
- 3) Statute of the International Renewable Energy Agency (IRENA) (signed on 26 January 2009); ([Annex 73](#))
- 4) Memorandum of Understanding between the Ministry of Economy of Montenegro and the Ministry of Economic Development of the Republic of Italy on Cooperation in the Energy Sector Development (signed on 16 June 2009); ([Annex 95](#))

Annexes:

- Treaty establishing the Energy Community of South East Europe
- Memorandum of Understanding between the Federal Ministry for Transport, Innovation and Technology of the Republic of Austria and the Ministry for Economic Development

of Montenegro on Technological Cooperation in Energy and Environmental Sector Statute of the International Renewable Energy Agency (IRENA)

- Statute of the International Renewable Energy Agency
- Memorandum of Understanding between the Ministry of Economy of Montenegro and the Ministry of Economic Development of the Republic of Italy on Cooperation in the Energy Sector Development

5 Please provide information on the fiscal measures (VAT, excise duties, CO2 energy tax, other taxes/levies) applied to energy products. Does the system favour indigenous energy sources? How will further tax harmonisation in the EU affect your energy balance?

The following fiscal obligations are applicable on petroleum products: customs duties, excise duties, VAT. Customs duty liability was introduced by the Customs Law (Official Gazette of the Republic of Montenegro 07/02, 38/02, 72/02, 31/03, 29/05, 66/06 and Official Gazette of Montenegro 21/08), and the basic terms thereof have been applied since 1 April 2003. Excise duty liability is regulated by the Excise Tax Law (Official Gazette of the Republic of Montenegro 65/01, 12/02 and 76/05 and Official Gazette of Montenegro 76/08 and 50/09), and the terms thereof have been applied since 1 April 2002. The rate of excise duty has been defined in absolute terms (fixed) per liter, i.e. per kilo, depending on the type of petroleum products:

	€/l
Excise tax for leaded motor gasoline amounts to	0.464
Excise tax for unleaded gasoline amounts to	0.459
For kerosene used as motor fuel	0.156
For heating	0.0897
For diesel /gas oil/ used as motor fuel	0.370
Gas oil used as motor fuel for industrial and commercial uses	0.169
Gas oil for heating	0.117
Heating oil	0.0195
LPG as motor fuel	0.1235
LPG as motor fuel for industrial and commercial uses	0.0585
LPG for heating	0.026

Source: Excise Tax Law (Official Gazette of the Republic of Montenegro 65/01, 12/02, 76/05 and Official Gazette of Montenegro 76/08 and 50/09)

Value added tax liability (17%) for all energy-generating products was introduced by the Law on Value Added Tax (Official Gazette of the Republic of Montenegro 65/01, 12/02, 38/02, 72/02, 21/03, 76/05 and Official Gazette of Montenegro 16/07); the basic terms therefore were applied since 1 April 2003.

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Table showing elements included in setting of retail price of petroleum products

1	Platts European Marketscan	USD / t
2	Premium	USD / t
X1	Average price of petroleum products with premium(1+2)	USD / t
X2	Average selling exchange rate	EUR / USD
3	Import price per tonne (X1 x X2)	EUR / t
rd	Conversion density of petroleum products	kg / l
D	Conversion tonne/litre (rd/1000)	t / l
4	Import price per litre (X1 x X2 x D)	EUR / l
5	Customs duty (2% to 4)	EUR / l
6	Port tariff (1.30 USD/t x X2 x D)	EUR / l
8	VAT (17 % to 4+5+6+9+X4)	EUR / l
9	Excise duty	EUR / l
X3	Levies, taxes and charges (5 ÷ 9)	EUR / l
10	Losses	EUR / l
11	Transshipment	EUR / l
12	Control and forwarding	EUR / l
13	Bank fee (1% to 4)	EUR / l
14	Distribution costs	EUR / l
15	Retail expenses	EUR / l
16	Gross margin	EUR / l
X4	Losses, costs and gross margin (12 ÷ 16)	EUR / l
17	Maximum retail price (4+X3+X4)	EUR / l

Source: Ministry of Economy

Retail price of petroleum products is defined by the Decree on Method for Setting Maximum Retail Prices of Petroleum Products (Official Gazette of the Republic of Montenegro 52/02, 55/02, 23/03, 32/05 and 35/05 and Official Gazette of Montenegro 73/08).

Summary table of excise duties for certain types of petroleum products

Products	Excise (€/l)
LRP/super 98	0.464
Eurosuper BMB 95	0.459
Diesel D-2	0.370
Eco diesel	0.370
Heating oil	0.117

Source: Excise Tax Law (Official Gazette of the Republic of Montenegro 65/01, 12/02, 76/05 and Official Gazette of Montenegro 76/08, 50/09)

Pursuant to the Environment Law (Official Gazette of the Republic of Montenegro 12/96), ([Annex 60](#)) the Government of Montenegro adopted the Decree amending the Decree on the amount of fees, the manner of calculation and payment of fees related to the pollution of the environment on 24 April 2008. In accordance with this regulation, charging of Eco-tax was introduced on 15 June 2008. Eco-tax is the fee paid by all legal entities and individuals to use road motor vehicles and their auxiliary vehicles on the territory of Montenegro, whereby domestic legal entities and individuals pay for the Eco-tax when registering their vehicles. Foreign nationals pay the fee when entering Montenegro. The fee is charged in a defined amount and is considered earmarked income of the Budget of Montenegro. The fee amounts are determined according to the type of motor vehicle and auxiliary vehicles used. The funds gathered from charging the Eco-tax are used to finance implementation of projects related to the protection and improvement of the environment. The Eco-sticker is a written confirmation of the payment of the Eco-tax, and administrative body responsible for environmental affairs prescribes the form, contents and manner of issuing and using the sticker. The tax system in Montenegro does not favour indigenous energy sources. Tax harmonisation with EU tax regulations will not significantly affect the energy balance in Montenegro.

6 Could you provide an organisation chart of the relevant energy authorities (ministry, agencies, regulator, etc.) and their key contacts?

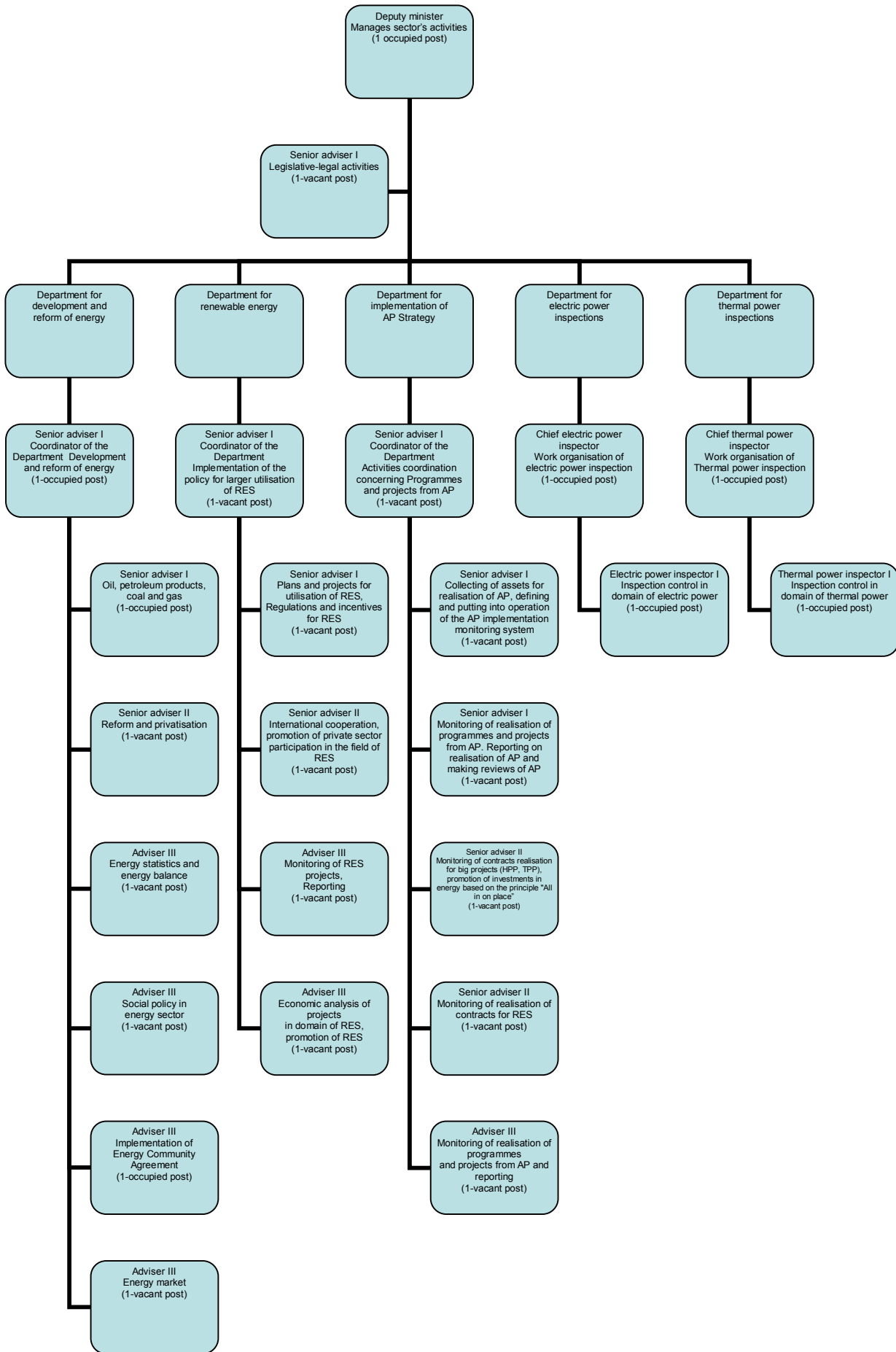
Relevant energy authorities in Montenegro are as follows:

- Ministry of Economy – Energy Sector and Energy Efficiency Unit, and
- Energy Regulatory Agency.

Below are organisation charts of the above institutions:

Organisation chart of the Energy Sector of the Ministry of Economy

15 Energy

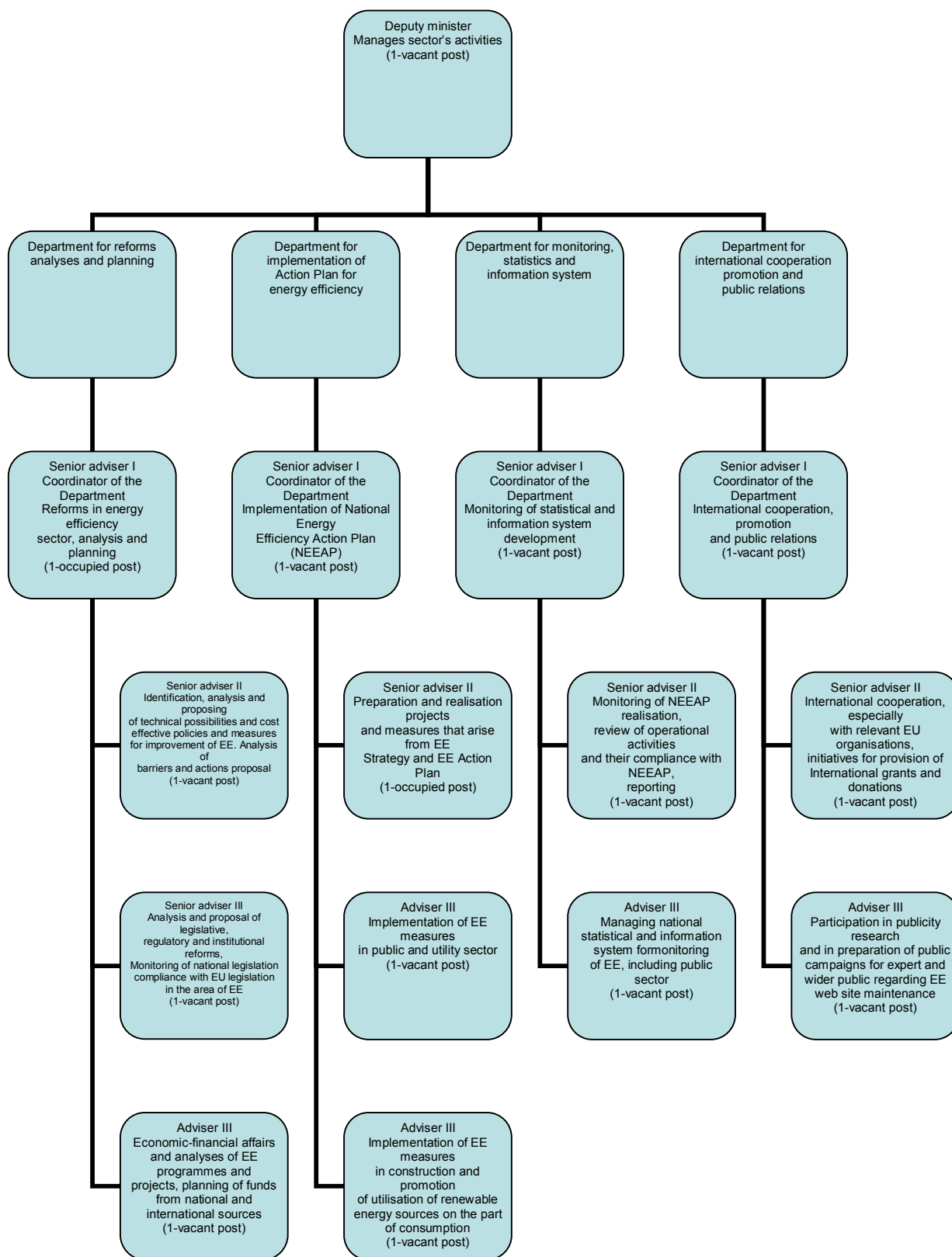


A total of 24 positions have been envisaged, out of which 8 have been fulfilled and 16 remain vacant.

Hired on temporary contract basis: 4

Deputy Minister in charge of the Energy Sector is Miodrag Čanović..

Organisation chart of the Energy Efficiency Unit of the Ministry of Economy



A total of 14 positions have been envisaged, out of which 2 have been fulfilled, while 12 remain vacant.

Hired on temporary contract basis: 1

Trainee: 1

Contact persons are: Borko Raičević and Božidar Pavlović

Organisation chart of the Energy Regulatory Agency:

The Board of the Agency consists of three members:	
Dragan Bojović, BEc, Chair Branko Kotri, BSc EE, Member Miodrag Đekić, BSc EE, Member	
Director of the Agency	Dragoljub Drašković, PhD, LLB
Deputy Director of the Agency	Momir Škopelja, BSc EE
Department for Technical Affairs	Natalija Špadijer, BSc EE
Department for Economic Affairs	Novak Medenica, BEc
Department for Legal Affairs	Nataša Vojvodić-Perić, LLB
Department for Administrative and Technical Affairs	Željka Tomić, LLB

7 What are the likely investment needs in the various energy sub-sectors for the period until 2012? What type of financing is foreseen (public, private)?

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The Government of Montenegro adopted at its session held on 30 October 2008 the Action Plan for Implementation of the Energy Development Strategy of Montenegro by 2025 for period 2008 – 2012. ([Annex 100](#)). Table 1 shows data on financing the projects foreseen in the energy sector in the period 2008 – 2012. The financing will be provided from private funds and the State Budget, while part of funding will be ensured by the State through donations and loans.

Table 1: Financial resources required for Programmes and Projects per year (EUR)

CORE CONTENT	PROGRAMME/ PROJECT	RESPONSIBILITY	2008	2009	2010	2011	2012	Total (2008-2012)
CC 1: Increase energy efficiency and use of renewable energy sources in consumption	1.1 Energy Efficiency Programme	MED (until CIEE is set up), CIEE, body of the Government in charge of privatisation, consumers, MEE Generation, Transmission and Distribution	370 000	3 465 000	4 630 000	4 065 000	1 270 000	13 800 000
	1.2 Project of introducing Energy Management System in the public sector	MED, CIEE, public sector companies and institutions	25 000	55 000	30 000	35 000	20 000	165 000
	1.3 Project of energy saving in the public sector	MED, government building maintenance services	25 000	240 000	400 000	400 000	0	1 065 000
	1.4 Project of promoting and performing energy audits	MED, CIEE, authorised organisations	275 000	125 000	115 000	0	0	515 000
CC 1: TOTAL			695 000	3 885 000	5 175 000	4 500 000	1 290 000	15 545 000
CC 2: Increase efficiency of the existing generation and transmission facilities	2.1 Programme for developing electric power networks	MEE Transmission and MEE Distribution	720 000	1 200 000	700 000	500 000	1 000 000	4 120 000
	2.2 Project for revitalisation of small HPPs	MEE Generation and new owner	100 000	1 050 000	1 550 000	1 300 000	0	4 000 000
	2.3 Project for revitalisation of HPP Piva	MEE Generation	8 000 000	8 000 000	10 000 000	15 000 000	14 000 000	55 000 000
	2.4 Project for revitalisation of HPP Perućica – phase II	MEE Generation	6 000 000	7 000 000	10 000 000	10 000 000	10 000 000	43 000 000
	2.5 Project for revitalisation of TPP Pljevlja I	MEE Generation (TPP Pljevlja), Coal Mine Pljevlja	34 500 000	27 500 000	29 500 000	14 800 000	16 000 000	122 300 000

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CORE CONTENT	PROGRAMME/ PROJECT	RESPONSIBILITY	2008	2009	2010	2011	2012	Total (2008-2012)
	2.6 Project for rehabilitation and expansion of electric power transmission network	MEE Transmission, MED with the support of MEE Transmission	10 100 000	18 300 000	22 500 000	14 700 000	12 500 000	78 100 000
	2.7 Project for rehabilitation and expansion of electric power distribution network	MEE Distribution, MED with the support of MEE Distribution	15 250 000	20 750 000	23 000 000	20 000 000	21 000 000	100 000 000
CC 2: TOTAL			74 670 000	83 800 000	97 250 000	76 300 000	74 500 000	406 520 000
CC 3: Designing a plan to mitigate climate change effects	3.1 Project for energy inclusion in mitigation of global climate change effects in Montenegro	MED, MTEP, generators of greenhouse gasses emissions, WA		110 000	250 000	390 000	250 000	1 000 000
CC 3: TOTAL				110 000	250 000	390 000	250 000	1 000 000
CC 4: Creation of the institutional framework and the public involvement in the development of a competitive and market oriented energy sector	4.1 Programme for the energy sector restructuring - market opening and social policy	MEE Transmission, Distribution, Supply, REGAGEN, MHLSW, MED	1 300 000	2 800 000	2 600 000	2 100 000	2 000 000	10 800 000
	4.2 Programme for the energy sector public relations	MED, Statistical Office of Montenegro MONSTAT, MED with the support of MEE (all units as needed), CANU, University of Montenegro, MEE and other	370 000	820 000	770 000	770 000	770 000	3 500 000
	4.3 Programme on education and training in energy and ecology	MES, University of Montenegro based on consultations with MED and MTEP	200 000	200 000	300 000	300 000	200 000	1 200 000
	4.4 Project for MEE AD restructuring and capital increase	MEE Transmission, Generation, Distribution, Supply and Elektrogradnja	550 000	1 000 000				1 550 000
CC 4: TOTAL			2 420 000	4 820 000	3 670 000	3 170 000	2 970 000	17 050 000
KS 5: Development and exploitation of	5.1 Programme for development of renewable energy sources (hydro potential excluded)	MED, MAFWM, CIEE, FA, private investors	120 000	310 000	380 000	250 000	140 000	1 200 000

15 Energy

CORE CONTENT	PROGRAMME/ PROJECT	RESPONSIBILITY	2008	2009	2010	2011	2012	Total (2008-2012)
renewable energy sources	5.2 Programme of using hydro potential	MED, MAFWM,WA	270 000	1 550 000	2 130 000	1 950 000	600 000	6 500 000
	5.3 Project of building small HPPs	MER, MAFWM, WA, Weather Bureau, private investors	130 000	270 000	6 600 000	11 000 000	12 000 000	30 000 000
	5.4 Project of using wind energy for electricity generation (Rumija)	MED, private investors	450 000	450 000	3 100 000	3 000 000	3 000 000	10 000 000
	5.5 Project of using biomass for heat and electricity cogeneration	MED, FA, Investors		100 000	80 000	1 320 000	2 000 000	3 500 000
	5.6 Project of using municipal waste for heat and electricity cogeneration	MER, Municipality of Podgorica, public company		30 000	90 000	80 000	380 000	580 000
	5.7 Project of building HPP Komarnica	MER, MAFWM, WA, Concessionaire	3 200 000	3 100 000	10 500 000	20 000 000	20 000 000	56 800 000
	5.8 Project of building HPP on the Morača River	MED, MAFWM, WA, Concessionaire	1 500 000	3 550 000	1 950 000	61 000 000	70 000 000	138 000 000
CC 5: TOTAL			5 670 000	9 360 000	24 830 000	98 600 000	108 120 000	246 580 000
KS 6: : Increase cleaner energy production from fossil fuels	6.1 Project of TPP Pljevlja II with district heating system for town of Pljevlja	MED, MEE Generation, Coal Mine Pljevlja, Municipality of Pljevlja, Concessionaire	11 500 000	23 460 000	65 000 000	68 500 000	49 000 000	217 460 000
	6.2 Project for TPG terminal close to town of Bar	MED, Concessionaire, MEE Transmission	1 000 000	5 000 000	3 000 000	46 000 000	302 000 000	357 000 000
	6.3 Project of gas system for town of Podgorica with the distribution gas network	MED, REGAGEN, Municipality of Podgorica, Concessionaire	420 000	500 000	3 020 000	3 000 000	1 000 000	7 940 000
CC 6: TOTAL			12 920 000	28 960 000	71 020 000	117 500 000	352 000 000	582 400 000
KS 7: Create the basis for long-term energy industry development in Montenegro	7.1 Programme of oil and gas exploration in Montenegro's mainland	MED, Concessionaire	350 000	740 000	200 000	1 920 000	1 800 000	5 010 000
	7.2 Programme of international agreement on the use of hydro power potential	MED, MAFWM, WA, Government	18 000	365 000	50 000			433 000

15 Energy

CORE CONTENT	PROGRAMME/ PROJECT	RESPONSIBILITY	2008	2009	2010	2011	2012	Total (2008-2012)
	7.3 Project of oil and gas exploration in Montenegro's seabed – Block 1 and 2	Concessionaire	195 000	1 430 000	15 000 000			16 625 000
	7.4 Project of oil and gas exploration in Montenegro's seabed – Block 3	MED, MF, Concessionaire	60 000	6 060 000	6 000 000	5 470 000	10 000 000	27 590 000
	7.5 Project of coal exploration in Pljevlja area	RUP, Concessionaire, MED	755 000	3 463 000	3 950 000	80 000		8 248 000
	7.6 Project of coal exploration in Berane area	Coal mine Berane	30 000					30 000
	7.7 Project of the Ionic-Adriatic gas pipeline	MED, Concessionaire	600 000	1 750 000	3 650 000	30 000 000	24 000 000	60 000 000
CC 7: TOTAL			2 008 000	13 808 000	28 850 000	37 470 000	35 800 000	117 936 000
KS 8: Creation of mechanisms for effective monitoring and follow-up of Action Plan implementation	8.1 Programme of Action Plan implementation monitoring and follow-up	MED, later on AP Directorate	250 000	900 000	1 100 000	1 100 000	700 000	4 050 000
CC 8: TOTAL			250 000	900 000	1 100 000	1 100 000	700 000	4 050 000
TOTAL (CC 1 – CC 8)			98 633 000	145 643 000	232 145 000	339 030 000	575 630 000	1 391 081 000

Source: Action Plan for Implementation of Energy Development Strategy of Montenegro by 2025 for period 2008 – 2012

8 What are the investment plans in the medium and long term in the various energy sub-sectors? What type of financing is foreseen (public, private)?

In December 2007, the Government of Montenegro adopted the Energy Development Strategy of Montenegro by 2025 ([Annex 71](#)). Implementation of a number of projects has been foreseen and the funding will be provided from private funds and the State Budget, while certain amount will be ensured by the State through donations and loans.

According to the scenario of moderate construction in the Strategy, the construction of new power plans has been envisaged, as shown in Table1 below.

Table 1 – New power plants according to Scenario of moderate construction

Operation in	New facilities	Power (MW)	Investment (mill. EUR)
2010	Small HPPs	20	30.0
	Wind power plants	10	10.0
2011	TPP Pljevlja 2	225	175.0
2013	HPP Andrijevo	127.4	194.9
	HPP Zlatica	37	84.7
2014	HPP Raslovići	37	73.5
2015	HPP Komarnica	168	134.1
	HPP Milunovići	37	77.0
	Wind power plants	15	15.0
	Small HPPs	30	45.0
	Waste-fired TPP	10	32.0
2020	Wind power plants	15	15.0
	Small HPPs	20	30
	Biomass cogeneration	2	3
2025	Wind power plants	20	20/0
	Small HPPs	10	15.0
	Biomass cogeneration	3	4.5
Total:		786.4	958.7

Source: Energy Development Strategy of Montenegro by 2025

With the aim to realise overall energy balance by 2025, it is necessary to ensure funding amounting to EUR 1 963 billion. The projects to be implemented and required financial resources for each project are listed in Table 2.

Table 2 – Funds required for realisation of the scenario of overall energy balance

Name	mill. EUR
ELECTRICITY SECTOR AND DISTRICT HEATING	
Coal Mine Pljevlja 1)	79
District heating in Pljevlja	20
New TPPs Pljevlja 2)	175
Investments in new TPPs (10 MW)	565
INVESTMENT IN «NEW» RENEWABLE ENERGY SOURCES	
Investments in small HPPs	120
Investments in wind PPs	60
Waste-fired TPPs	32
Investment in biomass cogeneration	7.5
REHABILITATION OF EXISTING POWER PLANTS	
Rehabilitation of TPP Pljevlja 1	43
Rehabilitation of HPP Piva	70
Rehabilitation of HPP Perućica	49
Rehabilitation of small HPPs	4
INVESTMENTS IN ELECTRIC POWER NETWORK	
Investments in transmission network	199
Investments in distribution network	491
GAS AND LIQUID FUEL SECTOR	
Liquefied petroleum gas (LPG) 3)	47
Investments in additional storage capacities for mandatory 90-day reserves of petroleum products 4)	1
TOTAL INVESTMENTS :	1 963

Source: Energy Development Strategy of Montenegro by 2025

In addition to the projects mentioned above, there are some projects that proved to be very interesting after the adoption of the Strategy; those are the following:

- Construction of the Adriatic-Ionian gas pipeline, and

Construction of HVDC submarine cable link between Montenegro and Italy.

In September 2007, the ministries of Croatia, Albania and Montenegro in charge of the energy sectors launched initiative for the construction of the Adriatic-Ionian gas pipeline. The project value is estimated at EUR 230 million, of which Albania would participate with EUR 90 million, Croatia with EUR 80 million and Montenegro with EUR 60 million. It is foreseen that the Adriatic-Ionian gas pipeline will be completed by the end of 2012.

With the support of the Ministry for Economic Development of Montenegro, Electric Power Holding Company of Montenegro and Italy's power transmission operator TERNA signed an agreement on preparation of feasibility study on submarine high voltage DC cable link between EES Italy and

Montenegro on 7 November 2007. The project value amounts to EUR 614 million, additionally it is necessary to build 400 KV OHL Tivat – Pljevlja which will require EUR 70 million.

II. SECURITY OF SUPPLY

9 What is the current level of oil stock reserves in your country, calculated according to EC methodology, and how are stocks currently calculated and controlled?

There is no precise legislation in place in Montenegro that defines oil stock reserves. Consequently, there are no reserves of oil and petroleum products that are monitored and controlled as such.

10 What are the existing or envisaged mechanisms in your country to face a disruption in oil supply and mitigate the effects of such disruption?

Presently, there is no legislation defining management of petroleum products reserves. However, the new Energy Law will define a way to provide storage capacities for 90-day stock reserves of petroleum products in accordance with Council Directive 98/93 EC and Directive 2006/67/EC.

In addition to defining the way to provide 90-day stocks of petroleum products, management and the mechanisms of petroleum products in order to ensure security of oil supply and mitigate the effects of possible disruptions in Montenegro will also be identified.

11 With priority given to the constitution of stocks of oil and petroleum products at a level corresponding to at least 90 days of average daily consumption in the preceding calendar year (Council directive 2006/67), what would be a realistic timetable to reach 30-60-90 days of stocks? What are the expected difficulties while implementing this legislation (financial, legal, setting up of institutions, other)?

Consumption of petroleum products varies and is directly dependent on GDP. However, if the basis of calculation of oil stocks is consumption of petroleum products in Montenegro amounting up to 350 000 tonne/year, the constitution of 90 days of stocks would entail securing storage capacity for approximately 88 000 tonnes of fuel, which would need to be acquired and stored. In October 2008, when the cost analysis for securing the needed fuel quantities was made, the cost of the procurement would have amounted to about USD 70 million. High acquisition cost represents a problem, therefore, an adequate system of financing should be made available in order to begin the constitution of stocks.

To store the above quantities of petroleum products new storage facilities need to be built, as an addition to the existing ones, and in accordance with the valid urban development plans. The investment costs for building a reservoir on the site designated for this purpose may pose an additional financial concern for reaching mandatory 90-days of oil stocks.

Directive 98/93 EEC and subsequent amendment (Directive 2006/67/EC) have created the possibility of diverse storage: stocks may be stored in the country by state body or private companies and/or allocated in a different country. Furthermore, the conditions for setting up agencies to provide 90 days of oil stocks (example of Croatia and Slovenia) have been created. All models have their advantages and disadvantages and they are directly compatible with the capabilities of countries.

The new Energy Law will set the legal framework for providing 90-days of stocks of petroleum products taking into account financial possibilities and the existing storage capacities in Montenegro.

The Energy Community established Oil Forum, which aims, among other things, to identify possibilities and the way to provide 90-days of petroleum product stocks for its member states.

12 What is your government's position on IEA membership and, if appropriate, by what date has such membership been requested or will it be requested?

Montenegro has not yet applied for membership in the International Energy Agency (IEA). IEA membership entails meeting a number of criteria that Montenegrin energy sector, unfortunately, is unable to fully satisfy at this point.

Significant reforms of the energy sector have been carried out in Montenegro in the previous period, and Montenegro will continue to implement the reforms and strive to fully harmonise the energy sector with EU directives in the near future, request and acquire the status of a member state of the International Energy Agency.

13 What is your current legal framework for this area? In the event that your country has a dedicated oil stocks body, what are its tasks, staffing and budget?

The new Energy Law will define legal framework for fulfilling the obligations related to the provision of 90-day stocks of petroleum products.

14 Does your Government, in case of IEA membership, have the intention to co-ordinate closely its positions in the IEA with those of the EU/European Commission? What would be your preferred mechanism for such coordination?

As a signatory to the Athens Memorandum and the Treaty establishing the Energy Community ([Annex 75](#)), using various instruments coordinated by the Energy Community Secretariat and its own programmes and activities undertaken by the Government, and in the spirit of integration into the European structures, Montenegro has already carried out significant reforms of its energy sector.

In the case of membership in the International Energy Agency, the Government of Montenegro will closely coordinate its positions in the IEA with those of the EU/European Commission.

As for the mechanism, special attention in coordination will be paid to harmonisation and conformity of Montenegro's energy policy with that of the EU member states.

15 Given that Montenegro plans to be supplied by gas have you foreseen: 1) the roles and responsibilities of various market participants in order to ensure security of supply; 2) prepared any emergency measures; 3) any monitoring and reporting mechanisms in order to mitigate future gas supply disruptions?

The draft new Energy Law includes provisions relating to the gas market. The draft Law has defined that the Energy Regulatory Agency approves a standard supply contract, which stipulates provision of continuous and reliable supply of gas to tariff customers. In part concerning the gas market, the draft Law defines storage of gas as a precondition of security of supply in all operating conditions.

III. INTERNAL ENERGY MARKET

16 Could compliance with the relevant acquis concerning the establishment of an internal energy market, i.e. rules on prospection, exploration and production of hydrocarbons as per directive 94/22/EC, rules price transparency as per Directive 2008/92/EC, Council Decision 99/280/EC, Commission Decision 99/566/EC of 26 July 1999 implementing Decision 99/280/EC, rules on opening up of the internal electricity and gas markets as per Directives 2003/54 and 2003/55, together with Regulation 1228/2003 on conditions for access to networks for cross-border exchanges in electricity, Regulation 1775/2005 on conditions for access to the natural gas transmission networks and Directive 2005/89 concerning measures to safeguard security of electricity supply and infrastructure investment lead to any problems in your country? (Please answer for each separately) If so, which are particularly difficult and for what reasons?

Directive 94/22/EC

The Ministry for Economic Development (now Ministry of Economy) has drafted Law on Exploration and Exploitation of Oil and Gas, which is fully compliant with Directive 94/22/EC. Representatives of the EU participated in drafting of the Law with their suggestions and comments. For these reasons, we do not expect that the implementation of Directive 94/22/EC will lead to any problems in our country.

Directive 2008/92/EC, Council Decision 99/280/EC, Commission Decision 99/566/EC of 26 July 1999 implementing Decision 99/280/EC

The provisions of Directive 2008/92/EC of the European Parliament and the Council, regarding procedures to improve the transparency of gas and electricity prices charged to industrial end-users in the European Community, have not been transposed into the Montenegrin legislation yet. The market has just been opened and no customer has changed suppliers, which means that all customers purchase electricity at prices approved and published by the Agency, hence there is no transparency problem.

However, the Market Rules, Article 6, paragraph 2 (Official Gazette of Montenegro 2/09) specifies: "The parties are obliged to report all contractual commitments arising from bilateral agreements, excluding commercial, to the Market Operator." This has clearly protected the confidentiality of sensitive contractual data.

Notwithstanding the foregoing, there should be no problem in reporting on electricity prices as indicated in Annex 2 of the said Directive, because the principle of transparency, as one of the central principles in the Energy Law, was transposed in the secondary legislation.

Below is an example of two provisions of Article 14 of the Supplier's License (issued license): 14.3. License Holder shall furnish all required information and documents to the Agency, in such manner and at such time as the Agency shall prescribe.

14.5. Exceptionally, License Holder does not need to provide information, if such act would violate the act of a competent court.

The implementation of Commission Decision 99/566/EC of 26 July 1999 implementing Decision 99/280/EC, which defines the transparency of data on petroleum products prices, including fees and expenses, should not cause problems.

Directive 2003/54, Directive 2003/55 and Regulation 1228/2003

Directive 2003/54 of the European Parliament and the Council of 26 June 2003 was drafted simultaneously with the Montenegrin Energy Law ([Annex 59](#)), which entered into force on 8 July 2003. During this process, each version of the draft Law was harmonised with the draft Directive, so the Law is fully compliant with it.

The following results are evident in practice:

- The Energy Regulatory Agency is established,

- Electricity market is opened with the accompanying secondary legislation in place,
- Transmission system, Transmission System Operator, and Market Operator are ownership unbundled from vertically integrated system of Electric Power Holding Company of Montenegro,
- Rules on issuing authorisations for new facilities are adopted, etc.

However, the functional unbundling of certain activities has not been concluded yet. This is particularly important for the functional unit Distribution, which must have a separate account.

The Law does not treat natural gas, neither does the secondary legislation, because natural gas cannot be found in Montenegro, and there is no gas infrastructure; therefore, we cannot comment on the relationship between the existing national legislation and Directive 2003/55 of the European Parliament and the Council. The new Energy Law, which will regulate natural gas issues as well, is currently being drafted. The draft Law is in line with Directive 2009/72 of the European Parliament and the Council, as well as with Directive 2009/73 of the European Parliament and the Council.

Joint Stock Transmission Company (Prenos AD Podgorica), as the national transmission network operator, carries out permanent harmonisation of activities related to access to the transmission network and cross-border exchange of electricity with the provisions of Regulation 1228/2003. As a signatory to the Agreement on Implementation of Pan-European ITC mechanism (compensation of costs between transmission system operators), Prenos AD Podgorica enabled full implementation of Article 3 of this Regulation in Montenegro. Furthermore, the methodology for establishing transmission tariffs provides for the implementation of Article 4 to the full extent, while web sites of the national transmission operator provide all the information covered by the transparency requirements in Article 5. Prenos AD Podgorica implements all of its planned activities in accordance with the guidelines of this Regulation. The single segment of Regulation 1228/2003, which full application could cause problems in Montenegro, refers to the area of congestion management in transmission network (Article 6).

From April 2007, the national transmission network operator has permanently worked on the enhancement of the methodology for congestion management in transmission network of the Montenegrin electric power system and harmonisation with the Regulation. So far, the achieved results have provided full transparency of the process, foundation on market principles, and distribution of income in accordance with the Regulation. However, the full application of the principle on non-discriminatory access to cross-border transmission capacities in the interconnection links with the neighbouring systems is still not possible.

The reasons are:

- Montenegrin electric power system is highly dependent on imported power and reliability of customers supply directly depends on the availability of cross-border transmission capacities;
- Geographical position of Montenegro and the topology of its electric power system causes high level of electricity transit compared to the total generation and consumption in the system;
- Insufficient openness of the regional electricity market in South East Europe causes many deviations and may have an extremely negative impact on end-users of electricity in case of uncritical application of the Regulation.

For the above reasons, Prenos AD Podgorica has mitigated the negative effects of the full implementation of this Regulation to the electricity consumers in Montenegro partially favouring all participants in the market that provide supply services to the domestic electricity consumers in respect to transit agents. Incentive measures are permanently monitored and reduced to the extent that allows progress in the development of free regional electricity market and electric power system of Montenegro.

Regulation 1775/2005

The Ministry for Economic Development (now Ministry of Economy) drafted the Law on Gas, which provisions have been included in the draft Energy Law. When drafting the Law on Gas, requirements of Regulation 1775/2005 have been included. Accordingly, we do not expect problems due to the application of Regulation 1775/2005.

Directive 2005/89

The provisions of Directive 2005/89 are included in the draft new Energy Law, so the adoption and enforcement of this law will provide the implementation of the Directive.

Requirements of this Directive relate to the provision of sufficient investment in own generation capacities and diversification of energy sources, which has been foreseen in the draft Energy Law. Also, other requirements of this Directive (that transmission system operators plan and coordinate design and operation of systems, and that the functioning of the market and sufficient investments in transmission and distribution systems are secured) are included in the draft Energy Law. In addition, these requirements are in line with the objectives of the Energy Policy of Montenegro ([Annex 97](#)) and strategic commitments highlighted in the Energy Development Strategy of Montenegro by 2025 ([Annex 71](#)).

Based on the above, we do not expect any problems arising from fulfilling the requirements of Directive 2005/89.

17 What is your policy, what are your plans on electricity, gas or oil exchanges and network interconnections with neighbouring countries and/or regions? What projects are being carried out as regards electricity and gas interconnectors? Who provides the funding and what agreements exist with respect to access to those networks?**Electricity**

As a signatory to the Energy Community Treaty ([Annex 75](#)), which was ratified on 26 October 2006, Montenegro has joined in the intensive development of the transmission network, which is largely based on enhanced cooperation, and increase of level of connectedness with the neighbouring systems.

As a result of this commitment, an agreement between the Ministry for Economic Development of the Government of Montenegro and Italy was signed on 19 December 2007 in Rome, in accordance with which the Electric Power Holding Company of Montenegro and TERNA (as licence holders for the transmission network operator of Montenegro and Italy, respectively) signed the Joint Feasibility Study Agreement, which includes cost-effectiveness analysis for the project of building undersea interconnection between Montenegro and Italy. After obtaining the positive results in the Study, draft Agreement on Construction was prepared (basic elements of the Agreement on Construction of New Italian-Montenegrin Interconnection System and Implementation of the Strategic Partnership between TERNA SpA and Joint Stock Transmission Company - Term Sheet). The representatives of the said companies initialled this document and final signing is expected. According to the preliminary design, the undersea interconnection will be about 370 km long and will ensure the exchange of electricity with the capacity of 1 000 MW. The estimated project value is around EUR 614 million. Financial resources for the project implementation will be provided through cooperation of Joint Stock Transmission Company (Prenos AD) and TERNA, where major part will be secured by TERNA.

To improve the interconnection links between Montenegro and the countries in the region, the construction of 400 kV power line Podgorica – Tirana is underway. Funds of KfW Bank (grants and loans) amounting to EUR 43.9 million allocated to the Albanian Power Utility KESH are used to finance the project of the power line construction, as well as the expansion of substations Podgorica 2 and Elbasan. The estimated costs of the project implementation in the territory of Montenegro without participation of Electric Power Holding Company of Montenegro i.e. Prenos AD (which separated from Electric Power Holding Company of Montenegro and began to operate as an independent company in April 2009) amount to EUR 11 020 344.28 (out of which donation accounts for EUR 1 352 223.86, the loan under favourable conditions amounting to EUR 910 150.68 and commercial loan amounting to EUR 8 900 500.00). Prenos AD and KESH will cover customs duties, VAT, land purchase and any other possible damages that may arise during the construction of the facility from their funds, which is estimated at about EUR 2 million for Prenos AD.

The project component in Montenegro includes:

- Construction of 400 kV power line from SS Podgorica 2 to the border with Albania of about 28 km in length, and
- Extension of 400/110 kV SS Podgorica 2, which includes development of a new 400 kV line bay Tirana and the reconstruction of the existing 400 kV line bay Ribarevine.

Works on excavation of foundation pits for towers, foundation construction and installation of towers are underway, while installation of equipment in SS in 400 kV line bay Tirana is concluded, and continuation of works (removal of existing and installation of new equipment in 400 kV bay Ribarevine) is subject to the settlement of property-legal relations in the vicinity of SS.

According to the plan, the envisaged deadline for the completion of works is November 2009, but due to unresolved property-legal relations and tardiness of contractors, this deadline will probably not be met.

In terms of the access to capacities, the commitment of the Montenegrin transmission network operator for allocation of transmission capacities through daily, monthly and long-term auctions in which all registered participants in the regional electricity market have the right to participate is unambiguous.

Natural gas

Representatives of the governments of Montenegro, Croatia and Albania signed Declaration on the Construction of Adriatic-Ionian Gas Pipeline on 25 September 2007 in Zagreb, which should be connected to the Trans Adriatic Pipeline. Total length of the Adriatic-Ionian Gas Pipeline is about 400 km, of which a section of approximate length of 100 km should be built in Montenegro. The construction of the main gas pipeline through Montenegro would create the conditions for the construction of distribution gas pipeline, which would allow gasification of Podgorica and Niksic, and of the whole Montenegro. This will enable the introduction of environmentally friendly energy sources in the region, diversity of stocks and energy sources, the possibility of connection to the gas pipeline Italy - Slovenia - Hungary, as well as economic gains for Montenegro. In December 2008, the representatives of Bosnia and Herzegovina also signed the Declaration on the Construction of –Adriatic-Ionian Gas Pipeline.

In order to realise this project, the following activities have been implemented so far:

- Memorandum of Understanding (PLINACRO and EGL) was signed;
- Joint working group PLINACRO/EGL was set up;
- Establishment of inter-state body was initiated;
- Analysis and studies of alternative routes and configuration of gas pipeline systems (spatial and technical and economic considerations) were carried out;
- Cooperation between companies PLINACRO and EGL, as well as their cooperation with the ministries of Montenegro and Albania in charge of energy affairs, was established;
- Project was included in the Spatial Plan of Montenegro until 2020, Energy Development Strategy of Montenegro by 2025 ([Annex 71](#)) and Strategy Implementation Action Plan for the period 2008-2012 ([Annex 100](#));
- The Project was given the status of priority regional project by the Energy Community.

The total project value is estimated at EUR 230 million, and the envisaged contribution of Montenegro in the project is EUR 60 million.

18 What steps have you taken to implement the commitments taken in the framework of the Energy Community Treaty, and to prepare for the establishment of an integrated regional energy market?

Montenegro signed the Treaty establishing the Energy Community on 25 October 2005 in Athens ([Annex 75](#)), and ratified it on 26 October 2006 thus becoming a full member of the Energy

Community of South East Europe. The Treaty entered into force on 1 July 2006. The Treaty has defined the deadlines for Member States to fulfil the determined commitments.

Montenegro actively participates in the work of the Energy Community institutions, such as the Ministerial Council, the Permanent High-Level Group, the Regulatory Board, the Electricity Forum, the Gas Forum, the Social Forum, the Oil Forum, the Working Group for Energy Efficiency, the Working Group for Renewable Energy Sources, etc. In accordance with the provisions of the Treaty establishing the Energy Community, Montenegro held the Presidency of the Energy Community in the first six months of 2007 and successfully organised the Ministerial Council meeting on 29 June 2007 in Becici.

With the aim to fully harmonise national legislation in the field of energy with the EU legislation, draft new Energy Law and draft Law on Energy Efficiency have been prepared. Draft Energy Law has included the provisions from the previously prepared draft Law on Gas and draft Law on Renewable Energy Sources. In addition, the draft Energy Law contains the provisions relating to security of supply of electricity and gas, cogeneration, as well as provisions concerning the obligation to provide 90 days of petroleum products reserves (see response to question No. 3).

Activities in the electricity sector

In accordance with the provisions of the Treaty establishing the Energy Community, the Action Plan (Road Map) of Montenegro for Implementation of Directive 2003/54/EC on common rules for the internal market in electricity was drafted and adopted in November 2006.

The Action Plan defined the following activities:

Unbundling of Electric Power Holding Company of Montenegro

Following the functional unbundling of Electric Power Holding Company of Montenegro into four functional units Generation, Transmission, Distribution and Supply, the separation of Transmission from Electric Power Holding Company of Montenegro was carried out within the process of legal unbundling of the company at the end of March 2009, thus establishing Joint Stock Transmission Company (Prenos AD Podgorica). This joint stock company started to operate as an independent legal entity in April 2009. Prenos AD deals with the transmission of electricity, and performs the activities of the transmission network operator and electricity market operator.

Responsibilities of public supplier and consumer protection

In accordance with Directive 2003/54/EC, the Energy Law ([Annex 59](#)) defines energy activities as activities of public interest and emphasizes the responsibility to supply electricity as a public service obligation.

In order to protect the consumers, the Government of Montenegro adopted four consumer subsidy programmes in the previous period, namely:

1. Programme on subsidising the most vulnerable groups of citizens aimed at satisfying minimum needs for electricity and heat (adopted on 26 July 2007, and applied in the period October 2007 - July 2008); the Programme applied to the beneficiaries of: family social welfare assistance, personal disability allowance, carer's allowance, accommodation in another family and war veterans allowance, and it began to apply on 1 October 2007. The amount of subsidy was set to 30% of the average minimum bill for a four-member household, which amounted to EUR 11.84 per month. In accordance with the Programme, subsidy payments were made quarterly in the amount of EUR 35.50.

2. Programme on subsidising electricity consumers (adopted on 5 June 2008 for the period June 2008 - June 2009); the Programme applied to two groups of consumers, namely:

- Beneficiaries of the social protection rights including: family social welfare assistance, personal disability allowance, carer's allowance, accommodation in another family and war veterans allowance - these beneficiaries had the right to 40 % discount for the bill amounting up to EUR 60 and if the bill exceeded that amount it was reduced by EUR 24;

- Wider group of households whose average monthly bill for consumed electricity in 2007 was in the range between EUR 15 and EUR 60, provided that the total monthly income of the household

in 2007 did not exceed EUR 1 000 – the subsidy for this group of customers was 15% for the bill amounting up to EUR 60, and if the bill exceeded that amount it was reduced by EUR 9.

3. Programme on subsidising electricity consumers (adopted on 4 December 2008 for the period of application from 1 December 2008 to 31 December 2009); the Programme envisages financial support for the following consumers:

- Beneficiaries of social protection rights, amounting to 45% for the electricity bill up to EUR 80, the subsidy is fixed and amounts to EUR 36;

- Wider group of household customers whose average monthly bill for consumed electricity in 2008 was in the range between EUR 15 to EUR 80, provided that their total monthly income in 2008 did not exceed EUR 1200; the subsidy was 12.5% for the bill up to EUR 80, and for bills exceeding EUR 80 the subsidy was fixed at EUR 10. Beneficiaries of the subsidy of 15% as per the previous Programme (adopted in June 2008) who fulfilled the newly set requirements for the period from 1 December 2008 to 31 May 2009 could have had the subsidy in the amount of 27.5%, with a maximum amount of EUR 19, while for the period from 1 June 2009 to 31 December 2009 their subsidy was 12.5%;

- Distribution network customers at 0.4 kV level (other consumption - I and II level) – in the rate of 10% of the monthly bill; this customer category includes small and medium sized enterprises dealing with service and craft activities, and small industrial consumers. There are about 26 000 of these;

- All distribution network customers at 10 kV level - in the rate of 10% off the monthly bill; these are medium sized enterprises (Telekom, Plantations, Institute for Black Metallurgy, most municipal water supply utilities, major hotels, dairy farms, meat factories, wood processing industry, etc.) There are 323 of these;

- All distribution network customers at 35 kV level - in the rate of 10% of the monthly bill; these are major consumers (Port of Bar, Adriatic Shipyard, Coal Mine Pljevlja, Bauxite Mines, water supply utilities in Budva and Cetinje, etc.); there are 25 of them;

- Montenegrin Railways - in the rate of 10% of the monthly bill.

All consumers covered by the Programme under point 3, apart from the beneficiaries of social protection rights, whose total debt for consumed electricity after six months of the application of the subsidy exceeded last two monthly bills lost their right to further subsidies according to this programme.

4. Model of additional subsidising of electricity consumers for categories of distribution customers at 35 kV, 10 kV and 0.4 kV level (adopted on 26 March 2009, for the period from 1 April 2009 to 30 September 2009), according to which additional subsidies in the rate of 5% of the monthly bill are granted to all customers in the category of distribution customers at 35 kV, 10 kV and 0.4 kV level.

The aim of introducing these subsidies is to find options for more regular settling of electricity bills, reduce cross-subsidies, and enable successful business of Electric Power Holding Company of Montenegro, gradually reaching the market price of electricity.

Montenegro signed Memorandum of Understanding on Social Issues in the context of the Energy Community on 18 October 2007 in Vienna ([Annex 96](#)). The memorandum highlighted the importance of social dimension and established the principles of social dialogue in the energy sector, both at national and regional level. The social dialogue in the energy sector has been promoted in Montenegro, with the aim to create better conditions for employment, work and better living standard, and contribute to economic and social progress in the Energy Community. Montenegrin representatives participated in the First Social Forum held on 18 and 19 November 2008 in Tirana. Working group for Social Action Plan drafting was set up, and it consisted of representatives of the Government, Employers Federation and Federation of Trade Unions of Montenegro.

Monitoring of security of supply

Monitoring of security of supply is dealt with in the Energy Law (Official Gazette of the Republic of

Montenegro 39/03) in the context of security of supply of tariff customers, and has been implemented in the process of monitoring of energy balance realisation. Montenegro prepared Security of Supply Statement in June 2007, which was adopted by the Ministerial Council of the Energy Community on 29 June 2007 in Becici.

The draft new Energy Law includes provisions relating to the security of electricity supply, in accordance with Directive 2005/89/EC concerning measures to safeguard security of electricity supply.

Technical Rules

The Energy Regulatory Agency adopted Rulebook on Supervision of Work and Operations of Energy Undertakings (Official Gazette of Montenegro 06/08), regulating the manner and procedure for carrying out supervision of work and operations of energy undertakings by the Energy Regulatory Agency, subject of the control, duties and powers of the Agency when performing controls, as well as the obligations and rights of supervised undertakings in the control process. This rulebook applies to all undertakings engaged in generation, transmission, distribution and supply of electricity, as well as those engaged in the sale, supply, storage, distribution and commercial transport of petroleum products and gas, which have the licence to perform such activities issued by the Agency.

Authorization procedure and tendering for new capacities

Rulebook on Procedure and Criteria for Issuing Authorisations in the Energy Sector of Montenegro, adopted by the Energy Regulatory Agency on 24 July 2007 (Official Gazette of the Republic of Montenegro 46/07), prescribed criteria for issuing authorisations for the construction of new generation capacities, reconstruction of the existing generation facilities aimed at their improvement, new connections with other systems and the construction of a direct line.

The Law on Concessions, adopted on 26 January 2009 (Official Gazette of Montenegro 08/09), established the conditions, manner and procedure for awarding concessions, subject matter of concessions and other issues of importance for the realisation of a concession. This law complies with the provisions of Directive 2004/18/EC on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.

Based on the public tender for the concession award under DBOT arrangement for the water stream exploration and small hydro power plant construction in Montenegro, published on 19 November 2007, the tendering procedure was conducted in accordance with the Law on Participation of Private Sector in the Provision of Public Services (Official Gazette of Montenegro 30/02). Concession agreements for exploration and construction of small HPPs on eight water streams were concluded between the Ministry for Economic Development as the grantor and six companies that were selected in the tendering procedure as the best bidders on 26 September 2008. Implementation of the activities envisaged by those agreements is ongoing. In addition, the Ministry of Economy issued a new public invitation to tender for concession award for the construction of small HPPs on ten explored water streams in Montenegro on 15 September 2009. The concession award will be implemented in a two-stage procedure, which includes prequalification and qualification phase.

In order to utilise wind energy, the exploration of wind power in several locations in Montenegro, as well as preparation of secondary legislation for the construction of wind power plants have been underway. Decree on Wind Power Plants (Official Gazette of Montenegro 67/09) was adopted to regulate the procedure for measuring and exploring wind potential, the manner and procedure for land leasing at the measuring site i.e. site of a wind power plant, the process of building the plant and its connection to the electric power system, and purchase of electricity. Following the completion of studies that have been realised by several reputable companies, it is planned to publish the public invitation for the construction of wind power plants.

Third-party access

Third-party access principles have been applied in Montenegro on the regulated and non-discriminatory basis, in accordance with the Rules for Third-Party Access to Transmission and Distribution Network (Official Gazette of Montenegro 13/07), which were adopted by the Energy

Regulatory Agency on 11 December 2007. The Rules regulate third-party access to the transmission and/or distribution network, which includes the right of third party – market participant to conclude a contract under equal, fair and pre-known conditions with the transmission network operator or distribution network operator on access to network to carry out its licensed activities.

Entities licensed for generation, supply, trade and major consumers who purchase electricity independently for their own needs are entitled to the access right to the transmission and/or distribution network.

Electricity market arrangement

Pursuant to the Law on Ratification of the Treaty establishing the Energy Community between the European Community and the Republic of Montenegro ([Annex 64](#)), Montenegro assumed the commitment to allow all customers, excluding households, to become eligible customers as of 1 January 2008.

In Montenegro and in some other members of the Energy Community the conditions required for the opening of the electricity market on 1 January 2008 were not in place.

In accordance with the Energy Law, a series of activities was carried out in order to create conditions for the establishment and operation of the electricity market in Montenegro. In late December 2008, the Energy Regulatory Agency adopted the Rules for the Establishment and Operation of the Electricity Market (Official Gazette of Montenegro 01/09 and 54/09), which defined the legal framework, objectives and conditions for the electricity market establishment, the basic principles for eligible customers supply and change of suppliers, operation of the public supplier, the basic rules and principles for the development of competition and combat against anticompetitive behaviour and abuse of monopoly position in the market.

The Board of the Energy Regulatory Agency passed the Decision on Approval of the Market Rules (Official Gazette of Montenegro 02/09) on 30 December 2008, which were previously prepared and adopted by Electric Power Holding Company of Montenegro. The aim of the Market Rules is to create conditions for the functioning and development of the electricity market. The main purpose of the Market Rules is to define the relationship and course of activities in the electricity market, and to establish the rights, obligations and responsibilities of energy undertakings and market participants.

Subsequently, the Agency passed the Decision on the Electricity Market Opening (Official Gazette of Montenegro 01/09) on 30 December 2008, effective from 1 January 2009. The Decision established that the market organisation and operation would take place in accordance with the Market Rules. Electricity market consists of wholesale market, which includes electricity generators, traders and suppliers, as well as eligible self-suppliers, and retail market including suppliers and eligible customers, i.e. consumers who have acquired the right to choose their own electricity supplier. Market development and liberalisation will take place gradually, in accordance with the development of overall relations and competition in the market. During the initial period after market opening, until the emergence of competition in supply business, all end-customers are entitled to be supplied by the public supplier at the current regulated tariffs, except for customers who are supplied under separate contracts.

After the market opening, all legal persons in Montenegro and abroad interested in performing the activities of electricity trade and supply, have the right to request the appropriate license from the Agency, and obtaining such licence provides the right to participate in the electricity market in Montenegro.

The Board of the Agency passed the Decision on Selecting the Public Electricity Supplier (Official Gazette of Montenegro 01/09) on 30 December 2009, selecting Electric Power Holding Company of Montenegro – FU Supply as a public supplier to carry out electricity supply of tariff customers as a mandatory public service, starting from 1 January 2009. This decision defined the obligation of the public supplier to supply electricity to the eligible customers that were supplied as tariff customers by 31 December 2008, until their transition to different supplier.

Memorandum of Understanding establishing South East Europe Coordinated Auction Office was signed by the representatives of the transmission network operators on 11 December 2008 in

Tirana. The Ministerial Council decided to place the Office's headquarters in Montenegro. It is envisaged to provide transparent cross-border capacity allocation and non-discriminatory cross-border congestion management in the region based on the competition principles through the work of the Auction Office. Furthermore, the efficient use of overall infrastructure for cross-border electricity transmission will be secured, trade encouraged and security of electricity supply increased in the region.

Activities in the field of natural gas

Montenegro does not have a developed gas market, but as a member of the Energy Community it has the responsibility to implement primary regulations related to Directive 2003/55/EC concerning common rules for the internal market in natural gas, Regulation 1775/2005/EC on conditions for access to the natural gas transmission networks, and Directive 2004/67/EC concerning measures to safeguard security of natural gas supply. Accordingly, the draft Law on Gas was prepared in October 2008 and its provisions were subsequently incorporated in the draft Energy Law.

Proposal of Law on Exploration and Production of Hydrocarbon has been prepared, and it complies with Directive 94/22/EC on the conditions for granting and using authorisations for the prospection, exploration and production of hydrocarbon.

Preparatory activities for drafting of the Decree on Compensation for Exploited Oil and Gas are in progress, as well as establishing a model for concession agreement for the production of hydrocarbon and preparing the tender for concession award. Publishing of the tender for continuation of oil and gas explorations in the Montenegrin undersea is planned in 2009.

19 Could you briefly describe the legal, procedural, technical and environmental frameworks for authorisation of networks? What is the average timescale to complete procedures governing authorisation for the construction of power and gas installations/networks etc.? Do you have plans to improve the timescale and address the difficulties; if so, when and how?

Construction and reconstruction of energy facilities is subject to the special laws regulating this matter, namely:

1. Energy Law (Official Gazette of the Republic of Montenegro 39/03), ([Annex 59](#));
2. Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08);
3. Law on Concessions (Official Gazette of Montenegro 08/09);
4. Law on General Administrative Procedure (Official Gazette of the Republic of Montenegro 60/03).

Issuing authorisations for the construction of power facilities

Article 12, paragraph 2, item 3 of the Energy Law (Official Gazette of the Republic of Montenegro 39/03) stipulates that the Energy Regulatory Agency issues authorisations for the construction of new or reconstruction of existing generation capacities. Authorisation means a permit issued by the Agency for the construction of new or reconstruction of existing generation capacities and new connections with other systems. In accordance with the Energy Law and its competencies, the Energy Regulatory Agency adopted the Rulebook concerning procedure and criteria for issuing authorisations in energy sector of Montenegro (Official Gazette of the Republic of Montenegro 46/07). The said document prescribes detailed criteria for issuing authorisations for the construction of new generation capacities, reconstruction of existing generation facilities to significantly improve them, new connection with other systems and construction of direct line. In addition, the Rulebook regulates the contents of application and procedures for issuing authorisation, the conditions for exclusion of and exemption from liability to apply for authorisation granting, and the method of exchange of information and documentation between the Energy

Regulatory Agency and the applicant for authorisation and between the Agency and the entity to which the authorisation was issued.

The criteria for granting authorisation must include:

- 1) safety and security of energy systems, installations and equipment;
- 2) environmental protection;
- 3) utilisation of land and construction sites;
- 4) the use of public property;
- 5) the efficient use of energy;
- 6) the nature of primary resources;
- 7) technical, economic, financial and operating capacity of the applicant.

The Agency issues authorisation to the applicant provided that legal, technical and economic requirements set by the Agency are met. Authorisation is issued for a period no longer than two years, during which the authorisation holder is required to obtain a permit for the construction of facility by the competent authority, whereby the Agency may, at the request of the authorisation holder, extend this period up to one (1) year. The overall procedure for issuing authorisation by the Agency takes up to 25 days upon the receipt of a valid application. Draft new Energy Law does not envisage the Agency to issue this authorisation.

Since gas market has not been developed and there are no gas networks and installations in Montenegro, the existing Energy Law does not regulate gas sector activities, such as exploration, production, transmission and distribution of gas. Owing to the same reasons, there is no secondary legislation in this area. However, the draft new Energy Law includes provisions relating to the performance of gas-related activities, as follows: acquisition, storage, transmission, distribution and supply of gas.

Issuing energy permits

The draft new Energy Law defines energy permit as a public document issued by competent authority, in the prescribed procedure, which determines characteristics of the energy facility and which is a precondition for its construction. Article 60, paragraph 1 of the draft Energy Law reads: "Energy facilities shall be built pursuant to the law regulating spatial planning and construction of structures, technical and other regulations, upon a previously obtained energy permit issued pursuant to this law." Paragraph 2 of the same article, *inter alia*, states that the energy permit is obtained for the construction and reconstruction of facilities for electricity generation, facilities for natural gas transmission and distribution, facilities for natural gas storage, facilities for natural gas distribution and facilities for storage of liquefied natural gas. Article 60, paragraph 3 states that the procedure for issuing energy permit is launched with an application for issuing energy permit that may be submitted by domestic and foreign companies or entrepreneurs. According to paragraph 4 of the same article, energy permit can be obtained without concession and before acquiring the ownership right, i.e. right to use the land where the construction of an energy facility is planned and prior to issuing an act on city planning requirements for construction of an energy facility, i.e. facility construction approval. Draft new Energy Law envisages that energy permit for respective facilities is issued by the ministry in charge of energy affairs.

In accordance with the draft Energy Law, obtaining an energy permit is not required for energy facilities that are constructed on the basis of granted concession, as well as for the reconstruction of existing energy facility.

Taking decision on concession granting

Construction of energy facilities, which ensure safe and regular supply of energy, may be approved on the basis of a conducted public tender procedure, to which the provisions of the law regulating concessions are applied.

Article 6, paragraph 1, item 8 of the Concession Law (Official Gazette of Montenegro 08/09) defines that the subject matter of a concession, *inter alia*, may be: design, construction, maintenance and utilisation of energy-related and other facilities serving for the generation,

transmission and distribution of electricity, heat and gas, or their reconstruction, modernisation, maintenance and utilisation. For the purposes of this law, concessions are granted on the basis of an annual plan adopted by the Government, or municipality, and are published on the website of the Government, or municipalities. Plan for granting concessions designates regions - sites or areas in which concessions will be granted, subject matter of concession, deadlines for publication of public announcement for concession granting. Article 7 of the Concession Law defines in more detail notification procedure for the concession subject matter and area.

Period for which the concession is granted is determined depending on the public interest, subject of concession, the time needed for return on investment and making of sufficient profit from the conduct of concessionary business. The duration of a concession period is defined, in more detail, in Article 8 of the Concession Law.

Article 9 of this Law defines more closely the competencies for granting of concessions. The Decision on concession granting on the subject matter of the concession over which the property rights and powers are exercised by Montenegro is passed by the Government or the Parliament pursuant to Article 8, paragraph 2 of this Law. The Decision on concession granting on the subject of a concession over which the property rights and powers are exercised by a municipality is passed by that municipality.

Competent authority initiates the procedure of granting concessions by preparing concessionary act in accordance with the Concession Granting Plan. This procedure may be launched upon the initiative of an interested person.

A more detailed description of the process of drafting concessionary act and its content is defined by Article 18 and 19 of this Law. In the concession-granting process that is launched upon the initiative of the competent authority, the concession is granted on the basis of a public announcement, by means of:

- 1) Public competition under open procedure;
- 2) Two-stage public competition;
- 3) Public competition under summary procedure.

The procedures under 1), 2), and 3) are described in detail in Articles 21 to 40 of this Law.

Exceptionally, public tender procedure on the basis of a public announcement may be excluded in the cases described in Article 20, paragraph 2 of this Law. Article 41 of this Law defines method for starting concession-granting procedure at the initiative of an interested person. The Concession Law gives the legislative framework and defines the concession-granting procedure, as one of the ways to obtain approval for the construction of electrical and gas installation/network, if this is foreseen by the Concession Granting Plan.

Issuance of building and use permits

If there is no planning document that has designed network of electrical and gas installations, it is necessary to create an appropriate planning document that would provide planning requirements for the construction of such installations. This planning document should contain urban development and technical requirements i.e. offprint with urban development and technical requirements, which are necessary for the development of technical documentation.

Provisions of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08) are applied on infrastructure and all other facilities when issuing building permits.

Electrical and gas installations do not belong to the category of structures explicitly mentioned in Article 7 and 91 of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08). Namely, Article 91, paragraph 1 of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08), regulates that the state administration body i.e. the Ministry for Environmental Protection and Spatial Development issues a building permit for a structure that is being built according to the state planning document.

The same article in paragraph 2, stipulates that a building permit for a structure that is being built according to a local planning document is issued by local administration authority.

The law, in the same article, paragraph 4, as the exemption from the above rule referred to in paragraph 2, states that the administration body - the competent ministry issues a building permit also for: structures of basic and chemical industry; ferrous and non-ferrous metallurgy; structures for production of cellulose and paper; structures for processing of leather and fur; structures where hazardous substances are produced and stored and similar structures and plants which work might threaten the environment; plants using liquefied petroleum gas, high dams and reservoirs filled with water, tailing dump or ash for which technical monitoring is prescribed; structures of special significance for defence of the country; business, residential and residential-business buildings with over 3 000 m²; structures for education, science and health care having over 3 000 m²; hotels, religious structures, theatre, cinema, sports, exhibition and similar halls, with over 3 000 m²; silos of over 3 000 m³ and more; halls of the span over 30 m, bridges with span over 30 m; sanitary landfills and plants for treatment of solid and hazardous waste; concessions causing spatial alterations, systems and structures built at the territory of two or more local self-government units; stations and plants for storing and decanting of fuel; stadiums of capacity for over 3 000 people, and tunnels over 200 m in length.

Article 7 of the same Law stipulates that the structures of general interest are, among others, facilities of transmission and distribution network at 35kV voltage level and above (state structures of general interest) and the facilities of distribution network up to 35 kV (local structures of general interest).

Electrical and gas installations are low voltage installations and are not a special structure in the context of this Law, but an integral part of a building (residential building, business building, dam, factory, fuel station, etc.). Electrical and gas installations are only one phase of the construction of any building, referred to in Article 91, paragraph 4 of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08); therefore, a request for issuance of a building permit may not be submitted for these installations separately.

Provisions of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08) apply to electricity and gas networks as energy-related infrastructure facilities, as well as to all other structure when issuing building and use permits.

Article 93 of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08) stipulates that a building permit is issued on the basis of the following documents:

- Conceptual design or main design, produced in four copies out of which one is in the protected digital form;
- Report on the conducted review of the conceptual or main design, in accordance with this Law;
- Evidence of the ownership right or other right over the construction land or evidence of the right to construct or other right related to the structure, in case of the reconstruction of the structure.

In the procedure of issuance of a building permit, it is verified whether the conceptual or main design is produced and reviewed in accordance with urban development and technical requirements and the law.

Article 94, paragraph 1 of this Law, lays down that a building permit is issued within 15 days from the day of the submission of an application, if the requirements referred to in Article 94 of this Law are met.

Article 7 of the same Law stipulates that the structures of general interest are, among others, facilities of transmission and distribution network at 35kV voltage level and above. Building permit for such structures is issued by the Ministry for Environmental Protection and Spatial Development.

Conditions, necessary for the issuance of a building permit referred to in Article 93 of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08) are:

conceptual design or main design, produced in four copies out of which one is in the protected digital form, the report on the conducted review of the technical documentation and evidence of the ownership right or other right over the construction land.

There can be two legal situations in connection to the procedure for issuing building permit for the construction of an energy-related infrastructure facility:

1) If the procedure of issuing building permits is carried out on the basis of the conceptual design, then the review of the conceptual design does not include obtaining approvals stipulated by the law (issued by the competent authorities in accordance with special regulations).

Based on the building permit issued after the conceptual design, a structure cannot be built until the main design is drafted and reviewed; however, preparatory works may commence on the basis of a study prepared in accordance with the Rulebook on the Contents of the Study on Preparatory Construction Works (Official Gazette of Montenegro 80/08), with reference to Article 5 of the Rulebook, which states: "At locations where structures representing a complete functional units are built, and which are included in planning documents, for which strategic environmental impact assessment is made, the Study may include the area necessary for complete infrastructural equipping of the area, over which the investor has the property right or other right for the construction land on which the preparatory works are executed." When main design is prepared and revised in accordance with the Law and rulebooks, prior to the construction of facilities of the transmission and distribution networks, building inspector must verify whether the main design is produced in accordance with the conceptual design on which basis the building permit has been issued.

2) If the procedure of issuing building permit is carried out based on the main design, the subject of its review also includes approvals issued by the competent authorities in accordance with special regulations, pursuant to Article 90, paragraph 2 of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08), which stipulates that an integral part of the main design review report referred to in paragraph 1 of this article, are approvals issued by the competent authority in accordance with special regulations and the Rulebook on Review of Conceptual and Main Design (Official Gazette of Montenegro 81/08). The construction of a structure based on the main design is supervised by building inspector - i.e. they control whether the construction of a structure is performed in accordance with the reviewed main design for which the building permit has been issued. Development of the conceptual or main design is done at the request of the investor who entrusts this job to the companies appropriately licensed to design. Control to verify whether the conceptual and main designs are prepared and reviewed in accordance with the urban and technical requirements, laws and regulations are carried out during the procedure of issuing building permit.

Article 79 of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08) has determined compulsory contents of the conceptual design, which contains data on: microlocation of the structure; technical and technological, and exploitation characteristics of structure; indicative calculation of stability and safety of structure; technical and technological, and organisational elements for the construction of structure; analysis of alternatives for energy systems of structures/buildings with an estimate of energy efficiency of structures/buildings; design of infrastructure, analysis of alternative, structural and construction designs for structures referred to in Article 7 of this Law; indicative value of works for the construction of structure. In accordance with special regulations, the conceptual design also contains data on environmental impact assessment. In case when the nature of investment requires it, the conceptual design may also define phased implementation or construction of the structure, which precisely serves to the construction of energy structures built over a longer period and in phases.

Article 80 of the same Law stipulates that the main design includes in particular: architectonic or construction solutions, calculation of stability and safety of structure and calculations in the field of construction physics and energy efficiency; elaboration of technical and technological, and exploitation characteristics of the structure with equipment and installations, including also energy characteristics of structures/buildings; elaboration of details for execution of works covered by the main design, as well as technical and technological, and organisational designs for the construction of structure; elaboration of connections of the structure to appropriate traffic routes

and other infrastructure and development of free surfaces; technical solutions for protection of the structure and adjoining structures against fires and explosions and other technical protection solutions; elaboration of measures for prevention or reduction of adverse impacts of interventions on the environment; costs of construction and maintenance of structure; other projects and detailed studies, in accordance with intended use of the structure.

In this regard, below are the required consent forms:

- Energy consent;
- Fire protection consent;
- Environmental consent;
- Agricultural consent, if the energy facility is located within the scope of the Spatial plan of Montenegro;
- Water economy consent;
- Sanitary consent, and
- Geological consent.

Acting upon the application for issuance of permit for the construction of energy-related infrastructural facility is immediate, if all the documentation referred to in Article 93 of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08) is duly submitted, and no later than fifteen days from the day of the submission of complete documentation in accordance with Article 94, paragraph 1 of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08).

Regarding the application for issuance of use permits for energy-related infrastructural facilities, the procedure is performed in accordance with Article 120 of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08). Namely, the aforementioned article of the Law stipulates that prior to commencement of the use of structure the investor is obliged to submit the application for issuance of a use permit, no later than seven days from the date of completion of works.

In addition to the application for issuance of use permit, the investor encloses the following:

- 1) Statement of the general contractor that the structure has been constructed according to the building permit and reviewed main design;
- 2) Statement of the supervising engineer that the structure has been constructed according to the building permit and the reviewed main design;
- 3) Statement of the lead project engineer that the structure has been built according to the reviewed main design;
- 4) Evidence of fulfilled obligations, in accordance with special regulations;
- 5) Evidence of regulation of relations in respect of payment of the fee for utility equipping, referred to in Article 66 of this Law;
- 6) Reviewed main design, if the building permit has been issued based on the conceptual design.

The supervising engineer and the lead project engineer referred to in paragraph 2 of this Article may be the same person.

Use permit is issued in the form of a decision by the authority competent for issuance of building permit. Use permit is issued for the structure or a part of the structure, if the building permit determined phased construction. This Law has established transparency and publicity of work in the process of permit issuance, as the application for issuance of building and use permits, and the related decisions are published on the website of the administrative bodies. Article 121 of the same Law stipulates that use permit is issued within seven days from the day of receipt of the report that the structure is suitable for use, and that, in this connection, the very suitability for use of the structure is established through a technical inspection – Article 122 of the Law.

Technical inspection includes the control of compliance of performed works with reviewed main design, as well as with regulations, standards, technical norms and standards of quality valid for specific types of works or materials, equipment and installations, and it may be approved only if the structure or a part of the structure has been constructed in accordance with the building permit and reviewed main design. In this regard, the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08) - Article 123, paragraph 2 and the Rulebook on Method of Performing Technical Inspection (Official Gazette of Montenegro 33/09), stipulate that the technical inspection performer is designated by the authority competent for issuance of use permits within seven days from the day of submission of the application for issuance of use permit. Investor bears the costs of the technical inspection.

The same article of the Law, stipulates that the technical inspection may be conducted by a business organisation licensed to prepare technical documents, or which holds the licence for building or performance of certain construction works on the subject structure.

Specifically, the license issued by the decision of the administrative body - Ministry of Environmental Protection and Spatial Development, is issued for a period of five years, subject to fulfilment of the requirements prescribed by the Law. This means that a business organisation may prepare technical documentation or engage in building of structures or perform certain construction works, if that organisation is registered in the Central Registry of the Commercial Court to carry out activity of development of technical documentation or performing of the construction business i.e. performance of certain works, and it must have an employee who is a responsible planning specialist or engineer.

In the further procedure of issuing the use permit for structures, including the aforementioned energy-related infrastructural facilities, if the report of the commission on conducted technical inspection of works performed on the structure concerned is positive, then the Ministry of Environmental Protection and Spatial Development is competent for procedure if it issued a building permit for that structure, and immediately, but no later than seven days of completing the necessary documentation for issuing the use permit as defined in Article 120 of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08), issues the permit.

Otherwise, if the report of the commission on conducted technical inspection of work performed on the structure concerned is negative, and contains comments ordering elimination of identified deficiencies within the set period, the investor has the obligation, after eliminating them, to request a repeated technical inspection. It should be noted that in case of a repeated technical inspection, only the works that were supposed to be corrected or subsequently performed are examined.

Upon submission of the report on repeated technical inspection, the Ministry for Environmental Protection and Spatial Development will issue the use permit in a form of a decision, if the report includes a positive proposal to issue the permit, stating that the identified deficiencies have been eliminated within the required period. In this regard, the powers of a building inspector are defined under Article 153, paragraph 1, item 4 and 7 of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08), which stipulates that when the building inspector identifies that the law or other regulation has been violated, he/she may prohibit the use of a structure for which use permit has not been issued and propose to the administration authority to proclaim the use permit null and void if issued contrary to this Law. For the first time, the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08) has introduced "parallel technical inspection" for structures within the competence of the Ministry of Environmental Protection and Spatial Development. In this case, Article 127 of the same Law gives the investor a possibility to request technical inspection of the structure in parallel with its construction in which case the technical inspection performer is determined by the building permit.

Technical rules for connecting customers to distribution and transmission network of electricity power system and interconnection with other networks

Interim Distribution Code (Official Gazette of the Republic of Montenegro 13/05) establishes technical rules for minimum technical and planning, and operational requirements for connecting customers to the distribution network and interconnection with other networks.

Interim Grid Code (Official Gazette of the Republic of Montenegro 13/05) establishes technical rules for minimum technical and planning, and operational requirements for connecting to the transmission network and interconnection with other networks.

Environmental Framework

As stated in Article 70 of the Law Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08), conceptual design includes, inter alia, and in accordance with the prepared special regulations, data on the environmental impact assessment (EIA). A set of regulations that fully regulate EIA of projects is adopted at national level and they have been applied since 1 January 2008, those are: Law on Environmental Impact Assessment (Official Gazette of the Republic of Montenegro 80/05), Decree on projects that are subject to elaboration of Environmental Impact Assessment Study (Official Gazette of the Republic of Montenegro 20/07), Rulebook on contents of the documentation which is submitted with the request for deciding on the need for environmental impact assessment (Official Gazette of the Republic of Montenegro 14/07), Rulebook on the contents of the documentation which is submitted with the request for deciding on the scope and contents of the Environmental Impact Assessment Study (Official Gazette of Montenegro 14/07) and Rulebook on the contents of the EIA Study (Official Gazette of Montenegro 14/07).

Council Directive 97/11/EC amending Directive 85/337/EEC on the assessment of the effects of certain public and private projects on the environment was transposed in the Law on Environmental Impact Assessment. Also, Directive 2003/35/EC of the European Parliament and of the Council providing for public participation in decision-making and access to information was transposed in the Law. Montenegro ratified the Espoo Convention on Environmental Impact Assessment in a Transboundary context, with two amendments (Official Gazette of Montenegro 08/08).

The Law on Environmental Impact Assessment defines EIA procedure for projects that can have a significant impact on the environment, the contents of the IAE study, participation of the authorities, organisations and the public concerned, procedure of assessment and issuing of consent, notification about projects that may have a significant impact on the environment in another country, monitoring and other issues of importance for IAE. The EIA procedure is carried out in three phases, namely: decision on the need for conducting EIA, defining of the scope and contents of the EIA Study, and giving approval for the EIA Study. Defining the scope and contents of the EIA Study is not mandatory, because Rulebook on the Contents of the EIA Study was adopted based on the Law.

Decree on Projects that are subject to Elaboration of EIA Study identified specific projects for which EIA is mandatory and projects for which EIA may be required. Projects for which EIA is mandatory have been identified in List 1, and projects for which EIA may be required have been identified in List 2 of this Decree.

List 1, which is harmonised with the Amendment to the Decision III/7 ESPOO Convention, lists projects for which EIA i.e. elaboration of the EIA Study is mandatory. This list includes, among other things, energy-related projects, specifically:

- Electricity generating facilities using all fuel types of capacity of 300 megawatts or more;
- Lines, with or without auxiliary facilities, for transport of gas, oil and petroleum products or chemicals of diameter over 800 mm and of length exceeding 40 kilometres;
- Overhead lines of voltage level of 220 kV or more, whose length exceeds 15 kilometres;
- Refineries of crude oil and gas (excluding plants that produce oil and lubricants from crude oil);
- Facilities for gasification or melting of coal or bituminous shale, with a capacity of 500 or more tonnes of coal or bituminous shale per day;
- Dams and other facilities designed for retention and accumulation of water where a new or additional amount of water retained or accumulated exceeds 10 million cubic meters;

- Structures designed for storage of flammable liquids and gases, natural gas, fossil fuels, oil and petroleum products, chemicals, which capacity is 200 000 tonnes or more.

Total duration of the EIA procedure for projects included in the List 1 conducted by the competent authorities (excluding the time required for elaboration of study, possible amendments, production of documents to determine the scope and contents of the EIA Study and the like, which is the obligation of the investor) is maximum 146 days (includes two phases: determining the scope and contents of the EIA Study and giving approval for the EIA Study). Since the Law provides for the option that the investor does not necessarily need to implement the second phase (determining the scope and contents of the EIA Study), the time required to obtain approval for the EIA Study, provided that the commission evaluating the study has no objections to the study, is maximum 77 days from the day of submission of the study to the competent authority.

List 2 includes projects for which EIA is carried out on a case-by-case basis, according to the decision of the competent authority (Environmental Protection Agency). This list includes, among other things, energy-related projects, specifically:

- Electricity generating facilities powered by all fuel types of capacity less than 300 megawatts;
- Lines, with or without auxiliary facilities, for transport of gas, oil and petroleum products or chemicals of diameter below or equal to 800 mm and of length not exceeding 40 kilometres;
- Overhead lines at voltage level of 220 kV or less, of length not exceeding 15 kilometres;
- Refineries of crude oil and gas (excluding plants that produce oil products and lubricants from crude oil);
- Facilities for gasification or melting of coal bituminous shale, with a capacity below 500 tonnes of coal or bituminous shale per day;
- Dams and other facilities designed for retention and accumulation of water where a new or additional amount of water retained or accumulated does not exceed 10 million cubic meters;
- Structures designed for storage of flammable liquids and gases, natural gas, fossil fuels, oil and petroleum products, chemicals, which capacity does not exceed 200 000 tonnes;
- Hydro power plants;
- Wind power plants;
- Transformer substations and switchyards of 220 kV or more.

Total duration of the EIA procedure for projects included in the List 2 conducted by the competent authorities (excluding the time required for preparation of documents to determine the need for EIA, production of documents to determine the scope and contents of the EIA Study, amendment of documents, elaboration of study, possible amendments of the study and the like, which is the obligation of the investor) is maximum 173 days (includes all three phases: determining the need for the EIA Study, determining the scope and contents of the EIA Study and giving approval for the EIA Study). Since the Law provides for the possibility that the investor does not necessarily need to implement the second phase (determining the scope and contents of the EIA Study), the time required to conduct the EIA procedure for the projects included in the List 2 (determining the need for EIA study and giving approval for the EIA Study), provided that there are no amendments to the submitted documents or objections from the commission evaluating the study, is maximum 104 days.

Article 30 of the Law on Environmental Impact Assessment stipulates that when an intended project may have an impact on the environment in another state, or when another state requests so, the state authority responsible for environmental protection issues (Environmental Protection Agency) promptly, and not later than within the deadlines for informing its own public set forth by the Law, submits to another state the information concerning the project, together with all available data on its possible impact, the nature of the decision that may be adopted, and the period within

which another state can announce its intention to participate in the impact assessment procedure. The state authority responsible for environmental protection issues (Environmental Protection Agency) informs the state that participated in the impact assessment procedure about the decision on granting or rejecting the approval to the EIA Study. The information contains the contents of the decision and conditions if they were set, the grounds for the decision, including the reasons for accepting or rejecting the remarks, proposals and opinions of the authorities, organisations and the public concerned in another state, and the most important measures the project developer is required to undertake. Article 30 of the Law on Environmental Impact Assessment determines that information and consultations with other states about potential transboundary impact is carried out based on the principle of reciprocity, in accordance with the international agreements concluded.

A project developer may not begin intended project implementation without having conducted the EIA procedure and obtained the approval of the competent authority for the EIA Study (Article 6 of the Law on Environmental Impact Assessment).

Also, it is necessary to point out to the fact that pursuant to Article 86 of the Law on Nature Protection (Official Gazette of Montenegro 51/08) measures to protect the birds are prescribed to define that poles and technical components of medium and high voltage lines must be built so as to protect the birds against electric shock and mechanical injury. These provisions do not apply to the overhead lines for railways.

20 What is the legislative/regulatory framework for competition in the energy sector? Which are the specific issues that require an adaptation of the existing legislation? In which energy sub-sectors are there State aids (please specify) and in which are there trade barriers and what are these barriers? Which monopolies (e.g. refinery, import/export monopoly, exclusive or special production, transportation or distribution rights) in the energy sector currently exist in your country and what are your plans with them? What is the legislative situation regarding Independent Power Producers?

The legislative framework for competition in the energy sector is defined by the Energy Law (Official Gazette of the Republic of Montenegro 39/03) ([Annex 59](#)). Article 21 (Competition) of this Law reads:

“(1) An energy undertaking shall not engage in any anti-competitive conduct, including, but not limited to cross-subsidisation, manipulation of prices or markets, or any other trade practice that damages the encouragement and protection of competitive markets.

(2) The Agency shall establish and enforce limitations on ownership, impose any other limitation deemed necessary to prevent abuse of market power in competitive areas of the energy sector, or that may be harmful to tariff customers.

(3) The Agency shall promulgate rules and regulations to promote competition, encourage market development and tariff customer choice with respect to supply, discourage and penalise abuse of market power, and discourage any anti-competitive or discriminatory behaviour.

(4) The secondary legislation described in paragraph (3) shall define the relevant markets for purposes of preventing abuse or misuse of a monopoly or market position, identify service areas where the number of energy undertakings is limited, and establish periodic reporting requirements for energy undertakings necessary to enforce this article.

(5) The Agency shall establish dispute settlement procedures to enable aggrieved persons to seek redress for anti-competitive activities. On its own motion, the Agency shall be entitled to initiate investigations of anti-competitive activities.”

In accordance with the powers stipulated by the Energy Law (Article 24) and general acts, the Agency passed the Decision on Electricity Market Model in Montenegro in July 2007. In doing so, starting from the specificity and characteristics of the electric power system (size, constant energy deficit, transmission system capabilities, the number and structure of consumers, measuring equipment, existing contracts, etc.) and taking into account the recommendations of foreign

consultants, the Agency committed itself to establish the market model as the most appropriate one, i.e. development of a complete framework for the market opening and functioning that would, to greatest extent, match the overall conditions in Montenegro, and which includes:

- Long-term – market based on bilateral contracts,
- Medium-term – One day ahead market (it can be established when a certain level of market development is achieved),
- Short-term – Balancing market, and
- Activities post real time – settlement of accounts and smoothening of deviations.
- The Agency will form the retail electricity market on the principles of:
 - Enabling competition in supply sector by issuing licences for supply of electricity according to the legal procedures,
 - Enabling the necessary commercial contracts for the public supplier, who will be responsible for the electricity supply to tariff customers (households and small unprotected customers who do not wish to change their supplier).

As for the retail electricity market, the Agency has had in mind the fact that Montenegro is a signatory to the interstate Treaty establishing the Energy Community ([Annex 75](#)), which stipulates that each contracting party shall ensure that from 1 January 2008 the eligible customers may be all customers, excluding households, and from 1 January 2015 all customers.

However, despite rather imperative attitude, it was not possible to meet the requirement of the Treaty to enable supply competition from 1 January 2008 because some of the necessary conditions were not fulfilled:

- Separation of energy activities,
- Setting up transmission system operator and distribution system operator,
- Determining and publishing tariffs for the use of transmission and distribution networks,
- Adopting Grid Code and Distribution Code, as documents that allow third-party access to networks, under equal pre-known conditions,
- Adopting Market Rules i.e. act that provides a balanced functioning of the electric power system under market conditions.

Intensive activity to create the conditions for the electricity market opening was conducted during 2008, resulting in the approval of the Market Rules established by the Board of Directors of Electric Power Holding Company of Montenegro and passing of the Decision on Opening of the Electricity Market, which was opened to all consumers, except households, starting from 1 January 2009.

During the second half of 2008 and the first half of 2009, the Agency adopted a number of by-laws that were necessary for the functioning of the market. However, the main reason for the delay was a long and time-consuming process of ownership unbundling of electricity transmission business. The establishment of a separate undertaking Joint Stock Transmission Company (Prenos AD Podgorica) on 23 March 2009 eliminated the last formal barrier to the functioning of the electricity market.

The existing Energy Law treats the electricity market in a rather brief and general manner. This fact provides room for creating secondary legislation following the best practices and expertise in the region and beyond.

The draft new Energy Law, due for adoption by the end of 2009, approaches the market issue in more detail:

- Each market participant, with rights, mutual obligations and responsibilities, and obligations and responsibilities to third parties has been defined,

- Method for market organisation has been stipulated,
- Standards for drafting of the Market Rules have been defined,
- The obligation to participate in the work of the Coordinated Auction Office has been determined.
- The obligation of market participants to provide and offer auxiliary services has been established, etc.

Drafting of the new law is an ongoing process, and the Working Group for drafting the Energy Law has been considering all comments and suggestions made by interested parties.

There are no trade barriers or state aid in the energy sector in Montenegro.

The regulatory framework for competition is regulated by the Law on Protection of Competition (Official Gazette of the Republic of Montenegro 69/05 and 37/07), which is in conformity with Article 81 of the Treaty establishing European Community, which regulates agreements, Article 82 of the EC Treaty, which regulates the issues of abuse of dominant position, as well as Regulation 139/2004, which regulates the concentration issues. Article 4 of the Law on Protection of Competition defines market participants, which include participants in the energy sector:

“This Law shall apply to all entities engaged in economic activity and trade of goods or services, which by their acts restrict or may restrict competition, and in particular to:

- 1) Enterprises and other business, regardless of their seat or permanent residence, and natural persons regardless of their nationality or permanent residence;
- 2) Other subjects engaged, directly or indirectly, in a permanent, temporary or single economic activity and trade of goods or services, regardless of their legal status, nationality, seat or permanent residence (trade unions, business associations, sports organisations, institutions, cooperatives, exponents of intellectual property rights etc).”

Prices of oil and petroleum products are established by the state, according to the Decree on the Method of Setting Maximum Retail Prices of Petroleum Products (Official Gazette of the Republic of Montenegro 52/02, 55/02, 23/03, 32/05 and 35/05 and Official Gazette of Montenegro 73/08).

Jugopetrol AD Kotor, a former state-owned company privatised in 2002 by the Greek company Hellenic Petroleum, has a dominant position in procurement and distribution of petroleum products in Montenegro. Even after the privatisation, the company, which owns storage facilities and 35 petrol stations, has maintained a dominant position in the market. Company Hellenic Petroleum has neither exclusive nor special rights in the production, distribution and retail of petroleum products.

Apart from Hellenic Petroleum, there are other companies dealing with trade of petroleum products in the Montenegrin market, and at this point there are 44 companies registered for the sale and supply of petroleum products.

Regarding the energy sector, two state-owned companies have monopoly: Electric Power Holding Company of Montenegro and Transmission AD Podgorica. After finalising the process of legal unbundling of Transmission, and preparation of secondary legislation by the Energy Regulatory Agency and Market Rules by the Market Operator, the conditions for introduction of competition in the energy sector were in place.

At present, there is no electricity generator in Montenegro other than the Electric Power Holding Company of Montenegro.

Functional unbundling of Electric Power Holding Company of Montenegro and ownership unbundling of Prenos AD represent the elimination of barriers i.e. establishment of conditions for the provision of non-discriminatory access to the network by any generator or supplier, through appropriate legislative and secondary regulation.

The Energy Law prohibits the transmission network operator to discriminate between network users in any way (Article 27 (8)). The same Law in Article 25 stipulates the third-party access right

to the transmission and distribution network and orders the Regulator to determine rules and procedures.

According to this legal obligation, the Agency adopted Rules for Third-Party Access to Transmission and Distribution Network, which are posted on the website of the Agency. This document clearly outlined procedures for fair and non-discriminatory third-party access to transmission and/or distribution network, so as to ensure:

- 1) Equal access to transmission and/or distribution network,
- 2) Compliance with applicable tariffs,
- 3) Compliance with provisions relating to technical standards, Market Rules, Grid Code and Distribution Code,
- 4) Planning of the system expansion to meet the needs of network users,
- 5) Standard of quality of electricity supply, maintenance of frequency and voltage control, and reduction of service interruptions.

The said document transparently specifies terms of the contract signed by the network operator and user of network services, the conditions based on which access to the network may be refused, as well as the appropriate measures to be imposed by Agency on license holders who illegitimately refuse third-party access to transmission and/or distribution network.

Transmission and distribution network access fees are determined by the decision of the Agency.

In addition to the above, the Agency has determined in a transparent and non-discriminatory manner the licensing procedure, procedure for change of license and license enforcement procedure in the Rulebook on Licences in Energy Sector of Montenegro (Official Gazette of the Republic of Montenegro 50/04), which unambiguously shows that there is no discrimination between Electric Power Holding Company of Montenegro and a new (independent) electricity generator.

21 What is the structure of electricity and gas markets (ownership, concentration, separation of activities)? What are the main sources of energy? What is the structure of tariffication for transmission/distribution? Who approves tariffs or tariff methodology? Are there cross-subsidies? Are all consumers connected to the distribution network? What is the rate of collection of bills? Is there a regulator in place? What are its competencies, staff and budget? Is there room to extend the staff given the substantial increase of regulatory competencies foreseen by the Third package? Is there a Transmission System Operator for electricity in place? Is it integrated vertically and what are its competencies?

The structure of electricity and gas markets (ownership, concentration, separation of activities)

The Regulatory Agency declared the electricity market in Montenegro open from 1 January 2009 by the Decision on Opening of the Electricity Market No. 08/2310-2 of 30 December 2008. The legislative framework for opening of the electricity market is determined by:

- Energy Law ([Annex 59](#)),
- Directive 2003/54/EC concerning common rules for the internal market in electricity;
- Regulation 1228/2003/EC on conditions for access to the network for cross-border exchanges in electricity; and
- Law ratifying the Energy Community Treaty between the European Community and the Republic of Montenegro ([Annex 64](#)).

Electricity market in Montenegro consists of wholesale and retail markets.

Wholesale electricity market includes:

- Long-term market, i.e. market based on bilateral agreements;
- Medium-term – One day ahead market, which will not exist in the initial period, but must be established at a certain level of market development;
- Short-term – Balancing market; and
- Activities post real time – settlement of accounts and smoothing of deviations.

Balancing market and post real-time activities together form the balancing mechanism that should ensure balanced functioning of the electric power system. In the initial period after the market opening, due to the impossibility of organising a real balancing market, the system balancing will take place in the same manner as before the opening.

Retail electricity market is based on the principles of:

- Enabling competition in supply sector by issuing licences for supply of electricity;
- Enabling the necessary commercial arrangements for the public supplier that will be responsible for the electricity supply to tariff customers.

Until 30 March 2009, the only undertaking that was engaged in electricity generation and trade business in Montenegro was Electric Power Holding Company of Montenegro. An independent company Joint Stock Transmission Company (Prenos AD Podgorica), which separated from Electric Power Holding Company of Montenegro, has been present since 1 April 2009. This company was responsible for electricity transmission within the vertically integrated company. The Board of the Regulatory Agency issued licences for Prenos AD, Transmission Network Operator and Market Operator to Prenos AD on its session held on 30 July 2009.

Although the electricity market was officially opened on 1 January this year, apart from Electric Power Holding Company of Montenegro there is no other supplier of electricity. Electric Power Holding Company of Montenegro is the single importer and single supplier of electricity in Montenegro. Direct consumers on the transmission network had the right to self-supply (Aluminium Electrolysis, Steelworks and Railway Transport). Only Aluminium Plant exercised this right until this year, and on annual basis purchased 500 to 700 GWh or 30 - 40% of its annual needs from the suppliers outside of Montenegro.

During the first semester of 2009, the Regulatory Agency completed secondary legislation that was necessary to issue licences for new suppliers and traders. The Agency already received the first request for the issuance of licences for trade and supply at the competitive electricity market.

After the legal and ownership unbundling of transmission business from its body, Electric Power Holding Company of Montenegro now consists of three functional units: Generation, Distribution and Supply, as well as two organisational units: Head Office and Elektrogradnja (dealing with energy-related design and construction).

Functional unbundling of these three units has not been entirely completed. Management unbundling is carried out so that each functional unit has its own management headed by the executive manager (director). Separation of accounts, however, has not been fully implemented. Namely, all FUs have their own accounts, but they are transient and all revenues pour to the central account controlled by the organisational unit Head Office and from there, according to the approved cost estimate by OU Head Office, funds are transferred to the functional units. For the time being, there is no defined period when full functional unbundling of Electric Power Holding Company of Montenegro will take place.

Main sources of energy

Total installed capacity of all power plants in the electric power system of Montenegro is 868 MW, of which 658 MW (76%) comes from hydropower plants (Perućica, Piva and 7 small HPPs), and 210 MW (24%) from the thermal power plant with a single block. Average annual generation is 2800 GWh at power plants threshold, but due to high dependency on hydrological conditions, oscillations in the realisation of total generation by years are prominent.

Since the beginning of its operation, HPP Piva has operated as the peak power plant according to the needs of the Serbian electric power system, in compliance with the Long-term Agreement on Business-Technical Cooperation renewed in 1991. and valid in the period of 25 years. The possibility to terminate the contract at the request of either side has been envisaged. According to the Agreement, Electric Power Industry of Serbia will make the guaranteed base load energy of 105 -110 MW on annual basis and additional 105 -110 MW during overhaul of TPP Pljevlja available for Montenegro. Capacity is determined by annual contracts on mutual delivery depending on achieved electricity generation of HPP Piva in the previous five-year period.

The table below shows the main energy and technical characteristics of power plants and data on achieved generation and consumption.

No.	Power plant	Nominal power MW	Number of generating units	Year beginning of operation	Accumulation GWh	Realised generation and consumption GWh		
						2006	2007	2008
1.	HPP Perućica	307	7	1960 -1976	190	835.8	738.6	878.2
2.	HPP Piva	342	3	1976	303	888.5	523.0	634.2
3.	Small HPPs	9	11	1937-88	-	18.7	16.7	19.1
4.	Total HPP	658	21	1937-88	493	1 743.0	1 278.3	1 531.5
5.	TPP Pljevlja	210	1	1982	-	1 075.4	766.4	1 155.4
6.	TOTAL (4+ 5)	868	22	1937-88	493	2 818.4	2 044.7	2 686.9
7.	Supply from EPS (for HPP Piva)					1 075.5	1 075.5	1 078.1
8.	Available energy (6-2+7)					3 005.4	2 297.2	3 130.8
9.	Gross consumption					4 684.7	4 646.7	4 584.5
10.	DEFICIT (9-8)					1 679.3	2 349.5	1 453.7

Source: Energy Balances of Montenegro for 2008 and 2009

In terms of generation capacity and consumption, Montenegrin electric power system belongs to small European systems, nevertheless it is an important factor for the neighbouring countries from the aspect of electricity transit. In mid-2009 PreNOS AD became a member of ENTSO-E Association (the European Network of Transmission System Operators for Electricity).

Under the regular hydrological conditions, the existing capacities cannot meet the needs of consumers in Montenegro, so the considerable deficit present in the electric power system of Montenegro for the past several years is covered by imported energy.

Structure of tariffication for transmission/distribution

Energy Law (Official Gazette of the Republic of Montenegro 39/03), in particular Article 18, defines principles and procedures according to which the Agency determines tariffs. Rulebook on Electricity Tariffs (Official Gazette of the Republic of Montenegro 47/05, 50/05, 42/07 and Official Gazette of Montenegro 6/07 and 54/09) regulates the method for determining compensation to energy undertakings for performing energy business and the tariffication method for the purchase

or sale of electricity to be supplied, as well as supply-related services provided to consumers/customers by the energy undertakings in accordance with the Energy Law.

Approval of tariffs or tariffication methodology

Energy Law stipulates that the Energy Regulatory Agency determines the tariffication methodology and the Agency regulated this matter in the Rulebook on Electricity Tariffs. On the basis of the aforesaid Rulebook, the Agency decides on the regulatory allowed revenue for electricity generation, transmission, distribution and supply business. After determining the regulatory allowed revenue, on the basis of the same Rulebook the Agency respectively approves price tables for the aforementioned activities. The Rulebook stipulates that the tariffs are approved, as a rule, for a period of 12 months using cost-plus method, while a period longer than 12 months is allowed using the incentive methods, i.e. multi-year regulatory period (see Article 19 of the Rulebook on Electricity Tariffs).

Connection of consumers to the distribution network

Based on the data available to the Agency, total number of electricity consumers in Montenegro in 2008 was 322 444. Out of this number, three consumers (Aluminium Plant, Steelworks Nikšić and Montenegrin Railways) are connected to 110 kV transmission network. Other consumers are connected to the distribution network, as follows:

	consumers
Voltage level of 35 kV	26
Voltage level of 10 kV	339
Voltage level of 0.4kV	322 076

Source: Energy Regulatory Agency

There is no supply of electricity consumers outside the distribution network in Montenegro, i.e. there is no autonomous supply of consumer groups.

Electricity bill collection rate

In 2008, collection rate at the transmission level (direct consumers) was 93.32%, while that of consumers at the distribution level was 90.32%, i.e. the total collection rate was 91% (source: Annual Report on Business Operations of Electric Power Holding Company of Montenegro for 2008).

Regulatory body

Energy Law, which entered into force on 8 July 2003, established the Energy Regulatory Agency as an independent regulatory body to which the power to regulate the energy sector of Montenegro was delegated. As one of the goals of passing the Law, Article 1, paragraph 6 of the Law stipulates that the regulation of the energy sector is objective, transparent and non-discriminatory and in compliance with the relevant international standards including the European Energy Charter Treaty and European Union provisions for the field of energy.

The Law has distributed competences in the field of energy between the Government of the Republic of Montenegro, the competent ministry in the field of energy and the Agency, whereby extensive and complex tasks of normative and practical regulation of the energy sector of Montenegro and the implementation of the Government policy in the field of energy have been transferred to the competence of the Agency.

The Agency is an independent legal entity, autonomous and functionally independent and non-profit organisation that carries out its public authorisations and duties in accordance with the Energy Law.

Law has established competences, tasks and objectives of the Agency.

The Agency was established with the aim to ensure:

- that the principles, policies and programmes established and promulgated by the Government are implemented and enforced based on principles of objectivity, transparency, and non-discrimination;
- reliable, safe and environmentally sound supply of energy to the tariff customers in Montenegro at fair prices;
- that energy undertakings providing energy may recover their costs, including a reasonable rate of return on their investment;
- balancing of the interests of customers and energy undertakings;
- promotion of stability, competency and efficiency on the part of energy undertakings.

The Agency carries out the following activities:

- monitor work and operation of energy undertakings;
- make and issue rules and regulations required to: (a) carry out its obligations under the Law; (b) carry out and enforce the energy policy; (c) revise and approve all market rules, grid codes, terms and conditions for connection and access to networks;
- issue licences to conduct activities;
- issue authorisations for the construction of new or reconstruction of existing generation facilities;
- set tariffs and prices pursuant to the terms of the Law and general acts;
- modify, suspend, revoke, monitor, control and enforce compliance with licenses;
- establish and amend rules and regulations: (a) that define the energy market structure, (b) for market operation, (c) for the unbundling of energy undertakings, (d) for the rights and obligations of all energy undertakings;
- establish rules and regulations related to: (a) monitoring of energy undertakings, (b) safety of energy facilities, personnel, people and property, (c) compliance with environmental protection by energy undertakings;
- ensure protection of tariff customers that provides for: (a) fair and non-discriminatory treatment of tariff customers by energy undertakings, (b) high quality service by energy undertakings, (c) establishment of mechanisms that will encourage participation of concerned parties in the development of rules that affect tariff customers; and
- promote competitive conduct in the energy sector, including: (a) fair and non-discriminatory transit of energy, (b) increase of sources for generation, improvement of the possibilities for the transmission, distribution and supply of energy.

With respect to regulation of oil and gas related activities, the Agency:

- establishes rules and regulations relating to transport, storage, distribution, sale and supply of petroleum products, and
- issues licences and supervises compliance with licence terms.

In the coal sector, the Law has established the competencies of the Agency only in terms of coal intended for electricity generation, concerning establishment of rules for pricing of coal for a period not longer than five years from the date of entry into force of the Law, which expired on 8 July 2008, after which the Government assumed the obligation to decide whether to keep the same method for regulation of coal prices.

Independence, autonomy and transparency are established by the Law as the basic principles of the Agency's operation and regulation of the energy sector of Montenegro.

The Law established mechanisms in its provisions to ensure autonomy and independence of the Agency.

Guarantee of autonomy and independence are the very provisions of the Law, concerning: the manner and conditions of electing Board members of the Agency (they are elected by the Parliament of Montenegro according to the established procedure), manner and possibilities of their dismissal, manner of selecting director and deputy director and their dismissal, the prescribed cases of conflict of interest for the bodies and all employees of the Agency, prohibition of carrying out any activity related to the business of energy undertakings for a period of one year after the termination of employment with the Agency, verification that members of employee's immediate family are not employed by energy undertakings, prescribing that all acts of the Agency are final (even when the Agency makes decisions in the first instance), and most strongly through the provisions on financing.

Functional independence implies prohibition against accepting any instructions, orders or opinions from any executive authority concerning what was lawfully placed under the competence of the Agency and what is obligation of the Agency. The principle of independence implies that in its work, the Agency should not be exposed to any political or economic influence by the Government or the influence of the energy undertakings whose work the Agency regulates, by adopting binding general and single acts and constant control of their work in terms of compliance thereof, which would compromise its objectivity.

Particular guarantee of independence is the requirement of transparency of the Agency's work established by the Law.

The prescribed method of financing has enabled the Agency's financial autonomy, independence of funding from the state budget and obtaining funds exclusively from undertakings whose activities are regulated by the Agency, in the prescribed manner and at level that allows operation of the Agency, all with full control of the Parliament of Montenegro by establishing that the Parliament adopts Budget and Annual Report of the Agency. Article 13 of the Law stipulates the method of funding the Agency that should secure the functioning of the Agency and the realisation of its role, as well as the implementation of all principles included in the Law relating to the work of the Agency and regulation of the energy sector of Montenegro. Article 13 reads:

“(1) The Government shall provide the initial funding required to establish the Agency. Thereafter the Agency shall be funded through fees it shall establish pursuant to this Law and other general acts.

(2) Not later than the thirtieth (30th) day of September of the current year, the Agency shall approve its detailed budget for the subsequent year. The Agency shall deliver the budget to the Parliament for adoption and the Government for examination and make it available to the public pursuant to the rules set by the Agency.

(3) Pursuant to the rules it establishes, each year the Agency shall publish a schedule of fees that shall be due from energy undertakings. The fees shall be designed to cover the estimated expenses of the Agency during the year.

(4) The fees referred to in paragraph 3 shall be paid by the energy undertakings due into an account of the Agency, which shall have an exclusive access to such funds. In the event that funds in the account described in this paragraph are not fully expended during the fiscal year in which they are collected, the Agency shall carry such funds forward to the subsequent year, and the schedule of fees published for such subsequent year shall be reduced accordingly.”

In the Rulebook concerning Licences in Energy Sector of Montenegro (Official Gazette of the Republic of Montenegro 50/04), the Agency established types of licences issued to energy undertakings and types of fees paid by energy undertakings to the Agency. The Rulebook concerning Licences in Energy Sector of Montenegro has envisaged two types of licence fees paid by energy undertakings: licence application fee and annual licence fee, which amounts are set by a separate decision. Adoption of the Decision comes after the Parliament of Montenegro adopts the Agency's Budget for the following year, which estimates the costs of the Agency and the level of fees required to cover such costs. The Agency issued the Rules on Methodology for Setting Licence Fees, according to which the licence fees for each year are determined.

During five years of its operation the average annual budget of the Agency amounted to around EUR 800 000, where the funds collected to the Agency's account but not fully expended during the

fiscal year in which they were collected are carried forward to the subsequent year and fees for energy undertakings for subsequent year are reduced accordingly.

Work of the Agency is open to the public and the Agency will withhold information in its possession only where confidential information or trade secrets are involved, in accordance with the regulations of the Agency. The Agency achieves transparency by publishing general, as well as other documents which publication is prescribed by the documents of the Agency or the Law in the Official Gazette of Montenegro or the webpage of the Agency. Additionally, the Agency seeks to inform the public about its work through the media and press conferences and provide information on issues within the scope of its activities in all circumstances, when needed.

It is necessary to indicate that the Agency handled all access to information requests filed by citizens and NGOs during 2008, providing the requested information in its possession.

Number of employees and organisation of work:

The bases of the work organisation of the Agency are established by the Law, and Article 6, paragraph 4 has established that the Agency's bodies are the Board of the Agency consisting of three members and Director of the Agency, and the Law has established the function of Deputy Director. In order to ensure the independence of the Agency's work, the Law defined the election procedures.

The Board of the Agency consists of three members, of which Chair of the Board is elected every year. The Charter of the Agency regulates that the Chair of the Board is elected and dismissed in a secret ballot by majority of the total number of members, for a period of one year. Chair of the Board schedules meetings of the Board, presides the meetings and signs the acts adopted by the Board.

The Charter of the Agency defines the activities of the Board of the Agency. The Board is a body managing the Agency's work and adopting all general acts placed within the competence of the Agency, as well as the most important single acts. The Board of the Agency has the following tasks:

- approve issuance of licences to conduct activities in the energy sector;
- set prices and tariffs in the energy sector pursuant to the Energy Law until the competitive electricity market is declared;
- set fees due from undertakings in the energy sector for licence application processing and licence issuance;
- take measures for disregard of conditions and inobservance of obligations from licences;
- approve budget of the Agency;
- approve periodical reports and annual report and annual financial statement of the Agency;
- adopt development plans of the Agency;
- adopt the Charter and other general acts of the Agency;
- adopt procedure to resolve disputes between undertakings in the energy sector or between customers and energy undertakings;
- consider and make decisions upon complaints of tariff customers and energy undertakings;
- elect and dismiss Director and Deputy Director of the Agency;
- select authorised auditor of annual financial statements of the Agency;
- adopt rules, regulations, procedures and other documents to implement the Energy Law within the competencies of the Agency;
- approves rules, regulations, procedures and other acts of energy sector operators which need to be adopted in line with the Energy Law,
- adopt rules of procedure, and

- carry out other activities in compliance with the Energy Law and the Charter of the Agency.

Director of the Agency, in accordance with the Charter:

- acts for and on behalf of the Agency;
- organises work and manages business operations of the Agency;
- executes the decisions of the Board;
- proposes work plans and reports on work and operation, annual financial statement and investment plans of the Agency to the Board;
- proposes general acts of the Agency to the Board;
- appoints and dismisses managers of the Agency's departments;
- concludes employment contracts with employees;
- concludes contracts relating to investments up to the amount established by the Charter;
- performs other duties in accordance with the Law and the Charter of the Agency.

The Charter of the Agency sets the bases of the internal organisation of the Agency. It is determined that the work of the Agency is organised in four departments: Department for Technical Affairs, Department for Economic Affairs and Department for Legal Affairs, which carry out the tasks defined by the Law as the core activity of the Agency and the Department for Administrative and Technical Affairs, which performs the tasks related to the internal operation of the Agency and creation of conditions for its normal functioning.

Organisation of work in the Agency and job descriptions are determined by the Rulebook on Internal Organisation and Job Descriptions of the Agency.

The Agency has a total of 19 employees, three members of the Board of the Agency, Director, Deputy Director, thirteen employees hired for an undetermined period of time, and one employee hired for a definite period of time (replacement of a temporary absent employee).

From a total of 18 persons employed for an undetermined period of time, 14 hold university degrees, including 5 graduate electrical and electronics engineers, 5 graduates in economics (one of which is assigned to the position of interpreter/translator) and 4 graduates in law, while the Director of the Agency holds a PhD in law.

As for the evaluation of the Law from the aspect of fulfilling the obligations under the EU energy *acquis*, in terms of competencies of the regulatory body, the Law has included the requirements set by Directives 2003/54/EC and 2003/55/EC and Regulation (EC) no. 1228/2003 defined in Annex I to the Treaty establishing the Energy Community (Official Journal of the European Union, L 198/32), which Montenegro ratified by the Law published in the Official Gazette of the Republic of Montenegro 66/2006 on 3 November 2006 and all provisions of the Law are consistent with the above Regulation.

However, the Law stipulates that the Agency, as a regulatory body, defines, in its rules and regulations, the structure of energy market, market operations and market design issues, which are fully dependent on the regulatory body and its decisions or regulations, without being previously regulated by the Law, and this will be remedied by adoption of the new Energy Law, which preparation ended and its adoption can be expected by the end of 2009. The new Law will fully adjust the energy sector in Montenegro to the Third package of EU directives.

The new Law provides for a significant expansion of the functions of the existing regulatory body by specifying competencies in regulation of the electricity market (which opened in Montenegro on 1 January 2009 in accordance with the Decision of the Agency), competencies in regulation of the gas market, competencies related to renewable energy sources and implementation of energy efficiency in the energy sector excluding the consumption sector (energy efficiency in the consumption sector is regulated by a special law), therefore the increase of the number of

employees in the Agency in the future is necessary, in order to enable the Agency to perform its tasks.

Transmission System Operator

Within the restructuring process of the Electric Power Holding Company of Montenegro from the Functional Unit Transmission, Joint Stock Transmission Company AD Podgorica was established, and it now holds the licence for electricity transmission, licence for transmission system operator and licence for market operator, as regulated activities.

The competencies of the transmission network operator are defined in the Energy Law (Article 27):

1. The Transmission Operator shall:

- 1) maintain, modernise, upgrade and develop the transmission system;
- 2) manage energy flows in the network and towards other interconnected systems;
- 3) arrange the availability of ancillary services;
- 4) provide services to the Market Operator and to any other system operators necessary to ensure:
 - safe and efficient operation;
 - coordinated development and operation of interconnected systems;
 - regulation of frequency and exchange of power;
- 5) coordinate the quality of delivered electricity with the Market Operator and with other transmission and distribution systems;
- 6) carry out electricity sector services through communication between:
 - domestic and international generators;
 - Transmission Operator;
 - Distribution Operator;
 - Suppliers; and
 - Tariff Customers;
- 7) provide:
 - energy metering; and
 - purchase/sale and timely reporting on system balances to the Market Operator on a real-time basis;
- 8) perform dispatching of generation;
- 9) determine the use of interconnections with other systems;
- 10) following consultation with the Market Operator, report to the Agency on a quarterly basis on:
 - scheduled maintenance outages;
 - requirements for expansion of or changes in the transmission system;
 - data and/or other information that demonstrates the viability of the transmission network;
 - contracts, either concluded or being negotiated for backup and reserve supply and other ancillary services;
- 11) facilitate the settlement of accounts by the Market Operator; and
- 12) comply with the terms and conditions of its license;

2. Pursuant to the terms of this Law and general acts, the Transmission Operator shall be entitled to:

1) receive metering data and other information necessary to regulate frequency, voltage and the exchange of power from:

- Generators;
- Distribution Operators; and
- contract customers connected to the transmission network; and
- other transmission operators;

2) obtain information from existing and potential users of transmission network required to facilitate third party access to the transmission system;

3) in order to facilitate the safe operation of the transmission network establish conditions for the connection to the transmission network by:

- distribution networks;
- power plants;
- contract customers connected directly to the transmission system;

4) in cooperation and coordination with the Market Operator, provides ancillary services in an efficient and economical manner;

5) charge a fee for provided management and supervision services, a fee for the connection to the transmission network, as well as a fee for the provision of transmission services in accordance with the rules determined by the Agency;

6) enter any property or facility for the purpose of securing maintenance and development of the transmission system.

3. The Transmission Operator shall not discriminate between network users or classes of network users, and shall make no decisions in favour of its shareholders or any affiliated undertakings.

4. Pursuant to the terms of this Law and rules of the Agency established on the same grounds, the Transmission Operator shall preserve the confidentiality of commercially sensitive information as determined by the Agency, obtained in the course of its business.

5. In addition to its application for the licence, the Transmission Operator shall submit a grid code to the Agency for approval.

6. The grid code shall:

1) establish technical rules for minimum technical design and operational requirements for connection to the network and interconnection with other networks;

2) identify criteria for dispatching, based upon:

- economic precedence, without prejudice to the supply of electricity based upon contractual obligations;
- technical constraints on the network;
- optimal load balances;
- the Government policy on security of supply;
- giving priority to the use of indigenous primary energy sources not exceeding 15% of the overall primary energy necessary to produce electricity consumed in Montenegro in any calendar year;
- giving priority to generators using renewable energy sources, heat or waste or combined heat power;

- establish procedures applicable for network operation in contingency or emergency situations.

7. The grid code shall be applied in an objective and non-discriminatory manner.

8. The Transmission Operator shall be entitled to refuse service to a potential network user until such network user has been licensed by the Agency to provide energy sector services.

The Market Operator works within the Transmission Network Operator (Transmission AD). The competencies of the Market Operator are defined in the Energy Law (Article 29):

1. The Market Operator shall:

1) maintain records that include all legally binding obligations of suppliers and contract customers;

2) establish rules and procedures allowing for periodic modification of bidding rules and other guidelines established by the Agency in order to ensure that such procedures are objective, transparent and non-discriminatory;

3) receive bids for the supply of electricity;

4) receive and manage electricity purchasing bids, including where appropriate, purchase guarantees, as determined by the Agency;

5) compare bids, commencing with the lowest price bid for a specified time period, until demand is met;

6) establish an economic dispatch model and transparent system of demand forecast that shall be approved by the Agency;

7) select generators and suppliers for deliveries based on demand and pursuant to the economic dispatch model, the grid and distribution codes and generation and supply licences;

8) supervise, maintain and improve the system of economic dispatch;

9) establish an accounting system for trading based upon the final price received, that accurately reflects the financial activities of generators and the availability of generating capacity for each time period;

10) inform market participants and the Transmission Operator regarding the settlement process and planning of network access based on the settlement and the price of the remaining energy offered and available;

11) coordinate with the Transmission Operator undertaking the necessary activities to:

- perform the economic management at the electricity market;
- ensure the technical management of the networks; and
- arrange ancillary services.

12) on a semi-annual basis and after consultation with other energy sector participants, recommend necessary changes and report to the Agency on:

- the condition of the energy sector in Montenegro;
- the operation of the system of market access;
- the recommended changes.

13) in all circumstances, notwithstanding any other provisions in this Law, allow and facilitate the direct supply and purchase of electricity pursuant to Chapter X of this Law.

2. The Market Operator shall perform its functions in an objective, transparent and non-discriminatory manner and in accordance with time limits and conditions of its license.

3. Until the Agency separates the functions of Transmission and Market Operator, Transmission Operator shall carry out both functions for which separated licenses shall be provided.

22 What measures are present to ensure a stable investment climate in the electricity sector? What measures have been foreseen for transmission and generation to ensure continuity of electricity supply? Are these measures non discriminatory? Do you monitor and forecast investment intentions in transmission and generation and if yes, on what time-scale?

Existing measures for securing stable investment climate in energy sector

As a member of the Energy Community and a country, where significant changes of the investment policy took place in the last few years, Montenegro is one of the region's most competitive locations for attracting foreign investments. Comparison of the investment environment of Montenegro with that of South East Europe (where a considerable volume of investments is expected in the energy sector) is based on three basic elements that determine the future decisions of investors:

Standard (general) risks of business operations

From the aspect of standard risks that the investors take into account when deciding about investing, which are primarily related to the political, macroeconomic and financial stability, Montenegro has very good indicators of the investment quality. According to the Fraser Institute's 2005 Annual Report on Economic Freedom, Montenegro earned the score 6.0 and ranked in the top 86 countries of the world, while in 2006 the growth of 25 % was the highest in the region.

Level of the achieved legal reforms (achieved fiscal, regulatory and financial incentives for attracting investments)

From the aspect of the achieved legal reforms and fiscal incentives, Montenegro is a very competitive country. Montenegro has the lowest profit tax rate in Europe of 9% and has adopted a number of laws that are in conformity with EU standards.

Level of basic operational costs of business operations (labour costs, energy, etc.)

In comparison to the countries in the region, the education level of labour is an important strategic advantage of Montenegro. Taking into account the total operational costs, Montenegro has relatively expensive labour compared to the countries in the region. However, the labour market in Montenegro is competitive from the aspect of the education level, while it can be assumed that the high unemployment rate will keep the costs of labour on a competitive level for a long time.

The energy sector is one of the most interesting sectors for foreign investors in Montenegro, particularly if we have in mind the period until 2015, when a full liberalisation of the electricity and gas market in South East Europe is envisaged. Significant FDI inflow is expected in the given period in the field of the energy sector development of Montenegro, which will be contributed to a great extent by the initiation of the projects foreseen in the Energy Development Strategy of Montenegro by 2025 and Action Plan for implementing the Strategy.

Significant contribution to securing a stable investment climate in the energy sector has been made by the Energy Regulatory Agency. One of the objectives of the Agency is to ensure promotion of preservation of stability, sustainability and efficiency on the part of energy undertakings (Energy Law, Article 6), ([Annex 59](#)). Article 12 of the same Law lists powers and responsibilities of the Agency, and Article 18 elaborates its key competencies i.e. pricing and establishing of tariffs.

Based on the above legislation the Agency has adopted a series of by-laws that promote sustainability of undertakings in the energy sector, namely:

Rulebook on Electricity Tariffs (Official Gazette of the Republic of Montenegro 47/05, 50/05, 42/07 and Official Gazette of Montenegro 06/07, 54/09)

All operating costs and depreciation of an undertaking are accepted and the annual return on net investment is approved. This means that income in the amount of the approved annual return on net investment is guaranteed to the undertaking, if such undertaking incurs expenses at the level of

business efficiency set by the Agency in an objective, transparent and non-discriminatory manner.

Rules for Establishment and Operation of the Electricity Market (Official Gazette of Montenegro 01/09 and 54/09)

- Establishment of an organised electricity market aims at (Article 3, Goals):
 - Creation, maintenance and development of competitive relations between market participants;
 - Connection with regional, or future single European energy market, to create conditions for a safe, stable and high-quality supply of electricity, at affordable prices, with constant protection and improvement of environment, and
 - Creation of favourable conditions for intensification of investments in building new energy sources and in the energy sector as a whole.
- Basic principles of organised electricity market are (Article 4, Principles of Market Organisation):
 - Respect, promotion and continuous strengthening of competition,
 - Free and non-discriminatory access to transmission and distribution network.

Providing conditions for the development and strengthening of competition at the same time enables protection and further development of the market.

Transmission and distribution networks, as natural monopoly, represent the necessary infrastructure for the functioning of the electricity market, which must be available to all users, under the same pre-known conditions.

Measures envisaged for generation and transmission business aimed at continuous electricity supply

General and special conditions of the Electricity Generation Licence define the obligation of signing the contract between the licence holder and:

- Holder of Market Operator Licence in accordance with the Market Rules;
- Holder of Licence for Electricity Transmission - Transmission Network Connection Contract and Transmission Use-of-System Agreement;
- Transmission Network Operator - Agreement for Ancillary Services;
- Holder of Licence for Electricity Distribution and the Distribution Network Operator - Distribution Network Connection Contract and Distribution Use-of-System Agreement, if needed;
- Holder of Licence for Electricity Supply - bilateral contracts on energy purchase.

Holder of Licence for Electricity Generation is required to observe obligations under the electricity sales contract and, upon request, provide the Agency with full information regarding prices and energy supply. Licence Holder must also comply with the Grid Code and Distribution Code.

Under conditions of the Licence for Electricity Transmission, licence holder is required to offer connection and access to the transmission network under fair, reasonable and non-discriminatory conditions to anyone who is ready to enter into Transmission Network Connection Contract and Transmission Use-of-System Agreement, respectively. Moreover, licence holder is required to prepare annual and long-term development and maintenance plans, in coordination and cooperation with Transmission Network Operator and Market Operator. Those plans are to be prepared in accordance with standards approved by the Agency, in a sense that they influence the price of energy delivered to a minimum extent, ensuring adequate reliability of the transmission system. There is a series of obligations of the transmission licence holder all of which are aimed at securing continuous energy supply (see Licence for Electricity Transmission, Chapter II, Special Conditions of Licence).

Provisions of the Licence for Transmission Network Operator bind the licence holder to enter into Transmission Network Operator Service Contract with the holder of Licence for Supply, and

Agreement for Ancillary Services with holder of Licence for Generation. The licence defines the following obligations:

- Coordination with Market Operator;
- Integral long-term system planning and operative planning;
- Scheduling and dispatching;
- Ancillary services;
- Coordination with interconnected transmission network operators;
- Maintenance planning;
- Preparation for emergencies, etc (see Licence for Transmission Network Operator, Chapter II, Special Conditions).

According to the general condition of the licence, licence holder must not engage in any supplementary activity without the approval of the Regulator that estimates whether such activity may have a negative impact on the licensed activity. If the approval for supplementary activity is obtained, licence holder must maintain separate accounting records for such activity. Also, licence holder is required to duly apply risk management policy and insure its property, regularly inform the Agency on its business operation and periodically submit reports (see all three licenses, Chapter I, General Conditions).

Non-discrimination measures

The obligation to observe the principles of objectivity, transparency and non-discrimination is prescribed by the Energy Law, while the Agency further implements them through the development of secondary legislation. The measures taken with the aim of continuous electricity supply are in conformity with the said principles.

Monitoring and anticipation of investment intentions in transmission and generation business and time frame

The amounts and dynamics of investments in transmission and generation business are roughly established in the Energy Development Strategy of Montenegro by 2025. Electric Power Holding Company of Montenegro is required to submit the investment plan for the requested period of tariff application and for each functional unit separately to the Agency for approval. From 2009, this has become the obligation of the newly formed company Joint Stock Transmission Company (Prenos AD Podgorica). Investments not approved by the Agency are not included in the regulatory assets base when approving regulatory allowed income for the following regulatory period (See Rulebook on Tariffs, Article 9).

The conditions under which a user can use electricity transmission system are defined by the Transmission Use-of-System Agreement, concluded on 6 May 2009 between Electric Power Holding Company of Montenegro and Prenos AD Podgorica. The service of using the transmission network should provide electricity transmission within the transmission network of the power system of Montenegro for consumption demand, according to the technical conditions defined by the Grid Code and Contract on Balanced Consumption. Access of users to cross-border transmission capacities is regulated by the special Transmission Network Connection Contract, with the aim of using cross-border transmission capacities. The above contracts provide users an equal and non-discriminatory access to the transmission network.

In order to provide reliable and high-quality supply of electricity to consumers and improve standards of network maintenance, Prenos AD Podgorica devised Short-Term Transmission Network Development Plan for the period 2009 - 2013 in accordance with the Energy Development Strategy of Montenegro by 2025 ([Annex 71](#)) and Strategy Implementation Action Plan ([Annex 100](#)). In addition to the current projects to be implemented during this and the following year, in the amount of around EUR 45 million, and the group of projects from the investment plan, which implementation is impending in the coming period, adjustment of the Montenegrin network to the construction of the underwater cable Montenegro – Italy is planned,

which includes construction of 400 kV node in the northern part of Montenegrin coast. Investments foreseen for new projects amount to around EUR 90 million.

Based on the analyses and monitoring of the consumption increase as well as of electricity supply interruptions, Transmission AD implements activities for the construction of the following substations and power lines:

- SS Virpazar and its connection to transmission network over 110 kV power line Podgorica 2-Bar on input-output principle, the deadline is September 2009;
- 110/35/10 kV SS Kotor (Škaljari) with 110 kV power line Tivat-Kotor, the deadline is autumn of 2010;
- SS Podgorica 5 and 110 kV power line Podgorica 5 - T connection KAP I, the deadline is the end of 2009;
- Expansion of 110/10 kV SS Podgorica 3 and 110 kV cable Podgorica 3 - Podgorica 5, the deadline is the end of 2010;
- Expansion of the existing 400kV switchyard Ribarevina by installing 400/110 kV transformer, the deadline is the end of 2010;
- Expansion of 220/110/35 kV SS Mojkovac by constructing new 220 kV facility and its connection to the transmission network over 220 kV power line Podgorica 1 - Pljevlja 2 on input-output principle, the deadline is July 2010;
- Expansion of 110/35/10 kV SS Andrijevića by constructing new 110 kV facility and its connection to 110 kV power line Podgorica 1 - EVP Trebješica – Berane on input-output principle, the deadline is December 2009;
- 400kV power line Podgorica 2 – Albania, the deadline is November 2009;
- Replacement of the existing power line protection rope with optical cable - OPGW, the deadline is October 2010.

Within core contents CC 5 and CC 6, the Strategy Implementation Action Plan for the period 2008-2012 has envisaged investments in new generation facilities to be realised through implementation of the following programmes and projects:

- Programme of renewable energy sources development (hydro power potential excluded);
- Programme of hydro power potential use;
- Project for construction of small HPPs;
- Project of using wind power for electricity generation;
- Project of using bio mass for heat and electricity cogeneration;
- Project of using municipal waste for heat and electricity cogeneration;
- Project for construction of HPP Komarnica;
- Project for construction of HPP on the Morača River;
- Project of TPP Pljevlja II with district heating system for town of Pljevlja.

The Ministry of Economy has begun implementing most of the above programmes and projects, of which the most important:

Project for construction of HPPs on the Morača River

Consultant for the preparation of the necessary analyses, preparation and monitoring of tender for the construction of four HPP in cascade on the Morača River of total installed capacity of 238 MW and annual generation of around 694 GWh was hired, while the Ministry of Economy set up the Project Unit for the construction of HPP on Morača. It is expected that a contract with the future concessionaire will be signed and the construction will start by the end of 2010. The construction should take about 6 years.

Project for construction of HPP Komarnica

Following the initiative of the Federal Ministry for Transport, Innovation and Technology of the Republic of Austria, the Ministry for Economic Development of the Government of Montenegro signed bilateral Memorandum of Understanding in the field of Technological Cooperation in the Energy Sector in October 2008 ([Annex 96](#)). This agreement involves mutual transfer of knowledge and technology, as well as an analysis of energy resources of Montenegro. In order to implement the Memorandum, the Joint Working Group was established consisting of representatives of the two ministries and the Austrian Investment Agency. Pre-Feasibility Study for this project was drafted by the consulting company POYRY and accepted by the Joint Working Group. This project has envisaged building of HPP Komarnica of installed capacity of 168 MW and annual generation of 232 GWh. JWG will further work on the project development and preparation of the proposal for the Parliament of Montenegro for granting concessions for the construction of HPP Komarnica.

Project for construction of small HPPs

Concession agreements for research and construction of small hydropower plants (up to 10 MW) for eight water courses were signed between the Ministry for Economic Development and six concessionaires in September 2008. The construction of small hydropower plants on these rivers should begin after the preparation of project documents by the concessionaires and the acceptance by the competent state authorities. The Ministry of Economy issued a new public notice for granting of concessions for the construction of small hydro power plants on ten explored watercourses in Montenegro on 15 September 2009. Award of concessions will take place in a two-stage procedure, which includes prequalification and selection stage.

Project of TPP Pljevlja II with district heating system for town of Pljevlja

Study on the development and participation of the private sector in Pljevlja thermal power complex is in the final phase, and it will propose the transaction structure for possible construction of Block II of TPP Pljevlja of capacity of 210 MW and thermal capacity of 500 MW in Maoče, the new basin in the region of Pljevlja.

IV. STATE AID

23 Does your country produce indigenous coal covered by the state aid framework?

From 2000 until today, the Government of Montenegro had no grants or concrete investments in the Coal Mine Pljevlja, therefore it can be concluded that Montenegro has no production of indigenous coal covered by the state aid framework.

24 In the event that your country produces coal covered by the state aid framework, could you please indicate:

As indicated before, Montenegro has no production of coal covered by the state aid framework; therefore, we have no answer to this question.

a) What is your government's position as regards Council Regulation 1407/2002? Could you provide an overview of your current or future modernisation, rationalisation and restructuring plans for coal undertakings (cf. Articles 4 and 5 of the Regulation)? Does your government have or envisage to have a support scheme for capacity reduction? What are the contents of this scheme and what are the social/regional justifications?

b) What are the features of State aid in the sector? Are all elements of State aid currently part of the State budget? Is it planned to include all State aid in the State budget?

c) Concerning hard coal, what is your government's position on achieving a "coal-free trade area" in accordance with EU competition rules, particularly those related to "vertical agreements" (e.g. agreements with coal procedures and electricity producers)?

25 With regard to Council Regulation no. 405/2003 of 27 February 2003 establishing a Community system for monitoring imports of hard coal originating in third countries, is your country in a position to provide the information required by this Regulation?

There is no exploitation of hard coal in Montenegro, but only that of lignite and brown coal. Moreover, Montenegro doesn't import any hard coal.

26 All solid fuels:**a) Please provide information on the current and recent levels of production of hard coal and ortho-lignite.**

The table below shows data on coal production (lignite) for 2000, 2005, 2008, and for the first six months of 2009.

No.	CONSUMER	YEAR			
		2000 (t)	2005 (t)	2008 (t)	2009 (I-VI)(t)
1	TPP Pljevlja	1 411 281	1 176 282	1 665 389	757 252
2	Other consumers	153 394	111 738	74 693	27 654
3	Total (1+2)	1 564 675	1 288 020	1 740 082	784 906

Source: Coal Mine Pljevlja

Planned coal production for 2009 is 1 238 988 t.

b) Please provide information on any current State aid schemes for indigenous ortho-lignite production as well as on plans for their progressive reduction.

Aid of the Government of Montenegro takes the form of deferred payment liability of Coal Mine Pljevlja to the Government of Montenegro (concessions, VAT, contributions) during the periods when the Coal Mine had difficulties to settle those liabilities.

c) Where solid fuel industries are subsidised and with a view to restructuring, what are the current and future social plans, including those for adaptation of the labour force, and what are the regional conversion plans (e.g. attraction of new business)?

Since there are no subsidies for companies in solid fuel industry in Montenegro, we have no answer to this question.

V. RENEWABLE ENERGY

27 Please provide information on current and planned measures promoting renewable energies (nature of measures, budget available, etc.).

a) Is there framework legislation in place (an Energy Law)? Does secondary legislation already exist? Which piece of legislation corresponds with which acquis and what is the state of compatibility? Is your country already labelling appliances according to EU acquis? Is the institutional framework in place and operational (National Agency, etc.)? What is its staffing and budget?

Existing and planned measures for promotion of renewable energy

The Government of Montenegro adopted the Energy Development Strategy by 2025 in December 2007 ([Annex 71](#)) and Action Plan for Implementation of the Strategy for the period from 2008 to 2012 in October 2008 ([Annex 100](#)). Adoption of these strategic documents created conditions for initiation of measures for greater utilisation of renewable energy sources i.e. promotion and construction of renewable energy generation facilities.

Montenegro has large hydropower potential. Total estimated theoretical hydropower potential of Montenegro is 9846 GWh per year. The greatest attention in the Action Plan and other strategic documents is paid to utilisation of that potential. Projects for realisation of hydropower plant (HPP) Komarnica, system of HPPs on the Morača River and projects for small HPPs are envisaged.

Preliminary Feasibility Study for hydropower plant Komarnica has been done, for which results show that the project is technically and economically viable. The construction of HPP Komarnica is envisaged in spatial and water management plans of Montenegro, i.e. the prerequisites for realisation of that project have been created. Frontal HPP along with the accumulation in the Piva River basin, with the dam at the end of the block of existing dam of the current accumulation of HPP Piva have been envisaged. The construction of 176 m high concrete arch dam, with machine hall in the framework of the dam facility and two electrical generating units with installed capacity of 168 MW and annual production of 232 GWh have been planned. Estimated construction period for this hydropower plant is six years.

The system of HPPs on the Morača includes four facilities with total installed capacity of 238 MW and estimated average annual production of 694 GWh. All four hydropower plants are dam type, of which the frontal dam Andrijevo is a concrete arch dam, and the other three are combined concrete gravity dams with mechanical instalment within the scope of dams. Electric Power Holding Company of Montenegro has conducted ample geotechnical and hydrological research during previous years. Design documentation has been done and based on it the project's cost-effectiveness can be assessed and call for a tender for the construction of these hydropower plants can be issued. Working group that consists of representatives of the Ministry of Economy and Electric Power Holding Company of Montenegro is responsible for realisation of the Project. The public announcement for granting concession for construction of the system of HPPs on the Morača is planned to be published soon. Deadlines for preparation of tender documentation are harmonised with the ending of the capital increase process of Electric Power Holding Company of Montenegro. Detailed spatial plan with strategic environmental impact assessment is currently in the process. Envisaged construction period for all four hydropower plants is six years.

The Project of strategic valorisation of construction of small HPPs begun three years ago, when Hydrological and Meteorological Service of Montenegro in cooperation with the Norwegian Water Directorate started hydrological research in small watercourses in Montenegro. So far, two measuring studies of hydro potential of small watercourses have been done, with a total of 30 measurement sites on 27 watercourses. Studies present the basis for investment decisions concerning the construction of small HPPs in Montenegro

The project of hydrological research will continue by field measuring on another 15 watercourses of potential for the construction of small HPPs in Montenegro.

In the middle of 2008, the Government of Montenegro adopted Decisions on Granting Concessions for eight watercourses. Currently the first phase of the Concession Agreement is implemented on three watercourses - research works and development of conceptual solutions and preliminary feasibility study of the construction of small hydropower plants, while on the remaining five watercourses the second phase is implemented - development of detailed design documentation. Data on planned small HPPs has been incorporated into local and regional spatial planning documents. Construction of 21 small hydropower plants on eight watercourses, with total installed capacity of over 50 MW and estimated annual production of 175 GWh is envisaged. In addition, on 15 September 2009 the Ministry of Economy published new public announcement for granting concessions for the construction of small HPPs on ten hydrologically explored watercourses in Montenegro. Granting concessions will be a two-stage procedure, which includes prequalification and qualification phase. Total estimated installed capacity on those watercourses is 18 MW and annual production is 77 GWh. Including production of electricity from these small HPPs, Montenegro will significantly increase the share of renewable sources in total energy mix.

Montenegro also possesses the energy potential of wind, sun and biomass. The potential of these renewable energy sources are described in the Study on Assessment of Renewable Energy Sources Potential in the Republic of Montenegro adopted by the Government in April 2007. The wind potential is estimated using three-dimensional numerical model. Moreover, the results were calibrated using field measurements of the wind. As a result, a macroscopic field of wind potential for the whole territory of Montenegro was obtained. The study was a basis for the selection of areas for placing the wind potential measuring devices. Wind potential is measured at six locations for which the reports on measurements and research will be prepared, as well as conceptual solutions. The results of measurements show that economically viable potential for construction of wind power plants exists in Montenegro. The methodology for determining the purchase price of electricity from wind power plants is prepared. On 30 September 2009 Ministry of Economy issued the Invitation for Expressions of Interest to Investors for construction of wind power plants on the territory of Montenegro. In case the assessment of conceptual solutions is positive, the Ministry of Economy plans to publish a public announcement for the lease of the land for the construction of wind power plants on the explored sites on the territory of Montenegro.

The quantity of solar radiation in Montenegro is significant and can be compared to the solar radiation in Greece or Italy. Due to high number of sunny hours (2 000-2 500 hrs/yr), coastal and central regions of Montenegro are the most attractive for utilisation of solar energy. Energy Development Strategy does not include plans for the utilisation of solar energy for production of electricity (photovoltaic) that would be connected to the distribution network, but it expects the usage of direct solar energy for heating and hot water preparation. Furthermore, the secondary legislation for Energy Efficiency among other things promotes the usage of solar energy for these purposes. Although photovoltaic is already in use, it is in a relatively small range and at the hard to reach locations where it is not economically viable to develop electricity networks.

Two feasibility studies have been done concerning the exploitation of forest waste in Berane and wood waste in Nikšić for biomass and its utilisation for combined production of thermal energy and electricity.

Legislative and institutional framework

Existing Energy Law was adopted in 2003 ([Annex 59](#)). Due to the fact that existing Law is not fully harmonised with EU legislation in different energy domains, new Energy Law has been drafted. Draft Energy Law with provisions that consider renewable energy sources has been prepared. Legal provisions for renewable energy sources transpose Directive 2001/77/EC on the promotion of electricity produced from renewable sources in the internal electricity market. These provisions introduce incentives in order to achieve defined national targets for production of electricity from renewable energy sources, in accordance with energy policy. Legal provisions establish a system of guarantees of origin of electricity produced from renewable energy sources. In addition, the provisions clearly define administrative procedure for construction of renewable energy generation facilities, terms for connection to distribution and transmission network and set dispatching priority

for renewable energy power plants. Agenda of the Government of Montenegro envisages the adoption of new Energy Law during the year 2009. New Energy Law will be harmonised with the provisions of Directive 2009/28/EC regarding the promotion of the usage of the energy from renewable sources.

After defining aforementioned legal provisions for renewable sources, drawing up of secondary legislation derived from the new Energy Law has begun. The competent ministry is in the process of preparing the following secondary legislation regarding renewable energy sources:

- **Regulation on the Use of Renewable Energy Sources** which will regulate types of renewable energy plants and their classification, as well as the conditions and possibilities of using renewable energy sources. Regulation will define the administrative procedures for construction of facilities that use renewable energy sources, including procedures for obtaining permits for measuring and testing of the potential of renewable energy sources as well as energy permits for construction of the facilities. This regulation will also lay down the issues of granting concessions on state land, the needs for testing the potential of renewable sources and it will set out the form, content and manner of keeping the plants' register, which will be conducted by the ministry competent for energy affairs;

- **Regulation on Exchange at Connection Point** that will regulate the terms of exchange of electricity at the connection point, on the basis of the provisions related to technical conditions, connection standards, protection system, power quality and other issues of importance, which are set out by the regulation of distribution system operator.

- **Decree on Guarantees of Origin of Electricity from Renewable Sources** that will regulate the terms and conditions for issuing guarantees of origin, data that producers must provide for the issuance of guarantees of origin and method of delivery of those data, as well as detailed specification of data that a guarantee of origin must include.

- **Decree on Achieving the Right of Privileged Producer** that will regulate: the manner of achieving the right of privileged producer, the terms for acquiring the status of privileged electricity producer that can be acquired by project manager or producer who simultaneously produces electricity and thermal energy (cogeneration) or uses renewable energy sources in individual production facility, content and form of requests for acquiring the status of privileged producer, content of decision on acquiring the status of privileged producer, as well as characteristics and the method of keeping the register of privileged producers.

- **Tariff System for Electricity Generated from Renewable Sources** that will determine the right to incentive price of electricity for privileged electricity producers, it will set out tariff components and the amount of each tariff component for electricity generated from renewable energy power plants, depending on the type of source, power and other elements of supplied electricity, as well as the terms and conditions for application of those elements. Tariff system should be based on the justified expenses of business, construction, replacement, reconstruction and maintenance of renewable plants and at reasonable rate of return on investments.

The Government of Montenegro has adopted several secondary legislations concerning renewable energy sources on the basis of the existing Energy Law. Those are:

- **Decree on the Manner and Conditions of Granting Concessions for Exploration of Watercourses and Techno-economic Utilization of Hydropower Potential for Electricity Generation in Small Hydropower Plants** (Official Gazette of the Republic of Montenegro 70/06) - the Decree will define terms and conditions for awarding concessions for exploration of watercourses and techno-economic utilization of hydropower potential for electricity generation in small HPPs.

- **Regulation on Technical Conditions for Connection of Small Power Plants to Electric Power Distribution Network** (Official Gazette of the Republic of Montenegro 25/07); the Regulation will define technical conditions for connection of new small power plants with the capacity up to 10 MW and small HPPs where reconstruction affects the change of connection conditions and performance.

- **Instructions on Calculation of Methodology of the Purchase Price of Electricity from Small Hydropower Plants** (Official Gazette of the Republic of Montenegro 46/07); this Instruction will establish the methodology for determining the purchase price of electricity that is produced in small hydropower plants in Montenegro, with the capacity up to 10 MW. The suppliers, license holders, to whom the Energy Regulatory Agency has issued the license, buy electricity produced from sHPP, delivered at connection point of sHPP to the distribution network at the regulated purchase price. Pursuant to these Instructions, the Energy Regulatory Agency adopted the Decision on Setting the Purchase Price of Electricity from Small HPP in December 2007. This Decision determined that the purchase price for electricity generated in sHPP, delivered at the connection point of sHPP to the distribution network, will be 6.8976 c€/kWh. The starting date of application of this price was determined to be 1 January 2008, and any further adjustment to this price is performed simultaneously with the change of tariffs for electricity in Montenegro.

Decree on Wind Power Plants is adopted (Official Gazette of Montenegro 67/09) and regulates the procedure of measuring and exploring the potential of wind, the manner and procedure of leasing the land at the measuring site (i.e. location of wind power plant), the procedure of wind power plant construction and its connection to the electricity network, as well as the purchase of electricity.

Agenda of the Government of Montenegro envisages the adoption of the Law on Energy Efficiency during the year 2009. The draft Law on Energy Efficiency among other things defines labelling of household appliances and introduced obligations of suppliers and distributors regarding labels of household appliances in terms of their energy consumption. The draft Law on Energy Efficiency transposes Directive 92/75/EEC on labelling of energy consumption and other resources for household appliances and a number of implementation directives where each covers a specific group of appliances.

Draft Law on Energy Efficiency envisages the establishment of Energy Efficiency Agency. The Agency will deal with energy efficiency and renewable energy sources in regards to the energy demand. Organisation of the Agency is not adopted yet and the budget has not been allocated.

b) Has a governmental National Plan or Strategy been adopted to promote renewable energy sources and rational use of energy?

Strategy for promotion of renewable energy sources and rational use of energy

Due to significant hydro potential and a numerous potential watercourses for the construction of small HPPs, the Strategy for development of small hydropower plants in Montenegro ([Annex 70](#)) was prepared and adopted by the Government in April 2006. The Strategy provides basic guidelines and recommendations for the construction of small HPPs in Montenegro. On the basis of those guidelines, the Project for the construction of small HPPs has been prepared and it forms an integral part of the Action Plan for implementation of the Energy Development Strategy of Montenegro ([Annex 100](#)). Furthermore, the administrative procedures for the construction of wind power plants and power plants on biomass are developed. Draft Energy Law envisages draw up of the Programme for development and utilization of renewable energy sources and the existing documents will serve as a basis for its draw up.

c) Have studies to assess the impact of the European *acquis* in the field of renewable energy been undertaken?

Analyses of the impact of the European *acquis* in the field of renewable energy sources

For the field of renewable energy sources, the European *acquis* promotes the use of renewable energy sources in order to reach 20% of energy generation from renewable sources in total primary energy consumption in each Member State of the EU. By signing the Treaty establishing the Energy Community ([Annex 75](#)), Montenegro is required to implement the *acquis* in the energy sector. In this respect, the Government of Montenegro adopted the Energy Development Strategy of Montenegro by 2025 ([Annex 71](#)), with accepted EU recommendations and well-defined strategic goals. The Strategy envisages the use of renewable energy sources of at least 20% of total primary energy consumption in Montenegro by the year 2025. The share of renewable energy sources in total primary energy consumption, in the year 2006, was 24.9%, which already exceeds the EU goal by the year 2020. The Strategy predicts that such level will remain until 2020 i.e. that share of all renewable energy sources in total primary energy consumption will be 21.8% in 2010, 23.0% in 2020 and 22.1% in 2025.

d) What difficulties do you foresee in the gradual adoption of these EU rules? What timetables for application are there foreseen?

Foreseen difficulties in the gradual adoption of EU rules and timetable for application

By signing the Treaty establishing the Energy Community ([Annex 75](#)), Montenegro is required to implement the *acquis* in the energy sector. In the field of renewable energy sources, their increase is planned in accordance with the Energy Development Strategy of Montenegro by 2025 ([Annex 71](#)). In this field, no special difficulties in the adoption of EU rules are foreseen.

e) In relation to Directive 2009/28/EC on the promotion of the use of energy from renewable sources, what is the current situation and what are your ambitions for the contribution of renewable energy sources in energy consumption by the year 2020 (or possible intermediate years)? (Please use the methodology of Directive 2009/28/EC for calculating these shares)

Current situation and plans in respect of implementation of Directive 2009/28/EC

Draft Energy Law is prepared in accordance with Directive 2001/77/EC on the promotion of electricity from renewable energy sources in the internal electricity market. The latest Directive 2009/28/EC on the promotion of the use of energy from renewable sources will be transposed in this Law as well. Energy Development Strategy of Montenegro by 2025 ([Annex 71](#)) envisages that the share of all renewable energy sources in total primary energy consumption will be 21.8% in 2010, 23.0% in 2020 and 22.1% in 2025.

On the basis of the methodology of Directive 2009/28/EC, the Ministry of Economy has calculated the national target for renewable energy sources for the year 2020, which is roughly approximately to be 29% and is significantly higher than objectives stated in the Strategy. Within the Energy Community, the Ministry of Economy communicates intensively with the consulting company that, on the basis of the aforementioned methodology, calculates binding national targets for members of the Energy Community. According to the Agenda of the Energy Community, it is expected that binding national target for Montenegro will be determined until the end of the first quarter of the next year.

In accordance with that, the Ministry of Economy is preparing ambitious programme of development and use of renewable energy sources that will include greater incentives for using renewable energy sources, in an effort to meet new binding national target.

28 What is the current status of your country in standardisation bodies active in the energy sector, such as CEN/CENELEC?

Institute for Standardisation of Montenegro (ISME), as national standardisation body, represents interests of all stakeholders in the field of standardisation, establishes, maintains and develops standardisation system in Montenegro by following the requirements and recommendations of international and European organisations for standardisation.

Legal basis for development of standardisation system in Montenegro, as well as for the establishment and operation of independent and non-profit national organisation for standardisation, is established by the Law on Standardisation (Official Gazette of Montenegro 13/08), Decision on the Establishment of the Institute for Standardisation of Montenegro (Official Gazette of the Republic of Montenegro 21/07) and the Statute of the Institute for Standardisation of Montenegro (Official Gazette of Montenegro 29/08).

Institute for Standardisation of Montenegro (ISME), in capacity of an associated member, was admitted to CEN on 1 July 2008, and on 1 July 2009 it was admitted to CENELEC.

29 Concerning the oil sector, do standard forms such as EN-288 (unleaded petrol-automotive fuel), EN-589 (LPG automotive fuel), EN-590 (diesel automotive fuel) exist?

Decree on the Method of Setting Maximum Retail Prices of Petroleum Products (Official Gazette of the Republic of Montenegro 52/02, 55/02, 23/03, 32/05 and 35/05 and Official Gazette of Montenegro 73/08) regulates maximum retail prices of petroleum products for sale in Montenegro that is performed by legal persons registered for production, import, distribution and sale of petroleum products. Setting the maximum retail price of petroleum products refers to petrol (leaded and unleaded), diesel (D-2) with 0.2% of sulphur and ECO diesel (EN 590), as well as to heating oil (extra light) with 0.5% of sulphur.

The biggest importer and distributor of oil and petroleum products on the territory of Montenegro is Jugopetrol Kotor (Hellenic Petroleum), which makes procurement, receipt and control of petroleum products according to standards EN -228 for unleaded petrol and EN-590 for diesel automotive fuel.

30 Do any regulations on emissions from road and non-road vehicles exist?

There is no regulation that defines the level of emissions from road and non-road vehicles.

Proposal for a Law on Air Protection and proposal for a Rulebook on the Quality of Petroleum Products have been prepared. In accordance with the provisions of that Rulebook, the sale of leaded fuel in Montenegro will be abolished, which will positively affect air quality and preservation of the environment.

31 Could information be given on compliance with EU standards in other energy sub-sectors?

Since the beginning of 2008, Institute for Standardisation of Montenegro has worked intensively on the process of adoption of European standards, where it gives priority to "harmonised European standards" that accompany and enable the implementation of "New Approach" directives.

The text that follows provides a summary of Montenegrin standards and related documents issued in certain energy sectors that are set out below, and provides information about the number of standards the Institute plans to adopt in these fields during 2010.

In the field of **Energy and Heat Transfer Engineering** (ICS 27), at the national level, a total of 49 European standards have been adopted in the following sub-sectors:

- Internal combustion engines - 1 standard;
- Gas and steam turbines. Steam engines - 12 standards;
- Burners. Boilers - 16 standards;
- Heat pumps - 6 standards;
- Power stations in general - 9 standards;
- Refrigerating technology - 5 standards.

In accordance with Work Plan and Programme for 2010, the Institute for Standardisation of Montenegro plans to adopt 55 European standards in the field of Energy and Heat Transfer Engineering.

In the field of **Petroleum and Related Technologies** (ICS 75), at the national level, a total of 17 European standards have been adopted in the following sub-sectors:

- Crude petroleum - 1 standard;
- Petroleum products in general - 2 standards;
- Lubricants, industrial oils and related products - 1 standard;
- Fuels - 8 standards;
- Equipment for petroleum and natural gas industries - 1 standard;
- Petroleum products and natural gas handling equipment - 4 standards.

In accordance with Work Plan and Programme for 2010, the Institute for Standardisation of Montenegro plans to adopt 170 European standards in the field of Petroleum and Related Technologies.

In the field of **Electricity**, at the national level, a total of 73 European standards have been adopted in the following sub-sectors:

- Production, transmission and distribution of electricity - 9 standards;
- Electric conductors - 4 standards;
- Electric installations materials - 16 standards;
- Electric lines materials - 15 standards;
- Electric rotating machines - 9 standards;
- Transformers, dampers and rectifiers - 1 standard;
- Activation devices - 19 standards.

In accordance with Work Plan and Programme for 2010, the Institute for Standardisation of Montenegro plans to adopt 282 European standards in the field of Electricity.

32 Please provide information on energy technology and other programmes aiming at promoting energy efficiency and renewables. Could details of these programmes be provided, including the level of public subsidies?

Energy Development Strategy of Montenegro by 2025 ([Annex 71](#)) provides directions and necessary measures to which Montenegro will adhere during realisation of the adopted Energy Policy goals, while the Action Plan for Implementation of Energy Development Strategy of Montenegro by 2025 for the period 2008 – 2012 ([Annex 100](#)), in its essence, presents a part of the

Strategy and defines specific steps towards strategy defined directions. The Action Plan contains a series of specific programmes and projects, which implementation will result in realisation of strategic goals. To enable a better assessment of the efficiency and integrity of the Action Plan in relation to harmonisation with EU Energy Policy goals, all planned programmes and projects are grouped into Core Contents, which are defined on the basis of EU Energy Policy, and which, mostly, present specific groups of programmes and projects that respond to the challenges and goals of the Energy Policy and the Strategy.

In the field of renewable energy sources (RES), the Action Plan for Implementation of the Strategy sets out Core Content CC 5 - Construction and exploitation of renewable energy sources, which contains two programmes:

- Programme for development of renewable energy sources (excluding hydro potential) and
- Programme for using hydro potential.

Programme for development of renewable energy sources (excluding hydro potential)

In the framework of this Programme, the preparation of certain projects for promotion and development of renewable energy sources, excluding hydro potential, is envisaged. The Programme's goal is to gradually prepare more detailed projects for certain RES. In addition, the Programme should encourage and accelerate the development of RES, stimulate economic development, especially in rural areas of the state, and improve ecological future of the state. Decisions concerning implementation models for certain RES projects must be adopted. Detailed measuring, studies and assessments need to be done in order to form development strategies for using all kinds of RES and to identify micro-locations for potential facilities. Mass use of renewable energy sources can significantly contribute to reduction of emissions of greenhouse gases and negative impact on the environment. On the other hand, it can significantly contribute to development of municipal energy utility and creating new businesses and jobs. In order to create conditions for greater utilisation of RES, a series of activities is planned. Activities that have been realised up to this moment in this field are explained in the answer to the question 27.

Within this programme, the following projects have been defined:

- Project for wind utilisation for electricity generation - At locations along the Adriatic coast there is good potential for wind energy use. According to the Study on Assessment of the Potential of Renewable Energy Sources in the Republic of Montenegro (April 2007), the area of the mountain Rumija, between Bar and Skadar Lake where the average speed of wind is from 6 to 7 m/s, is the number one candidate for the first such project. In its vicinity, there is also an electric power network, which facilitates the connection to the network;
- Project for biomass utilisation for combined production of thermal and electrical power - According to the Study on Assessment of the Potential of Renewable Energy Sources in the Republic of Montenegro, the greatest potential for biomass has the municipality Berane. Therefore the construction of the first such plant with the capacity of 2-3 MW is planned to be in Berane;
- Project for municipal waste utilisation for combined production of thermal and electrical power - The first electrical power plant with the power of 10 MW is planned to be on the territory of municipality of Podgorica. The project will be realised within the public undertaking in charge of waste collection, which has the raw material base, an organised landfill and fairly good system of waste management that is necessary for such plant.

Programme for using hydro potential

The Strategy envisages increase in energy generation from renewable sources and use of hydro potential as the first potential to be exploited, since Montenegro has significant unexploited hydro potential. Draw up of the Study of Using Hydropower Potential of Montenegro is planned, which results will determine the areas (watercourses, basins) where it will be possible to use hydro potential in the future, i.e. determine the areas where this will not be possible from the aspect of economy, environment protection and other fields of waters utilisation. Based on the Study, new potential projects will be defined. The main projects under this programme that are currently in the realisation phase are:

- Project for construction of small hydropower plants, which is currently being realised in cooperation with the UNDP office in Montenegro;
- Project for construction of HPP Komarnica and
- Project for construction of HPPs on Morača River

Project for construction of small hydropower plants

Realisation of the project *Energy Sector Policy Reform to Promote Small Hydropower Plants Development in Montenegro* started on 1 January 2008. Quadrennial Project has common goal to increase utilisation of available hydropower potential. Global Environment Facility will finance the Project, worth more than a million dollars, while the project management is entrusted to the UNDP mission in Montenegro. The Project plan includes: watercourses research and collection of basic data for making investment decisions; simplification of tender procedures for research and construction of small hydropower plants; creation of concession and other agreements related to the exploitation of small hydropower plants; assessment and update of legal and regulatory framework needed for putting the small hydropower plants into operation; creation of attractive and competitive business conditions for investors, as well as professional training of human resources from the Department of Energy Efficiency and Renewable Energy Sources of the Ministry of Economy. Electric Power Holding Company of Montenegro – Functional Unit Distribution defined the procedure for connection of small power plants to distribution system.

Project for construction of HPP Komarnica

The construction of HPP Komarnica is indisputable in spatial and water management plans of Montenegro and there are no hindrances to its realisation. There are no industrial capacities, traffic arteries, economic facilities and households that might be threatened since the accumulation would only submerge the canyon, barren and uninhabited area. Following the initiative of the Federal Ministry for Transport, Innovation and Technology of the Republic of Austria and Voith-Siemens Hydro, the Ministry for Economic Development of the Government of Montenegro signed bilateral Memorandum of Understanding in the field of technological cooperation in the energy sector ([Annex 96](#)) with them. This agreement includes mutual transfer of knowledge and technologies, as well as analysis of energy resources in Montenegro. In order to implement this Memorandum, Joint Working Group is formed that consists of representatives of two ministries and Austrian Investment Agency. Working Group, during its first meeting held in November 2008, designated the Project HPP Komarnica as a pilot project for construction according to concession model and Electric Power Holding Company of Montenegro as collaborator in technical matters. This has implied that the Electric Power Holding Company of Montenegro should make accessible all the up to date existing technical documentation. In the period from December 2008 to March 2009, the Austrian party appointed a design company Poyry from Vienna to examine the justification of construction of this facility. Preliminary Feasibility Study was completed and indicates that the project is technically and economically justified. It is estimated that costs of construction of HPP Komarnica will exceed EUR 177 million, and that the period of construction will be 6 years. The Austrian party has designated the company Voith-Siemens Hydro for realisation of this project.

Project for construction of HPPs on the Morača River

In order to realise the construction project of HPPs Morača, Electric Power Holding Company of Montenegro has conducted voluminous geotechnical and hydrological researches during the past fifty years. The latest project documentation, at the level of conceptual design, dates from 1987-88 and presents very detailed project documentation, which is at a higher level than the feasibility study and is almost at the level ready for invitation for tender for individual contracts for construction of facilities. Additional actualisation of the project was carried out in 1997-98.

The Treaty with the International Finance Corporation (IFC) on consulting services during preparation and implementation phase of the tender procedure was signed in December 2008, under which the realisation of the following activities is planned: technical, economic and legal assessment of the project and conditions; project's structuring and promotion, preparation and evaluation of prequalification procedure; draw up of tender documentation and preparing drafts of necessary contracts, evaluation of the bids; as well as the assistance to the Government during negotiation and signing of concession and other contracts with selected concessionaire.

Activities for development of Detailed Spatial Plan for accumulation zone (author: URBIS Montenegro), with Strategic Environmental Impact Assessment that is realised as a part of the Norwegian donation (author: COWI Norway) continued during 2009. The analysis of the project and development of prequalification documentation are currently in progress. It is expected that the public announcement for prequalification will be published until the end of 2009. This phase of the tender will last from 1 up to 1.5 months, and after that the main part of the tender for qualified bidders will be published.

Revitalisation of existing hydropower plants

In order to increase energy efficiency on the part of the production, projects for recovery and revitalisation of existing hydropower facilities HPP Perućica and HPP Piva are currently implemented. Various research, studies, analyses and projects have been done for the hydropower system of Gornja Zeta and HPP Perućica. They consider the possibility of increasing the power generation from HPP Perućica both through reconstruction of the system, as well as through enabling and upgrading the same. Programme of enabling includes all necessary works to enable the power plant to not only reach the operating power of 307 MW instead of 285 MW, but also after the installation of power generating unit no. 8 to operate with capacity of 357.4 MW. In the previous period, the reconstruction of 4 out of 7 generating units was completed and it can be stated with certainty that they can function with the power of 40 MW after the reconstruction, which is for each 2 MW more than their capacity before the reconstruction. Moreover, the reconstruction and rehabilitation of civil part of the facilities is also completed, which will further increase the power generation, create conditions for installation of new unit, as well as extend the lifetime of facilities. Activities for recovery of accumulation losses in lakes Slano and Krupac will also result in increased production of electric power in HPP Perućica.

The ongoing revitalisation and modernisation of HPP Piva will increase operational safety and availability of this HPP, extend the lifetime of equipment and reduce production costs. The project of reconstruction and revitalisation of this HPP began in 2004. The goal of this project is reconstruction and modernisation of the overall equipment and facilities of the power plant that include: turbines, generators, transformers, 220 kV equipment, telecommunication system, protection, measuring, management, supply and drainage systems, hydro-mechanical equipment, dam, spillway, mechanical facility. Feasibility Study with Conceptual Design will determine detailed volume of reconstruction and modernisation. An integral part of activities to increase production and efficiency of HPP Piva is the realisation of the Project of deepening the riverbed of the Piva.

State subsidies for promotion of energy efficiency and renewable energy sources

In order to realise projects for construction of renewable energy generating facilities, the Ministry of Economy is preparing tariffs for guaranteed purchase prices of electric power generated from these plants. Tariffs for electric power produced in small hydro, wind and biomass power plants are currently calculated, which will provide investors greater confidence during realisation of RES projects. It is planned that guaranteed price of electric power will be valid for a period of 12 years. After that period the price would be set according to market principles.

Ministry of Economy is also preparing the methodology for determining the purchase price of electric power from plants that simultaneously produce thermal power, as well as from plants that use other renewable sources. For now, direct subsidies are not yet predicted for systems that use renewable sources only for heat production.

One of 17 programmes of comprehensive national project "Year of Energy Efficiency" is the programme "Removal of Barriers and Development of Financial Mechanism for Energy Efficiency Projects". Within this programme, the following activities are being realised:

- Pursuant to the Law on Corporate Profit Tax (Official Gazette of Montenegro 40/08), Rulebook on Detailed Manner for Using Tax Relief based on Investments in Fixed Assets used for Energy Efficiency and for Production of Energy from Renewable Sources was issued on 30 January 2009.
- The capital Podgorica adopted the Decision on Reduction of Construction Land Development Fee, which subsidizes the installation of solar systems by reducing fees for utility land.

- Making contacts with local banking sector and international financial institutions and donors, marketing and promotion are intensified, and training and education of banking sector about the advantages of investing in energy efficiency and renewable energy sources and about financial assistance programmes for energy efficiency, as well as rules and procedures of international institutions (EC, World Bank, EBRD, etc.).
- Establishment of the Energy Efficiency Fund and further implementation of projects for improvement of energy efficiency through this fund.

Also, one of the programmes of the Project "Year of Energy Efficiency" is "Renewable Energy Sources". The program envisages the promotion and larger utilisation of renewable energy sources for heating and hot water production, in order to increase energy efficiency. Within this programme, the following activities are being realised:

- In order to promote use of solar radiation for heating of sanitary water, the Ministry for the Environment, Land and Sea of the Republic of Italy and The United Nations Environment Programme (UNEP), in cooperation with the Ministry of Economy and Ministry of Spatial Planning and Environmental Protection of Montenegro, work on starting the programme to support the development of the solar water heating systems market in Montenegro. Within the project, the establishment of a special financial mechanism for implementation of projects for using solar energy is planned. Ministry of Economy, with assistance of foreign companies, is expected to measure solar radiation in the southern and central part of Montenegro.
- Planning and realisation of concrete projects for optimisation of heating, cooling and ventilation systems in public administration buildings with increased use of renewable sources.

VI. ENERGY EFFICIENCY

33 Please provide information on current and planned measures promoting energy efficiency (nature of measures; budget available, etc.).

In October 2005, the Government of Montenegro adopted the Energy Efficiency Strategy of the Republic of Montenegro ([Annex 72](#)). The Strategy includes framework initiatives necessary for promotion of energy efficiency in all energy sectors in Montenegro, especially in the field of final energy consumption. The Strategy is being implemented through national action plans adopted by the Government of Montenegro, and it is required to be prepared and implemented by the Energy Efficiency Unit of the Ministry of Economy. In the previous period, action plans for 2006 and 2007 were adopted, and Action Plan for Implementation of the Energy Efficiency Strategy for the period from 2008 to 2012 that was adopted on 29 May 2008 ([Annex 99](#)), is currently in force. The Action Plan is based on the guidelines given in the Energy Efficiency Strategy and Energy Development Strategy of Montenegro by 2025, on the need of approximation to EU legislation in the field of energy efficiency, as well as on the progress and experience from previous implementation of action plans. Energy efficiency measures defined in the current Action Plan are mainly relating to:

- Establishment of the basic framework for energy efficiency (Energy Efficiency Law, Central Institution for Energy Efficiency and Energy Efficiency Fund), as well as further gradual development of legislative and institutional framework;
- Implementation of sectoral programmes, including provision of incentives, technical support and promotional activities and
- Promotion of investments in the field of energy efficiency by providing financial assistance from international, state and local funding and private capital.

Regarding current measures implemented in the field of energy efficiency, overall national project "Year of Energy Efficiency" is currently active. This project is designed in accordance with not only adopted strategic documents but also results of research regarding the awareness of Montenegrin citizens about energy efficiency that was conducted in October 2008. The project is based on the intensive implementation of priority activities to improve energy efficiency through implementation of 17 specific programmes, which are followed by continuous promotional campaign. The project "Year of Energy Efficiency" officially started on November 5th 2008 and is going to last 12 months. During the preparation of the Project, the competent Ministry of Economy has endeavoured to harmonise all current and planned projects of international donors (EU, GTZ, the Government of the Kingdom of Norway, UNDP, World Bank, KFW, etc.), in order to make the Project "Year of Energy Efficiency" comprehensive. Currently, the Project is implemented in cooperation with more than 20 domestic and international partners active in the field of energy efficiency in Montenegro. The project is designed to intensify activities in the field of energy efficiency, and to ensure continuity of activities after its completion. Consequently, special attention is given to sustainability and long-term effects of energy efficiency measures in Montenegro. Funds from the state budget in the amount of EUR 260 000 are used to finance the Project.

The most important activities realised and planned within the Project "Year of Energy Efficiency" are explained below.

Establishment of basic legislative and regulatory framework for energy efficiency

- Draft Energy Efficiency Law has been prepared. The Law is written in accordance with core directives in the field of energy efficiency:
 - Directive 2006/32/EC on energy end-use efficiency and energy services;
 - Directive 2002/91/EC on the energy performance of buildings;
 - Directive 2005/32/EC establishing a framework for the setting of eco-design requirements for energy-using products and
 - Directive 92/75/EEC on the indication by labelling and standard product information of the

consumption of energy and other resources by household appliances.

This Law will be adopted during 2009, according to the Agenda of the Government of Montenegro.

- Draft secondary regulations of the first priority for building sector are completed. They refer to energy characteristics of buildings, energy efficiency of buildings and energy certification of buildings, in order to implement the provisions of Directive 2002/91/EC on the energy performance of buildings. Regulations will be adopted after the adoption of the Energy Efficiency Law.
- Audit of the Energy Efficiency Strategy of Montenegro will be completed by the end of 2009, in accordance with the Energy Development Strategy of Montenegro, National Strategy for Sustainable Development of Montenegro, new EU documents in the field of energy efficiency, and with results of new projects and studies in the field of energy efficiency in Montenegro.

Institutional and organisational reinforcement in the energy efficiency sector

Establishment of the Central Institution for Energy Efficiency and Energy Efficiency Fund is planned in strategic documents by the end of 2009. The support for establishment is provided through international support programmes of governments of the Kingdom of Norway and the Republic of Germany.

Public educative-informational campaign for citizens

In the course of the project "Year of Energy Efficiency", intensive public campaign has been organised in order to inform and raise awareness of citizens regarding the need for efficient use of all forms of energy, primarily electricity.

- Before the beginning of realisation of the Project, an initial public wide research was conducted concerning the level of awareness of citizens about energy efficiency, and then, in June 2009, an inter-survey was conducted. From the inter-survey, it was obvious that the awareness of citizens is growing, and that activities in the field of energy efficiency that have been implemented until now are partially in accordance with the expectations of the citizens of Montenegro. Upon completion of the Project, the final research will be conducted, where final effects of the Project will be analysed;
- Promotional TV clips and radio broad casts have been distributed, as well as special series about energy efficiency that have been broadcasted continuously for the duration of the project;
- Brochure about the Project has been printed, as well as brochure with advice on energy efficiency, while one more brochure is planned in October 2009. In addition to brochures, a documentary on energy efficiency has been prepared, and post-production of television program on energy efficiency is ongoing and it will be broadcasted during September at one of the national television stations;
- A series of lectures, seminars, thematic working breakfast meetings, and similar events that aim at informing and educating the public about energy efficiency have been organised;
- Design of picture books on the topic of energy efficiency for preschool and school age children is currently in progress;
- Public recognition award to the most successful natural and legal persons in the field of energy efficiency and organisation of the event "Day of Energy Efficiency" have been planned at the end of the Project.

Enhancement of energy efficiency in public buildings

- The Project "Promotion and Implementation of Energy Audits in Public Buildings", with financial and expert support from GTZ and the Government of Norway, is currently being implemented. Training and establishment of local teams for energy audits are done. Twenty-seven energy audits have been done for public building sector.
- The Project "Energy Efficiency in Montenegro" is designed to implement energy efficiency measures in public sector. Within the Project, energy efficiency measures will be

implemented in 14 educational and 6 health institutions. Financing is provided from the World Bank loan in the amount of EUR 6.5 million. Coordination of the Project will be done by Energy Efficiency Unit of the Ministry of Economy, in cooperation with the Ministry of Health and Ministry of Education and Science.

- The implementation of the project "Introduction of Energy Management System in Public Sector", i.e. development of information systems for energy management at the level of ministries is ongoing, and it is planned to further expand this system to local administration.
- Realisation of a series of projects for quick energy saving in the public sector is envisaged within this programme. Until now, the energy-saving light bulbs have been supplied to 6 educational institutions.

Establishment of infrastructure for informing citizens about energy efficiency

Web page (www.energetska-efikasnost.me) and free telephone line for informing and advising citizens about energy efficiency are launched. Opening of local Info-centres in three municipalities in Montenegro is underway.

Removal of barriers and development of financial mechanisms for energy efficiency projects

- Rulebook on Detailed Manner for Using Tax Relief based on Investments in Fixed Assets used for Production of Energy from Renewable Sources and Energy Efficiency was issued on 30 January 2009, pursuant to the Law on Corporate Profit Tax (Official Gazette of Montenegro 40/08).
- The capital Podgorica issued the Decision on Reduction of Construction Land Development Fee, which subsidises the installation of solar systems by reducing fees for utility land.
- Making contacts with local banking sector and international financial institutions and donors, marketing and promotion are intensified, and training and education of banking sector about the advantages of investing in energy efficiency and renewable energy sources, about financial assistance programmes for energy efficiency, as well as about rules and procedures of international institutions (EC, World Bank, EBRD, etc.) are planned.
- Establishment of the Energy Efficiency Fund and further implementation of projects for improvement of energy efficiency through this fund are planned.

Regional Conference "Energy Security and Energy Efficiency"

The conference was held in the period from 18 to 20 March 2009 in Budva. As an event of special importance and organized to gather important political figures. The conference brought together renowned lecturers in the field of international policy, economics and energy, politicians and economists from the region, management personnel from ministries and agencies for energy efficiency, representatives of international donor organisations, representatives of the economy (especially the field of energy), and providers of energy efficient materials, technologies and services. The conference was organised in order to improve regional cooperation in domain of energy security and energy efficiency, promote cooperation within the Energy Community, exchange experiences and good practice examples in the region, as well as to promote and encourage reaching of EU standards in the field of energy efficiency in the countries of the region. The conference was organised by the Ministry for Economic Development of Montenegro (the present Ministry of Economy) and GTZ, with the support of German Federal Ministry for Economic Cooperation and Development.

Demonstration and training centre for energy efficiency ("House of Future")

Within the Project "Year of Energy Efficiency", the Ministry of Economy and GTZ in cooperation with the capital Podgorica are implementing the programme "House of Future". Low-energy house will offer the possibility to present technologies not only to professionals, but also to general public. It is envisaged that this facility will be used to demonstrate energy efficiency measures, to advise the citizens about energy efficiency and, if possible, to be a head office of newly established Central Institution for Energy Efficiency. A specific site has been allocated in the capital city for the

“House of Future” and accompanying activities are currently in process.

Training and education in the field of energy efficiency

- Within the programme of bilateral cooperation with the Government of the Kingdom of Norway called "Enhancement of Capacities for Energy Audit of Buildings", the training of the local experts for energy audits of buildings and financial engineering, was carried out. GTZ also trained the teams for energy audits of buildings. During 2009 and 2010, the Ministry of Economy (Energy Efficiency Unit), University of Montenegro, GTZ and the Norwegian partner will continue with implementation of joint training programme for energy audits of buildings.
- Centre for Vocational Education of Montenegro, under the project of secondary vocational education reform in Montenegro, has started a programme to introduce special subject "Energy Efficiency" in vocational high schools.
- Electric Power Holding Company of Montenegro has prepared an education programme about energy efficiency in primary schools, as well as the introduction of teaching module electric power efficiency.
- Ministry of Economy has established a library for energy efficiency and renewable energy sources in premises of the Ministry.
- Faculty of Mechanical Engineering, University of Montenegro, is introducing special module energy efficiency to postgraduate studies organized by the Department of Energy.

Incentives for energy efficiency in small businesses

- The implementation of the project/credit line "Energy efficiency and renewable energy sources in Montenegro" is ongoing, and it is implemented by Directorate for Development of Small and Medium Sized Enterprises of Montenegro. The project is intended to provide technical assistance, as well as finance the energy efficiency measures in small and medium sized enterprises. A publication that combines the most cost-effective measures that can be financed through this credit line has been prepared, and within the Project "Year of Energy Efficiency", intensive promoting and awareness raising is being done, as well as technical and advisory support to small and medium sized enterprises. Financial assets are provided from KfW Bank credit.
- In cooperation with the Chamber of Commerce of Montenegro, establishment of special body in this institution is ongoing, in order to promote energy efficiency and renewable energy sources at economic entities.

Enhancement of international cooperation in the field of energy efficiency

Within this programme, the following is being done: promotion of existing and establishment of new programmes of bilateral/multilateral international financial supports, promotion of participation of Montenegro in international bodies, promotion of cooperation and exchange of knowledge and information with similar bodies in Montenegro and international institutions and associations active in the field of energy efficiency, coordination and development of policy and strategy for energy efficiency with neighbouring countries, EU and international agencies, as well as other activities aimed at improving international support in the field of energy efficiency. Up to now, this has resulted in initiating new projects of cooperation with the Government of the Republic of Croatia, the Government of Norway, GTZ, EU - IPA funds and others.

Energy efficiency in production and supply

The main carrier of this programme is Electric Power Holding Company of Montenegro, with coordination of the Energy Efficiency Unit of the Ministry of Economy. Projects within the Programme include enhancement of energy efficiency in the power generation sector (see Question 32), enhancement of energy efficiency in transmission and distribution of electricity, as well as informing the public about achieved results.

Enhancement of energy efficiency of big industrial customers

Partner in this programme is Aluminium Plant Podgorica (Kombinat aluminijuma Podgorica), and inclusion of other big consumers of energy in Montenegro is hoped for in the future (Steelworks

Nikšić - Željezara Nikšić, Railways of Montenegro - Željeznica Crne Gore, etc.). The following projects are planned: development of expert analysis for major consumers, introduction of regulatory requirements for large industrial consumers (under the Energy Efficiency Law, etc.), recruiting of energy managers, development of annual and semi-annual energy balances, development of action plans for energy efficiency and implementation of energy efficiency measures.

Renewable energy sources

The program envisages promoting and greater use of renewable energy sources at end user side, in order to increase energy efficiency.

- In order to promote use of solar radiation for preparation of sanitary hot water, the Ministry for the Environment, Land and Sea of the Republic of Italy and The United Nations Environment Programme (UNEP), in cooperation with the Ministry of Economy and Ministry of Spatial Planning and Environmental Protection of Montenegro, work on starting the programme to support the development of the solar water heating systems market in Montenegro. Within the project, the establishment of a special financial mechanisms for implementation of projects for using solar energy is envisaged. Ministry of Economy, with assistance of foreign companies, also plans on measuring solar radiation in the southern and central part of Montenegro.
- Under this Programme, planning and realisation of concrete projects for optimisation of heating, cooling and ventilation systems in public administration buildings are envisaged.

Promotion of passive construction and low-energy buildings

At the end of 2008, the financial support was provided by the Government of the Kingdom of Norway for implementation of this programme. The programme will be implemented in cooperation with GTZ, NGO Expedition and the Faculty of Architecture. Manual on the principles of passive and low-energy construction intended for the general public is made. The following activities are in progress: creation of manual for professional public, creation of regional electronic portal for networking of partakers in this field, inclusion in PASS-NET, the EU project for promotion of passive construction, promotion of prefabricated construction, passive architecture and cultural heritage, promotion of passive construction in education and etc.

Promotion of energy efficiency in local self-government

Under this programme, energy efficiency projects at the local level are being promoted continuously. The programme is implemented with participation of the Union of Municipalities of Montenegro, the Capital Podgorica and other municipalities in Montenegro.

- The programme began by organising a working breakfast meeting "Rational consumption of electricity in the Capital", where the public could get information about current and planned energy efficiency projects in the Capital.
- Municipality of Pljevlja has made Study of Energy Efficiency of Public Lighting, for which implementation is endeavoured to ensure co-financing through international funds, and expand this initiative to other municipalities in Montenegro.
- Municipality of Mojkovac has designed several important projects in the field of energy efficiency (remote heating of building complexes, enhancement of energy efficiency of local water supply, construction of energy-efficient building of local administration, etc.).
- Activities on establishment of energy management at the local level have begun. The Capital Podgorica, with capitals of Bosnia and Herzegovina, Macedonia and Croatia, participates in regional project "Sustainable development of towns - building the capacity for energy management in towns". This project is co-financed through the Regional Fund GTZ (GTZ Open Regional Fund). Capacity development is planned, as well as creation of a guide for energy managers, the implementation of a pilot scheme of energy management and maintenance of decentralised training courses and others.
- Detailed energy audit of the building of local administration in Podgorica is completed, and during 2009, it is planned to develop a scheme for financing/co-financing the energy audits. It is also planned to develop studies and action plans for energy efficiency at the municipal level, as

well as to promote energy efficient solutions at the local level (in the public urban transport, incorporation into spatial plans at the municipal level, in water supply systems, public lighting, etc.), as well as to promote rational energy consumption in own premises.

Promotion of energy efficiency in sector of tourism

The Ministry of Economy in cooperation with GTZ and the Ministry of Tourism implements this programme. Round table on the theme "Year of Energy Efficiency - solutions for the sector of tourism" was organised within the Fair of Tourism in Montenegro in February 2009. This round table was accompanied by actual examples presented during the fair and related to the transfer of knowledge on energy-efficient technologies for the hotel industry sector. Further planned activities include energy audits for the sector of hotel and catering industry, the campaign and raising awareness of tourists, education and training of hoteliers and caterers, the inclusion of energy efficiency criteria in the system of categorisation of hotels and other.

In Montenegro, significant international support and cooperation is present:

- During 2008 and 2009, within the programme of bilateral cooperation with the Government of the Kingdom of Norway, it has been worked on development of regulatory framework for energy efficiency in building sector. One of the results is that the new Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08) provided the introduction of basic concept and provisions of the energy efficiency (in accordance with Directive 2002/91/EC on the energy performance of buildings) and launched the activities for gradual adoption and development of legislative, regulatory and institutional framework for the energy performance of buildings. Also, within the framework of cooperation with the Government of the Kingdom of Norway, it has been worked on the development of capacities in the field of energy audit of buildings, and on implementation of the project "Financial Engineering". By the end of 2008, bilateral cooperation with the Government of Norway extended with initiation of the project "Development of Energy Efficiency in Montenegro - Support to Montenegrin Energy Efficiency Unit (which will be transformed into the Energy Efficiency Agency) within the Ministry of Economy of Montenegro".
- The project financed by German Organisation for Technical Cooperation (GTZ), "Energy Efficiency Enhancement in Montenegro", began in April 2008. The project includes assistance to the Ministry of Economy of Montenegro in implementation of the Action Plan for Energy Efficiency. The most important activities are: support in adoption of legislation and regulations in the field of energy efficiency and renewable energy sources, improvement of capacities of Energy Efficiency Unit and future Central Institution for Energy Efficiency, development of statistical and informational system for energy efficiency, training and realisation of energy audits, promotion of energy efficiency in public, residential and tourism sector, education and training of national professional staff, delivery of goods and contributions for implementation of pilot projects.
- The ongoing implementation of programme/credit line, "Energy Efficiency and Renewable Energy Sources in Montenegro", which is managed by German Development Bank (KfW) in collaboration with the Directorate for Development of Small and Medium Sized Enterprises of Montenegro, has been successfully implemented since 2006. The program allows small and medium-sized enterprises to identify, in a relatively short period, inefficient and environmentally harmful use of resources, take measures to improve energy efficiency and begin to use renewable energy sources.
- Cooperation with the World Bank started by signing the Loan Agreement (December 2008) for energy efficiency project in Montenegro. The project aims to increase energy efficiency in public sector buildings in Montenegro (mainly schools and hospitals), for which implementation a budget worth EUR 6.5 million is planned. After facilities have been selected, the selection of consultants is currently in progress, as well as preparation for the implementation of actual measures of energy efficiency in chosen facilities. From this loan, it is also envisaged to finance energy efficiency measures in facilities of Clinical Hospital Centre of Podgorica, while for the Feasibility Study and technical design of this complex, a grant of the Government of Spain is provided.

- Montenegro participates actively in the work of the Regional Energy Efficiency Task Force, which was established on the basis of the Treaty establishing the Energy Community (Article 35). Within the Task Force activities, the following tasks are being realised: preparation of reports depicting a comprehensive current state of the field of energy efficiency in the Energy Community members and observer countries, creation of the Action Plan for Energy Efficiency Enhancement in member states, the initial analysis/identification of EU legislation in the field of energy efficiency that could be extended to the Energy Community and that could produce the greatest impact and development of the plan for communication campaign for raising awareness.
- In the part of possibility of financing through the EU/IPA mechanisms, technical assistance in the field of energy efficiency will be provided within the IPA 2007 project "Support to the Implementation of the Energy Community Treaty". The project includes the support for the Energy Efficiency Unit within the Ministry of Economy, aiming to improve the capacity, develop adequate legislative and regulatory framework for energy efficiency, relevant studies, statistical and information systems, awareness campaigns and others.

During 2008 and 2009, Unit of Energy Efficiency and Renewable Energy Sources of the Ministry of Economy improved its personnel capacity from three to six employees. Financial resources allocated from the state budget for implementation of energy efficiency measures in 2009 are also several times higher than the funds granted in previous years (2009 – EUR 260 000, 2008 – EUR 55 000, 2007 – EUR 50 000). Further institutional development in the field of energy efficiency will significantly contribute to the establishment of the Central Institution for Energy Efficiency (Agency or similar body) and the Energy Efficiency Fund.

34 Is there an authority competent for conducting market surveillance?

Energy Law (Official Gazette of the Republic of Montenegro 39/03) ([Annex 59](#))- Article 3 stipulates that the Government through the Ministry competent for energy affairs (Ministry of Economy) implements the energy efficiency policy and preservation of energy resources, encourages and gives advice on energy efficiency and rational energy use, develops and promotes incentives for efficient use of energy and renewable energy sources, promotes greater use of renewable energy sources in production in the internal market and manages funds intended for savings and efficient use of energy. The Energy Efficiency Unit within the Ministry of Economy currently performs this function.

In the adopted strategic documents, as well as draft Law on Energy Efficiency, it is planned to establish Central Institution for Energy Efficiency by the end of 2009, which will, pursuant to Directive 2006/32/EC, also be in charge of market surveillance in the field of energy efficiency.

35 Are there a mandatory energy labelling scheme and minimum energy efficiency requirements for household appliances? Are they in line with the provisions of Community legislation?

Currently there is no labelling scheme for energy consumption and minimum energy efficiency requirements for household appliances.

The prepared draft Law on Energy Efficiency treats the concepts of eco design of products and energy efficiency labels for household appliances. The draft Law on Energy Efficiency introduces the obligations of suppliers and distributors regarding labels of household appliances in terms of their energy consumption. The draft Law on Energy Efficiency transposes the Directive 92/75/EEC on labelling of energy consumption and other resources for household appliances and a number of implementation directives where each covers a specific group of appliances.

Thus, it is planned to place the energy-using products on the market in accordance with the requirements set out for eco-design of products. The Ministry of Economy, in cooperation with the ministry competent for environmental protection, regulates the general requirements for eco-design of products and terms for placing the energy-using products on the market and in use, duties of the importer, compatibility assessment procedure and compatibility label, as well as other conditions that ensure application of products' eco-design requirements. The Ministry of Economy adopts technical regulations for implementation of eco-design measures.

36 Is energy efficiency considered in building codes?

National building codes and standards in the field of energy efficiency in Montenegro are still not at such level as to fully meet EU requirements and standards. For a long time (several decades) the construction of facilities in Montenegro was based on the application of JUS standards and codes (standards and codes of the former Socialist Federal Republic of Yugoslavia), in which energy efficiency of structures was not treated directly and integrally in a manner required by the EU. Therefore, the energy efficiency of structures is partially present by setting and proving the prescribed conditions, based on JUS standards and codes, especially in the part of achieving the construction characteristics of structures, as well as of selection and dimensioning of energy installations, systems and devices. In that sense, it is prescribed that achieving the energy performance of buildings will be done on the basis of technical calculations, usually in the field of construction physics, as well as in the part of systems selection for air-conditioning, heating, cooling and ventilation (HVAC).

Underdeveloped legislative and regulatory framework in the field of energy efficiency, as well as inconsistent application in practice of existing regulations in this field, generally have caused relatively poor state in terms of energy performance of buildings. In this regard, the Government of Montenegro has adopted several strategic documents in the field of energy efficiency, which place the field of construction also as one of priorities and which, inter alia, envisage the improvement of national legislation and regulation and harmonisation with EU legislation and regulation. A very important step towards the realisation of this goal is the adoption of the Law on Spatial Development and Construction of Structures (Official Gazette of Montenegro 51/08), which significantly regulates the field of energy efficiency, both during construction of structures and in the field of spatial development (by setting certain conditions for development of spatial planning documents). It is important to note that this Law in part concerning development of technical documentation stipulates creation of specific elaborative documents on energy efficiency and thermal protection, in accordance with the purpose and type of the structure. The Rulebook on Content of Technical Documentation, which is in final drafting stage, will determine content of the elaborative documents.

More detailed elaboration of problems relating to energy efficiency of buildings is provided in the draft Law on Energy Efficiency, which is in submission procedure to the Government of Montenegro for adoption. In order to promptly create the conditions for enforcement of this Law after its adoption, preparation of the secondary legislation has been simultaneously carried out (Rulebook on Conducting Energy Audits, Rulebook on Energy Performance of Buildings, Rulebook on Energy Certification of Buildings, Rulebook on Registering the Experts for Conducting Energy Audits and for Certification of Energy Efficiency of Buildings and Rulebook on Energy Efficiency of Buildings), which presupposes the fulfilment of recommendations and requests, primarily in accordance with: Directive 2002/91/EC on energy performance of buildings, Directive 2006/32/EC on energy end-use efficiency and energy services, Directive 92/42/EEC on efficiency requirements for new hot-water boilers, Directive 89/106/EEC on construction products, as well as in accordance with corresponding European norms (EN) in this field.

Energy Efficiency Law and its accompanying regulations are expected to enter into force by the end of 2009.

37 Are there any minimum energy performance requirements for certain types of buildings?

As indicated in the response to the previous question, there are JUS standards that set out the requirements regarding the energy performance of constructional part of buildings, as well as regarding related energy installations, plants, devices and equipment. However, the manner of determining minimum performance of buildings is not harmonised with EU requirements and norms, especially in the part concerning the manner of prescribing specific energy consumption (depending on category, purpose and type of building) using characteristic indicators, such as total annual energy consumption per area unit (kWh/m²y). This is exactly one of the essential requirements of regulations that are mentioned in the response to the previous question.

38 Are there efficiency and/or monitoring requirements for heating, ventilation and/or air-conditioning (HVAC)?

Requirements in terms of efficiency, monitoring of heating, ventilation and air-conditioning exist, but they are mainly based on the JUS regulations and standards, which are considerably milder compared to the EU regulations and standards.

Bearing in mind that Montenegro applies mostly the JUS standards, the goal is to define national standards, which concept and content would follow EU standards, by regulations stated in response to the question 36, but the values of parameters that would be acceptable in Montenegrin conditions would be established as criteria.

Draft Law on Energy Efficiency includes a provision that binds the owner of a building or separate part of the building with heating system using gas, liquid or solid fuels with nominal power of 20 kW and greater, to organise the realisation of regular energy audits of boiler for heating. The owner of the building or separate part of the building where the air-conditioning system is installed with nominal power of 12 kW and greater, will also organise the realisation of regular energy audits of air-conditioning system.

39 Are data collected with regard to the nature and the quality of the building stock?

The Ministry of Economy and Statistical Office of Montenegro do not have data regarding the nature and the quality of the building stock.

40 Does your legislation contain any requirements regarding energy audit schemes for final energy consumers?

The existing legislation in Montenegro does not treat the concept of energy audits. However, the Law on Energy Efficiency (currently in the submission procedure to the Government for adoption) and accompanying secondary legislation that is being drawn up (Rulebook on Energy Audits) will regulate the field of energy audits, in accordance with Directive 2006/32/EC and Directive 2002/91/EC.

Pursuant to the Law on Energy Efficiency, the Rulebook on Energy Audits regulates the procedure of energy audits realisation. This Rulebook will specially regulate: the participation of undertaking in energy audit, the highest level of prices of energy audit services, methodology, measuring and verification of energy savings and content of the report on energy audit.

Draft Law on Energy Efficiency regulates specific requirements regarding energy audits of public sector facilities which area exceeds 1 000 m², as well as special requirements regarding energy

audits of boilers for heating and air-conditioning systems that exceed certain nominal power value (kW).

41 Please provide information on current and planned measures promoting energy efficiency (nature of measures; budget available, etc.). Please provide further details if you have or intend to elaborate a National Energy Efficiency Action Plan.

Information on current and planned measures promoting energy efficiency in Montenegro is provided in response to the question 33.

Hereinafter are given information on current and planned activities related to the adoption and implementation of energy efficiency action plans.

The Government of Montenegro adopted the Energy Efficiency Strategy of the Republic of Montenegro in October 2005 ([Annex 72](#)). The Strategy is being implemented with National Energy Efficiency Action Plans, which are being prepared and implemented by the Energy Efficiency Unit within the Ministry of Economy. In the previous period, action plans for 2006 and 2007 were adopted, and currently in force is the Action Plan for Implementation of Energy Efficiency Strategy 2008 - 2012, which was adopted by the Government of Montenegro on 29 May 2008 ([Annex 99](#)). The Action Plan is based on the guidelines from the Energy Efficiency Strategy and Energy Development Strategy of Montenegro by 2025, on the need of approximation to EU legislation in the field of energy efficiency, as well as on progress and experience from the implementation of action plans in 2006 and 2007. Existing Action Plan defines the measures for improvement of energy efficiency, responsibility and time schedule, but does not fully meet the requirements of Directive 2006/32/EC, in particular due to lack of national indicative targets for energy efficiency improvement.

After adoption of the Energy Efficiency Law (currently in the submission procedure to the Government for adoption), which will meet the requirements of Directive 2006/32/EC in this field, it is planned to make a review of the existing strategic documents in the field of energy efficiency.

42 Do you have legislation in place that requires or ensures that final customers of electricity, natural gas, district heating and/or cooling and domestic hot water in your country are to be provided with individual meters that reflect actual energy consumption?

The energy sector in Montenegro is characterised by a dominant share of electricity in final energy consumption, and lack of natural gas and district heating and/or cooling systems and preparation of sanitary hot water.

Existing regulation (Interim Distribution Code, Official Gazette of the Republic of Montenegro 13/05), which defines the role and duties of electricity distribution operator and connection of users to the network, stipulates that distribution operator must provide standard measuring equipment - electric energy meters to customers that are connected to the distribution network for the first time (Article 129 – Ownership of Metering Point, paragraph 2). It is also stipulated that all new electricity meters installed in any estate or building within the distribution network are supplied and installed by distribution operator in his servicing area and they are his ownership (Article 129 - Ownership of Metering Point, paragraph 1).

New Regulation (draft Law on Energy Efficiency) stipulates that distribution system operator and supplier of electric or thermal energy or natural gas is required to provide final customers with an offer of devices for measuring energy consumption at competitive prices, for each independent usable unit of a facility, which gives the final customer accurate data on the actual energy consumption and exact time of use, within the limits of technical feasibility. This is in accordance with Directive 2006/32/EC.

43 Do you have legislation in place that requires or ensures that billing is to be performed by energy distributors, distribution system operators and retail energy sales companies, based on actual energy consumption?

Share of electricity in final energy consumption is dominant in Montenegro and billing is performed based on the calculation of actual energy consumption on a monthly basis.

Practice in Montenegro is that all consumers have individual meters, and calculation and method of payment for supplied electricity is defined by Rules on Electric Power Supply (Official Gazette of the Republic of Montenegro 13/05). In determined billing period, the supplier reads, calculates and provides tariff customer with a bill for electricity, in accordance with existing Decision on Tariff Rates for Sale of Electricity on Transmission and Distribution Network (Official Gazette of the Republic of Montenegro 27/03).

Consumer Protection Law (Official Gazette of the Republic of Montenegro 26/07) stipulates that a consumer is entitled to a bill that contains all necessary data that enable the consumer to verify the calculation of provided services, as well as free control of public services bills. The prepared draft Law on Energy Efficiency (currently in the submission procedure to the Government for adoption) stipulates that distribution system operator and supplier of electric or thermal energy or natural gas, is required to, where possible, ensure that the calculation of energy consumption is based on actual energy consumption and that it is expressed in a clear and understandable manner. Along with the bill, supplier is also required to provide final customer with information on:

- Full view of current expenses for consumed energy;
- Current price and actual energy consumption;
- Comparison of current energy consumption with energy consumption in the same period in the previous year, in form of a graph if possible;
- Comparison of energy consumption with normalised values or with consumption of the referent customer from the same customer group, whenever possible, and
- Final customers' organisations, energy bodies or institutions with contacts, including Internet addresses, from which it is possible to get information on existing energy efficiency measures, equipment specifications and comparisons of energy consumption of different groups of customers.

These provisions of draft Law on Energy Efficiency are in accordance with Directive 2006/32/EC.

44 Are there any support schemes (financial, fiscal or other) for

Review of main barriers to energy efficiency leads to the conclusion that, while the major changes are necessary in the institutional and regulatory framework, the lack of financial assets and lack of knowledge about existing technologies and good practices present the biggest barrier. Analysis of the previous support programmes indicates that our own funds are very limited, while considerable interest of international donors and financial institutions for financing the energy efficiency programmes exists. International financial assistance, along with the establishment of the Energy Efficiency Fund, could provide financing of integrated programmes in this field. There are also possibilities of co-financing the energy efficiency projects at the local level by national authorities.

The main financial instruments to encourage energy efficiency in Montenegro currently exist in the form of credit lines for natural persons, small and medium-sized enterprises, as well as for local self-government units.

Pursuant to the Law on Corporate Profit Tax (Official Gazette of Montenegro 40/08), the Ministry of Finance issued Rulebook on detailed manner for using tax relief based on investments in fixed

assets used for energy generation from renewable sources and energy efficiency (Official Gazette of Montenegro 09/09) on 30 January 2009.

a) the improvement of energy efficiency in buildings;

Support to improvement of energy efficiency in buildings

- Article 25 of the draft Law on Energy Efficiency stipulates that when purchasing or renting buildings those with greater degree of energy efficiency have the priority. This creates sustainable legislative scheme of support to buildings that are more energy efficient.
- The Capital Podgorica issued the Decision on Reduction of Construction Land Development Fee, which subsidizes the installation of solar systems by reducing fees for utility land.

b) the improvement of energy efficiency in industry and households;

Support to improvement of energy efficiency in industry and households

- Encouraging energy efficiency is done by providing energy services, as well as by financing the projects from the Energy Efficiency Fund. Obligation of the state to promote energy efficiency through measures of customs and tax policy is also envisaged. The establishment of the Energy Efficiency Fund is planned, as well as utilisation of its resources for realisation of projects to improve energy efficiency in households, industry, local self-government and private sector. The draft Law on Energy Efficiency, under Article 18 includes the establishment of the Fund as a special unit of the Energy Efficiency Agency. Namely, Article 59 of the same Law defines more precisely the procedure for allocation of assets to encourage the realisation of energy efficiency projects from the Fund.

c) highly efficient cogeneration?

Support to highly efficient cogeneration

- Draft Energy Law transposes, among others, Directive 2004/8/EC on the promotion of cogeneration based on a useful heat demand in the internal energy market. Similar as for renewable energy plants, new regulations envisage incentives for utilisation of cogeneration plants, system of issuing guarantees of origin for such plants, introduction of the obligation of transmission and distribution system operator to give priority to power plants that use highly efficient cogeneration during dispatch, as well as simple and transparent administrative procedure for the construction of such plants.

45 Is there policy framework with regard to highly efficient cogeneration or district heating?

The main objectives defined in the Energy Policy of the Republic of Montenegro ([Annex 97](#)), which the Government of Montenegro adopted in February 2005, among others, are:

- Creation of conditions for greater use of renewable energy sources, cogeneration of heat and power (CHP) and use of fossil fuels using clean technologies,
- Provision of institutional and financial incentives for improvement of energy efficiency and reduction of energy intensity in all sectors, from energy generation to consumption,

- Sustainable energy generation and utilisation with regard to environmental protection and international cooperation in this field, particularly concerning reduction of greenhouse gases (GHG) emissions,
- Support to research, development and promotion of new, clean and efficient energy technologies and implementation of the energy policy on professional and scientific basis.

One of the main instruments for achieving stated objectives of Energy Policy is provision of incentives for implementation of energy efficiency programmes, new renewable sources and clean technologies, including the use of energy efficient devices that are acceptable for the environment.

By signing the Treaty establishing the Energy Community ([Annex 75](#)), Montenegro is bound to take over the acquis in the energy sector. In order to carry out accepted obligations, draft Law on Energy also transposes, among others, Directive 2004/8/EC on the promotion of cogeneration based on a useful heat demand in the internal energy market.

Similar as for renewable energy sources plants, new legal regulations will envisage:

- Introduction of incentives for utilisation of cogeneration plants,
- System of issuing guarantees of origin for such plants,
- Introduction of the obligation of transmission and distribution system operator to give priority to power plants that use highly efficient cogeneration during electricity dispatch, and
- Simple and transparent administrative procedure for construction of such plants.

Montenegro does not have developed gas infrastructure network, so strategic documents do not envisage construction of large cogeneration plants. Energy Development Strategy of Montenegro by 2025 ([Annex 71](#)) plans construction of plants up to 5 MW, with biomass as energy-generating product. Such plants are expected within wood processing factories that consume large amount of thermal energy during their technological process, and within smaller plants for district heating of nearby settlements.

Action plan for implementation of the Energy Efficiency Strategy of Montenegro by 2025, for the period from 2008 to 2012 ([Annex 100](#)), envisages the Project of district heating of the city of Pljevlja. Implementation of this project, which plans to implement the use of waste heat from thermal power plant, which is near the city, would increase the efficiency of thermal power plant and reduce pollution of the environment.

46 Is there a dedicated authority in charge of monitoring measures with regard to energy efficiency or energy savings?

Energy Law (Official Gazette of the Republic of Montenegro 39/03) ([Annex 59](#)) - Article 3 stipulates that the Government through the Ministry competent for energy issues will implement the policy for energy efficiency and preservation of energy resources, encourage and give advice on energy efficiency and rational use of energy, develop and promote incentives for efficient use of energy and renewable energy sources, promote greater use of renewable energy sources in production in the internal market and manage funds intended for savings and efficient use of energy. The Energy Efficiency Unit within the Ministry of Economy currently performs this function.

The adopted strategic documents, as well as draft Law on Energy Efficiency (currently in the submission procedure to the Government for adoption), have planned to establish Central Institution for Energy Efficiency until the end of 2009, which will be in charge of monitoring the realisation of National Energy Efficiency Plan and reporting about the results, in accordance with Directive 2006/32/EC. In addition, draft Law on Energy Efficiency stipulates the obligation to monitor energy efficiency measures and realisation of energy savings for local self-government units, as well as for large consumers of energy, primarily by introducing the obligation to establish

energy management and information system of monitoring energy consumption in their own facilities. In this sense, the Law also sets out certain obligations for energy distributors, distribution system operators and energy suppliers, in order to monitor energy efficiency of energy consumers. It is important to point out that draft Law on Energy Efficiency stipulates obligations for all aforementioned energy entities to inform regularly the Central Institution for Energy Efficiency about implementation of energy efficiency measures and realised energy savings. Only in this way, the possibility of centralised monitoring of energy efficiency measures and realised energy savings will be ensured, as well as the possibility to improve national statistics in the field of energy efficiency and energy in general, which so far has not fulfilled domestic needs of data, or met the EU requirements.

47 Are there any national targets with regard to energy savings and/or the increase of energy efficiency?

Energy Development Strategy of Montenegro by 2025 ([Annex 71](#)) supports the EU aim to dramatically increase the energy efficiency and reduce energy consumption by at least 20% by 2020 and states that Montenegro strive to achieve the improvement of energy efficiency in energy generation and consumption, to the level of medium developed countries in the EU by the year 2025.

Energy Efficiency Strategy ([Annex 72](#)) and Action Plan for Energy Efficiency from 2008 to 2012 ([Annex 99](#)), have not defined clearly enough the national targets for quantification of energy efficiency improvement, which is actually their main drawback. Therefore, the Energy Efficiency Law will regulate the obligations to establish national indicative targets regarding energy efficiency, in accordance with Directive 2006/32/EC.

VII. NUCLEAR ENERGY

48 Please submit any nuclear policy papers/statements/declarations made by your government regarding the peaceful utilisation of nuclear energy in your country. Please submit your government's plans for the present and the future regarding nuclear energy, including the financing aspect.

Montenegro has no nuclear installations. Law on Ionizing Radiation Protection and Safety (Official Gazette of Montenegro 56/09) ([Annex 61](#)), in Article 17 prohibits the construction of nuclear power plants, plants for production of nuclear fuels and plants for spent nuclear fuel processing. In addition, the same Law in Article 19 prohibits all research and activities with an aim to develop, manufacture and use nuclear weapon, as well as to use radioactive and nuclear materials for production of weapon of mass destruction. Strategic document of the Government of Montenegro, Energy Development Strategy of Montenegro by 2025 ([Annex 71](#)) (adopted in December 2007), does not envisage construction of nuclear power plants.

The Government of Montenegro has no plans regarding nuclear energy, including the financial aspect.

49 Is your country a member of the International Atomic Energy Agency (IAEA) and/or the Nuclear Energy Agency of the OECD and if not, does it intend to become member?

As part of Socialist Federal Republic of Yugoslavia, Montenegro became a member of the IAEA back in 1957. However, after declaring the independence on 21 May 2006, Montenegro submitted membership application to the International Atomic Energy Agency - IAEA on 14 June 2006, and on 30 October 2006 it became a full member of this organisation.

Montenegro is not a member of the Nuclear Energy Agency of the OECD and, having in mind that the state authorities in charge of the nuclear safety and security, radiological protection and related fields, are primarily focused on full implementation of obligations arising from IAEA membership, which includes development of administrative capacities and legislative framework for mentioned fields, implementation of standards accepted by the European Union, currently there are no plans to join the Nuclear Energy Agency.

It is important to emphasise that Montenegro found itself on the map of the European Organisation for Nuclear Research (CERN-Geneva) after signing the Cooperation Agreement in December 2007. This enabled Montenegro to use the infrastructure and have contact with the state-of-the-art technology of CERN, and consequently it enabled progress and development of Montenegrin human resources in the field of physics, computer science, medicine and others.

Having in mind that due to the size of experiments, large amounts of different processed materials are used at CERN,, developing countries such as Montenegro have the advantage of placing these materials at high prices.

50 What are your country's nuclear research activities (existing/planned)? In case your country has research reactors, of which type are they and which nuclear fuel do they use?

Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09) ([Annex 61](#)) prohibits the construction of nuclear power plants, plants for production of nuclear fuels and plants for spent nuclear fuel processing on the territory of Montenegro, so our country does not have nor plans the construction of research reactors on its territory.

51 Please provide the Commission with the texts of your international agreements on cooperation in the field of nuclear energy and radiation protection with third countries or international organisations (in one of the official EU languages).

So far, Montenegro has never concluded bilateral agreements in the field of nuclear energy and radiation protection with other countries.

52 Please provide the Commission with the list of international conventions in the field of nuclear energy and radiation protection to which your country is a contracting party as well as the corresponding national legislation aiming to implement and enforce these conventions in the national legal order.

Based on succession procedure, Montenegro acceded to international conventions on 21 March 2007, and those are:

- Vienna Convention on Civil Liability for Nuclear Damage (Law on Ratification, published in Official Gazette of the Federal Republic of Yugoslavia 5/77),
- Convention on the Physical Protection of Nuclear Material (Law on Ratification, published in Official Gazette of the Federal Republic of Yugoslavia 9/85-309),
- Convention on Early Notification of a Nuclear Accident (Decree on Ratification, published in Official Gazette of the Federal Republic of Yugoslavia 15/89-3)
- The Convention on Assistance in the Case of a Nuclear Accident or Radiological Emergency, Vienna (Official Gazette of the Federal Republic of Yugoslavia 004/91-29)

International treaties, conventions and agreements that are related to the activities of the International Atomic Energy Agency which member is Montenegro:

- Treaty on the Non-Proliferation of Nuclear Weapons (Official Gazette of the Socialist Federal Republic of Yugoslavia 10/70-313),
- Treaty on the Prohibition of Nuclear Weapons Testing in the Atmosphere, Outer Space and Underwater (Official Gazette of the Federal Republic of Yugoslavia 011/63-580),
- The Treaty on the Prohibition of the Emplacement of Nuclear and Other Weapons of Mass Destruction on the Seabed and the Ocean Floor and in the Subsoil (Official Gazette of the Federal Republic of Yugoslavia 33/73-957),
- Comprehensive Nuclear-Test-Ban Treaty with the Protocol (Official Gazette of Serbia and Montenegro 4/04-3),
- International Convention for the Suppression of Acts of Nuclear Terrorism (Official Gazette of Serbia and Montenegro 02/06-3) – a succession was made in relation to the signature/Serbia and Montenegro did not deposit of the instruments of ratification,
- Agreement on the Privileges and Immunities of the International Atomic Energy Agency (in force from 30 October 2006, and from 21 March 2007 based on succession),
- Statute of the International Atomic Energy Agency (Official Gazette of the Socialist Federal Republic of Yugoslavia - International Treaties 001/58-64).

In order to implement the conventions, the Parliament of Montenegro adopted the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09) ([Annex 61](#)). Article 3 of this Law that concerns attainment of objectives, inter alia, defines (in the last indent) that objectives related to protection from ionising radiation and radiation safety under the Article 2 of the same Law can be attained with implementation of ratified international conventions and other agreements in the field of ionising radiation protection and radiation safety.

Ministry of Interior and Public Administration - Department for Emergency Situations and Civil Security, as authority competent for protection and rescue, in accordance with Article 37 of the Law on Protection and Rescue (Official Gazette of Montenegro 13/07, 05/08) paragraph 1 indent 2 ([Annex 68](#)) and upon the recommendation of the International Atomic Energy Agency (IAEA), started activities on development of National Action Plan for nuclear/radiological (radiation accidents), chemical and biological protection (CBRN) during 2009, as very important document for security of citizens and protection of material goods and environment. Through implementation of this plan, the obligations arising from certain adopted conventions will be also implemented.

Annex: Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09); Law on Transport of Dangerous Substances (Official Gazette of Montenegro 05/08) ([Annex 65](#)), Law on Protection and Rescue (Official Gazette of Montenegro 13/07, 05/08).

53 What is the position of your country regarding third party nuclear liability (the Vienna Convention and the Paris Protocol)? Please give a progress report regarding the ratification process.

Based on succession procedure, Montenegro acceded to Vienna Convention on Civil Liability for Nuclear Damage on 12 April 2007.

Ratification of the Paris Protocol and the Vienna Convention on Civil Liability for Nuclear Damage is planned for the year 2010, pursuant to National Programme for Integration of Montenegro into the European Union (NPI) 2008 - 2012.

54 Please provide information for all major nuclear sites and installations in your country on their activities, processes, throughputs and inventories of Uranium, Plutonium and Thorium.

Montenegro has no nuclear installations and they are prohibited by the Law on Ionizing Radiation Protection and Safety, Article 17 (Official Gazette of Montenegro 56/09) ([Annex 61](#)).

55 Please provide information on any future plans or projects for installations storing, handling, processing or final disposing Uranium, Plutonium and Thorium.

Montenegro has no plans nor future projects for installations storing, handling, processing or final disposing Uranium, Plutonium and Thorium.

VIII. OTHER NUCLEAR ISSUES (INCLUDING RADIATION PROTECTION)

Nuclear safety, radioactive waste management and decommissioning

56 Please provide information on the structure of the National Regulatory Authority (NRA) (if any) especially in the fields of nuclear safety and radioactive waste management, including radiation protection. Please provide the following information in detail:

a) the legal framework of the NRA;

National Regulatory Body for the field of nuclear safety, radioactive waste management, including radiation protection is structured within the Ministry of Spatial Planning and Environmental Protection and Environmental Protection Agency. Ministry of Interior and Public Administration is competent in the case of accidents that can cause a state of emergency in the country..

Pursuant to Decree on Organisation and the Manner of Work of the State Administration (Official Gazette of Montenegro 59/09) ([Annex 69](#)), the Ministry of Spatial Planning and Environmental Protection performs, inter alia, administrative task related to creation of policy and legislation for all aspects of protection against ionising radiation and radiation safety. In addition, it is pursuing policy of international cooperation, international treaties conclusion, international standards monitoring, negotiations, coordination and implementation of international conventions and agreements, monitoring of process of accession to the EU, harmonisation with international standards, regulations, recommendations and other.

Law on Environment (Official Gazette of Montenegro 48/08 of 11 August 2008) ([Annex 60](#)) provides legal basis for establishment of the Environmental Protection Agency that is founded by the Government of Montenegro according to the recommendations of the European Commission (EC) and International Atomic Energy Agency (IAEA), which enabled tasks concerning implementation of legislation and inspection control to be realised by one administrative body.

Law on Environment, Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09) ([Annex 61](#)) and Decree on Organisation and the Manner of Work of the State Administration stipulate that professional and related administrative tasks in the field of protection against ionising radiation and radiation safety will be performed by the Environmental Protection Agency. The Agency, inter alia, is competent to: perform systematic research of radionuclide content in the environment (monitoring), manage the information system of research of radioactivity in the environment, collect information about radiation accidents, collect and publish information of interest to environment and public health, issue licenses in the field of protection against ionising radiation in accordance with the Law and secondary legislation, establish and maintain a database (central register), control the fulfilment of conditions under which licenses were issued and monitor ionising radiation sources and radioactive materials for medical and non-medical purposes and their safe storage, order implementation of measures for protection against ionising radiation and radiation safety, provide the media, competent state authorities and International Atomic Energy Agency (IAEA) with information relevant to the field of protection against ionising radiation and radiation safety, independently or in cooperation with competent state authorities cooperate with the IAEA and other international bodies and competent authorities of other states regarding the implementation of regulations, give its opinion upon the request of competent state authorities relating to accession to international conventions and other agreements, and perform other tasks laid down by the Law.

b) the competencies/powers of the NRA concerning nuclear safety, security and radiation protection, the licensing of operating and/or new nuclear facilities, including fuel and waste treatment facilities, implementation of nuclear safeguards;

Specified national authorities (in reply to the question 56), pursuant to regulations of Montenegro, have no powers concerning nuclear safety and security, and therefore they do not issue licences, relating to nuclear safety and security, for new nuclear facilities, including fuel and waste treatment facilities, and have no powers concerning implementation of nuclear safeguards.

Within the Environmental Protection Agency, all licences are being issued for import, export and transit of ionising radiation sources and radioactive materials, for performing radiation activity, for performing temporary radiation activity, license for managing radioactive waste storage, as well as licenses for legal persons dealing with radiation protection matters, all in accordance with the Law on Ionising Radiation Protection and Safety (Official Gazette of Montenegro 56/09) ([Annex 61](#)).

The Law on Transport of Dangerous Substances (Official Gazette of Montenegro 05/08) ([Annex 65](#)) defines that the Ministry of Interior and Public Administration gives approval to transport of radioactive substances that is submitted to the Environmental Protection Agency for licensing.

c) the structure and responsibilities of the various departments of the NRA;

Within the Ministry of Spatial Planning and Environmental Protection there is a Sector for Environmental Protection where exists a Department for Atmosphere Protection and Ionising Radiation. Ministry of Spatial Planning and Environmental Protection is responsible, inter alia, for conducting the policy and preparation of strategies and regulations in the field of ionising radiation protection.

After the establishment of the Agency, the Government of Montenegro adopted the Rulebook on Internal Organisation and Job Descriptions of the Environmental Protection Agency.

Internal organisational units of the Agency are:

- Department for Monitoring, Analysis and Report Drafting,
- Department for Licence Issuance,
- Department for Communication and Information System Management,
- Department for Inspection Affairs,
- Office for General Affairs and Finance.

Environmental Protection Agency is responsible, inter alia, for monitoring and implementation of all regulations in the field of protection against radiation.

Rulebook on Internal Organisation and Job Descriptions of the Environment Protection Agency systematised job positions on radiation protection affairs that are performed by six employees (licensing, inspection control and radioactivity monitoring). Representatives of the IAEA and the EC with their recommendations have participated in creation of such organisational model.

Within the Ministry of Interior and Public Administration exists Department for Emergency Situations and Civil Security, which through the scope of activity of the Risk Management Department, draws-up and updates the data on hazardous substances, and is responsible for all hazardous substances, except for competence shared with the Ministry of Spatial Planning and Environmental Protection and the Environmental Protection Agency.

d) the degree of autonomy and independence of the NRA, method of appointment and reporting relationship of the officers of the NRA.

Ministries are managed by the heads of bodies - ministers that are elected by the Parliament of Montenegro upon the proposal of the Prime Minister.. Civil servants and state employees are

elected through open advertisement and competition, pursuant to the Law on Civil Servants and State Employees (Official Gazette of Montenegro 50/2008 of 19 August 2008).

It is important to emphasise that procedure of environmental impact assessment, licensing and inspection control in the field of protection against ionising radiation is no longer under the jurisdiction of the Ministry of Spatial Planning and Environmental Protection, but aforementioned duties have been taken over by the Environment Protection Agency, which ensured full work autonomy.

The head of the Environmental Protection Agency is a director who is, upon the proposal of the Minister competent for spatial planning and environmental protection affairs, appointed by the Government of Montenegro for a period of five years. Director represents the Agency, directs and manages its work.

Selection of civil servants is done through an open competition/advertisement, which lasts not less than 8 and not more than 15 days, through the Human Resources Administration, after which it is determined whether candidate(s) fulfil(s) the requirements. Candidate who meets all the requirements is selected and appointed by the Director. In accordance with amendments to the Decree on Organisation and the Manner of Work of the State Administration, one servant has been taken from the Ministry of Health, Labour and Social Welfare and assigned to Department for Licence Issuance affairs in the field of protection against ionising radiation, while other servants employed in the field of protection against radiation have entered the selection procedure through the Human Resources Administration. Procedure for selection of Chief Inspector and inspectors is conducted through the same competition manner, as for other servants, and the difference is that these positions are reselectable every four years. On the proposal of the Director of the Agency, the Government elects the Chief Inspector.

Matters of positions of civil servants or state employees relating to employment, titles, rights and obligations, responsibilities, re-assignments, performance appraisal, advancement and identification of skills, professional development, termination of employment, protection of rights, human resources management, as well as supervision of law enforcement, are regulated by the Law on Civil Servants and State Employees (Official Gazette of Montenegro 50/2008 from 19 August 2008).

Environmental Protection Agency, as a state administration body, is recognised as a separate user and is financed from the state budget and donations. Programme Budget is drawn up in Montenegro, and after text consolidation and adoption by the Government, the Budget Law is adopted by the Parliament of Montenegro, once a year. In accordance with the activities of the Agency, a programme with specific sub-programmes is drawn up.

Reporting about work is done by sectors once a month and on senior staff meetings. This is one of the regular activities of employed civil servants and state employees. The report contains important elements concerning working activities of the sector (number of issued licences, number of inspection controls, number of rendered decisions, environmental monitoring, participation in the work of the senior staff, communication with licence holders, authorised legal persons that conduct measuring activities to estimate the degree of exposure to ionising radiation, communication with health care institution that performs examinations of persons working in the radiation zone, participation in commissions' work, communication with international organisations, participation in courses, seminars, workshops, study visits and business meetings with international experts in the field of protection against radiation, etc.). In order to inform the public and improve transparency, all issued licences are published on the website of the Agency.

57 What is the existing and planned capacity for storing spent fuel and radioactive waste?

Montenegro has no capacities for disposal spent fuel and radioactive waste and storing is explained in detail in the response to the question 58.

58 Do you have a national waste management plan covering all types of radioactive waste and all management stages including final disposal?

Montenegro has no national waste management plan covering all types of radioactive waste and all management stages including final disposal. Article 6 of the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09) ([Annex 61](#)) has envisaged that the Government of Montenegro will adopt the Strategy for Protection against Ionising Radiation, Radiation Safety and Radioactive Waste Management, with the Action Plan for its implementation, on a proposal from the ministry competent for environmental protection affairs.

Radiation sources of low and medium activity rate are mainly used in Montenegro. In the period from 2006 to 2007, the Government of Montenegro allocated funds and built a temporary warehouse for radioactive waste storing, in order to solve the problem of waste properly. International Atomic Energy Agency has supported national project MNE3002 "Strengthening Radioactive Waste Management" of the ministry competent for environmental protection affairs and public institution Centre for Ecotoxicological Research of Montenegro, for provision of necessary equipment and training of human resources that will be employed in the warehouse. Adoption of the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09), formed legal basis for adoption of the Rulebook on detailed conditions and manner under which the radioactive waste is collected, kept, processed, recorded and disposed and the Rulebook on detailed conditions and manner under which the radioactive waste is stored, kept, recorded, processed and disposed, on application content and necessary documentation for managing the radioactive waste warehouse (Chapter VI).

59 Please provide information on the national legal and regulatory framework for nuclear safety? Does your country use/apply the IAEA/NUSS codes and standards?

Apart from general provisions relating to radiation safety and protection against radiation, Montenegro does not have specifically defined nuclear safety within national legal and regulatory framework, and the reason is that Montenegro neither has nor plans to build nuclear plants and has no nuclear materials either. The Law on Ionising Radiation Protection and Radiation Safety ([Annex 61](#)) forbids such plants. Nuclear safety is also involved within the said Law from the aspect of contribution of Montenegro in the fight against illicit trafficking of nuclear and radioactive materials on the territory of Montenegro. Montenegro is a signatory of conventions in the field of nuclear safety - Convention on Early Notification of a Nuclear Accident and plans to adopt the Law on Ratification of the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management and the Law on Ratification of the Convention on Supplemental Compensation for Nuclear Damage.

Montenegro has no special institution for nuclear safety for the same reasons mentioned above. In this regard, Montenegro does not use IAEA nuclear safety standards, with the exception of BSS standards from 1994, which were published by the International Atomic Energy Agency (IAEA).

Adoption of secondary legislation on the basis of the Law on Ionising Radiation Protection and Radiation Safety will create conditions for better application of the Code of Conduct on the Safety and Security of Radioactive Sources and other recommendations.

60 Please explain your countries national decommissioning strategy and the corresponding legal framework?

Montenegro has no national decommissioning strategy and the corresponding legal framework. Namely, the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09) ([Annex 61](#)) prohibits construction of nuclear power plants, plants for production of nuclear fuels and plants for processing of spent nuclear fuel. Also, any research and activity with

an aim to develop, manufacture and use nuclear weapon, as well as to use radioactive and nuclear materials for production of weapon of mass destruction is prohibited.

The Law on Ionising Radiation Protection and Radiation Safety -Chapter VI defines radioactive waste management, and drafting of the Strategy for Protection against Ionising Radiation, Radiation Safety and Radioactive Waste Management is provided for in Article 6 of the same Law.

61 What is the national decommissioning strategy and corresponding legal framework?

There is no national decommissioning strategy and corresponding legal framework.

This is explained in detail in the response to the previous question.

62 What legal and financial provisions are put in place to ensure that adequate financial resources are available in time and managed transparently for decommissioning and the waste management of radioactive waste and spent nuclear fuel?

The Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09) – Chapter VI ([Annex 61](#)) defines radioactive waste management, and drafting of the Strategy for Protection against Ionising Radiation, Radiation Safety and Radioactive Waste Management is provided for in Article 6 of the same Law.

Article 37 sets out the obligations of financing the expenses of radioactive waste storing (*Licence holder referred to in paragraph 1 of this Article shall bear the expenses of storing radioactive waste. Expenses of storing orphan ionising radiation sources and radioactive waste shall be covered from the Budget of Montenegro. If the owner referred to in paragraph 4 of this Article is subsequently determined, the state shall seek reimbursement of storage expenses.*).

Expenses of warehouse maintenance that is managed by an authorised legal person referred to in Article 38 of the mentioned Law are covered from the Budget of Montenegro.

Nuclear material supply, safeguards and physical protection

63 Please provide the Commission with the texts of the international agreements and conventions that have been concluded with third countries or international organisations in the field of nuclear material supply, accountancy and safeguards.

Montenegro has not concluded any international agreement or convention with third countries or international organisations in the field of nuclear material supply and accountancy.

Montenegro signed the Safeguards Agreement along with the Additional Protocol and Small Quantities Protocol. Text of the Agreement is provided in response to the question 70 of this Chapter.

64 Please provide the Commission with texts of national legislation and policy in the field of nuclear material supply, accountancy and safeguards.

Article 19 of the Law on Ionising Radiation Protection and Radiation Safety ([Annex 61](#)) prohibits trafficking of nuclear material on the territory of Montenegro, and that is the reason why Montenegro has no national legislation in this field.

Article 3 that concerns attainment of objectives, inter alia, defines (in the last indent) that objectives related to protection from ionising radiation and radiation safety under the Article 2 of the same

Law, can be attained through implementation of ratified international conventions and other agreements.

Within the context of the adoption of legal solutions in the field of the International Atomic Energy Agency operations, the Government of Montenegro adopted conclusion on signing the Safeguards Agreement and Additional Protocol on 18 October 2007, which forms an integral part of the legal framework established by the Treaty on Non-proliferation of Nuclear Weapons. The Agreement was signed in Vienna in May 2008.

Furthermore, in accordance with the strategic document - Spatial Plan of Montenegro until 2020, passed by the Parliament of Montenegro, in the chapter relating to the energy sector, there are no plans for the construction of nuclear plants for energy production or other facilities that could use nuclear material on the territory of Montenegro.

65 Is your country a member of the Nuclear Suppliers Group (NSG)? Does it have national legislation to enforce the guidelines of the NSG and the capability to maintain the necessary controls?

Montenegro is not a member of Nuclear Suppliers Group (NSG).

With the aim to adopt legal norms relating to control, the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09) ([Annex 61](#)) and Law on Foreign Trade in Arms, Military Equipment and Dual-purpose Goods (Official Gazette of Montenegro 80/08) ([Annex 63](#)) were adopted. As provided for in Article 17 paragraph 3 of the Law on Foreign Trade in Arms, Military Equipment and Dual-purpose Goods (Official Gazette of Montenegro 80/08), the National Control List of Dual-purpose Goods and Technologies was issued during 2009. In addition, the Decision concerning Control List for Import, Export and Transit of Goods (Official Gazette of Montenegro 82/08) was adopted during 2008 ([Annex 92](#)).

66 Who in your country can buy, own and sell nuclear material?

Under Article 19 of the Law on Ionising Radiation Protection and Safety (Official Gazette of Montenegro 56/09) ([Annex 61](#)) it is prohibited to procure, sell, import, export and perform transit of nuclear material in our country.

67 Who in your country can physically hold nuclear material?

Under Article 19 of the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09) ([Annex 61](#)), it is prohibited to physically hold nuclear material.

68 With regard to the fuel used in your reactors, which country/countries is/are the source of enrichment services?

Nuclear reactors do not exist on the territory of Montenegro.

69 Please describe what is your country's policy regarding import, export and trade of nuclear equipment, nuclear materials, new and irradiated nuclear fuel. Please give details of any national authorities responsible for controlling and/or monitoring such trade.

Import, export and trade of nuclear equipment, nuclear materials, new and irradiated nuclear fuel are prohibited under Article 17 of the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09) ([Annex 61](#)).

Foreign Trade Law ([Annex 62](#)), Law on Foreign Trade in Arms, Military Equipment and Dual-purpose Goods (Official Gazette of Montenegro 80/08) ([Annex 63](#)) are also adopted, and National Control List of Dual-purpose Goods and Technologies is issued, as well as Decision concerning Control List for Import, Export and Transit of Goods (Official Gazette of Montenegro 82/08 of 31 December 2008) ([Annex 92](#)) .

In addition, Article 44 defines that in order to uncover and prevent illicit trafficking of radioactive and nuclear materials across the borders of Montenegro, ionising radiation monitors are placed at border crossings, in accordance with the act of the body competent for home affairs and public administration.

The following authorities are responsible for controlling and/or monitoring of such trade: Environment Protection Agency (Inspection Control Department), Ministry of Interior and Public Administration (Department for Emergency Situations and Civil Security), Ministry of Economy, Directorate of Police and Directorate of Customs Administration of Montenegro.

70 Given that your country is party to the Treaty for the Non-Proliferation of Nuclear Weapons, does it have a full-scope safeguards agreement in force with the IAEA? If so, please send a copy. If not, will there be such an agreement in force in the near future?

In May 2008, the Government of Montenegro signed Safeguards Agreement with additional protocols with IAEA ([Annex 74](#)), which form an integral part of the legal framework established by the Treaty for the Non-proliferation of Nuclear Weapons which ratification is expected in the following period.

Annex: Safeguards Agreement with additional protocols

71 Has your country signed a Protocol Additional to the Safeguards Agreement on the basis of the document published as INFCIRC/540 and, if yes, since when is this Protocol in force?

Montenegro signed a Protocol Additional to the Safeguards Agreement with the International Atomic Energy Agency in May 2008 ([Annex 98](#)). The Protocol has not entered into force as the Parliament of Montenegro has not ratified it yet. Pursuant to National Programme for Integration of Montenegro into the EU for the period 2008-2012, ratification of Safeguards Agreement with additional protocols is planned in 2010.

72 Has your country made a voluntary offer to the International Atomic Energy Agency concerning extended reporting on movements of nuclear materials and equipment, pursuant to the International Atomic Energy Agency (IAEA) document GOV/2929 of 22.01.1993? If so, please provide a copy.

Montenegro has not made a voluntary offer to the International Atomic Energy Agency concerning extended reporting on movements of nuclear materials and equipment, pursuant to the International Atomic Energy Agency (IAEA) document GOV/2929 of 22 January 1993.

As an independent state, Montenegro became member of the IAEA database for illicit trafficking of nuclear and other radioactive materials on 3 June 2006.

73 Does your country envisage any regulatory problems in adapting its legislation to ensure that it conforms to the provisions of chapter VII of Euratom as regards the implementation of Euratom safeguards in all nuclear installations on its territory?

Nuclear installations do not exist on the territory of Montenegro, so regulatory problems in adapting our legislation to ensure that it conforms to the provisions of chapter VII of Euratom are not envisaged.

74 Please provide information on components and equipment related to the nuclear fuel cycle present in your country that are subject to any agreement or convention concluded with third countries or international organisations.

Nuclear fuel or plants that use it do not exist in our country and there are no agreements concluded with third countries or international organisations.

75 Does your country participate in any fusion research programme that involves the use of Tritium and who are the suppliers of this Tritium?

Montenegro does not participate in any fusion research programme and therefore does not use Tritium.

76 Does your country envisage any problems in suspending the existing Safeguards Agreement between your country and the IAEA and adhering to the Agreement INFCIRC/193 between the Community, the IAEA and the non-nuclear weapon Member States of the European Union? Please answer the same question concerning the Protocol Additional to the Safeguards Agreement between your country and the IAEA.

Montenegro does not envisage problems in suspending the existing Safeguards Agreement concluded between Montenegro and International Atomic Energy Agency (IAEA) ([Annex 98](#)) or problems related to adhering to the Agreement INFCIRC/193 between the Community, the IAEA and the non-nuclear weapon Member States of the European Union.

Montenegro does not envisage problems in adhering to the Protocol Additional to the Safeguards Agreement.

77 Did your country adhere to the Convention on Physical Protection of Nuclear Material (CPPNM) and the recent amendment, the Convention on Physical Protection of Nuclear Material and Nuclear Facilities (CPPNM-AM)?

Based on succession procedure, Montenegro acceded to the Convention on Physical Protection of Nuclear Material on 12 April 2007.

Pursuant to National Programme for Integration of Montenegro into the EU (NPI) for the period 2008-2012, ratification of Amendment to the Convention on Physical Protection of Nuclear Material is planned.

78 Does your country belong to the IAEA Illicit Trafficking Database?

On 18 May 2004, the International Atomic Energy Agency (IAEA) sent a note to inform Border Police Sector, the appointed representative of the Government of Montenegro, Ministry of Interior, that Serbia and Montenegro became members of Illicit Trafficking Database (IAEA illicit Trafficking Database Programme).

As an independent state, Montenegro became member of the IAEA database for illicit trafficking of nuclear and other radioactive materials on 3 June 2006.

Radiation Protection**79 What is the status of compliance with the Euratom Treaty and Euratom acquis provisions concerning radiation protection? In particular:****a) Is there an online network of dose rate measuring stations and off-line sampling programme to monitor environmental radioactivity (Air, water, soil and foodstuffs)?**

"Network" of online stations for measuring radioactivity dose rate does not exist in Montenegro. One place for online measuring of the absorbed dose rate is located in Podgorica, within the public institution Centre for Ecotoxicological Research of Montenegro, and measurement results are presented in the Report on research of radionuclide content in the environment of Montenegro.

The programme of systematic research of radionuclide content in the environment is one of the programmes prepared by the Environmental Protection Agency that is adopted by the Government on a proposal from the Ministry of Spatial Planning and Environmental Protection. It is drawn up in accordance with the Decision on Systematic Research of Radionuclide Content in the Environment (Official Gazette of the Federal Republic of Yugoslavia 45/97) ([Annex 91](#)) and has been implemented in Montenegro since 1998. Chapter II of the abovementioned Decision (Systematic research of radionuclide content in regular conditions), includes subtitles that precisely define types of research and locations for sampling and measuring of radioactivity dose rate, and those are:

1. Measurement of external radiation dose rate
2. Measurement of radionuclide contents in air
3. Measurement of content in solid and liquid precipitation
4. Measurement of radionuclide contents in rivers, lakes and sea
5. Measurement of radionuclide contents in soil
6. Measurement of radionuclide contents in drinking water
7. Measurement of radionuclide contents in food and general use items
8. Measurement of radionuclide contents in cattle feed
9. Measurement of ionising radiation exposure level in residences and working places
10. Measurement of radionuclide contents in building materials.

In accordance with EU standards, the laboratory that carries out the abovementioned activities is accredited.

In addition to monitoring in regular conditions, this Decision prescribes monitoring in emergency conditions. According to Chapter III of the abovementioned Decision (suspicion of an emergency

and emergency event research), transfer from regular to emergency preparedness state is done when a measured value of absorbed dose rate of gamma radiation in the air at certain location is 20% higher than the maximum measured value in the past one-year period at that same location.

Law on Ionizing Radiation Protection and Radiation Safety sets out that the ministry competent for emergency situations and civil security establishes early notification system that provides continuous measuring of ambient equivalent dose rate of gamma radiation in air, in order to early detect radiation accident that can cause a state of emergency and that endangers or may endanger the life and health of people and environment.

Ministry of Interior and Public Administration - Department for Emergency Situations and Civil Security signed the Treaty of Accession to **ARGOS Consortium**. The users of ARGOS are the national organisations responsible for emergency management. ARGOS, among other things, represents the system for early warning of radiation hazard and it is also used as a support to decision-making in response to disasters.

ARGOS enables us to: review current situation, predict how the situation will develop, analyse and present calculations and model measuring, calculate accident's consequences, decide on the appropriate countermeasures, forward information to the public.

In this way, the results of atmospheric dispersion models are shown. This means that on the basis of basic meteorological data and data on chemical, biological, radiological/nuclear (CBRN) accident, ARGOS can predict and display the image of the area that will probably be polluted, as well as pollution and concentration of relevant elements in the air. Results are displayed on digital maps that can have supplements such as orthogonal photographs and 3D view of building construction. It is possible to enter the effects of countermeasures in the calculation. Results can be easily transferred to other systems or published.

b) Regarding environmental assessment and review of the licensing of new sites and nuclear installations, please state if your country's present legislation provides for environmental assessment requirements and public participation/review during the licensing process.

Pursuant to the Law on Environmental Impact Assessment (Official Gazette of the Republic of Montenegro 80/05), the Environmental Protection Agency gives approval to the Environmental Impact Assessment Study for many projects. A set of regulations that completely regulate the assessment of impact of projects on the environment has been adopted and applied from 1 January 2008 at the national level, and those are: [Law on Environmental Impact Assessment](#) (Official Gazette of the Republic of Montenegro 80/05), [Decree on projects that are subject to elaboration of Environmental Impact Assessment Study](#) (Official Gazette of the Republic of Montenegro 20/07), [Rulebook on contents of the documentation which is submitted with the request for deciding on the need for environmental impact assessment](#) (Official Gazette of the Republic of Montenegro 14/07), [Rulebook on the contents of the documentation which is submitted with the request for deciding on the scope and contents of the environmental impact assessment study](#) (Official Gazette of Montenegro 14/07) and [Rulebook on the contents of the study on environmental impact assessment](#) (Official Gazette of Montenegro 14/07). Under the [Decree on projects that are subject to elaboration of Environmental Impact Assessment Study](#) that are given in the annex, it is necessary to perform impact assessment of installations for processing, storage and permanent disposal of radioactive waste.

Law on Environment (Official Gazette of Montenegro 48/08) ([Annex 60](#)), which contains special chapters on liability for damage inflicted to environment, transposing Directive 32004L0035 on environmental liability with regard to the prevention and remedying of environmental damage amended by Directive 32006L0021, provides legal basis for adoption of secondary legislation in this field and full transposition of mentioned directives. Pursuant to this Law, the Report on the State of the Environment is done in accordance with the standard methodology of the European Environment Agency (EEA).

Law on Free Access to Information (Official Gazette of the Republic of Montenegro 68/05) is also important for this field because certain provisions of this Law define the right of the public to access information in all fields, including the environment. Regarding international conventions, in the period after the restoration of independence (since May 2006 until now) intensive activities have been carried out in order to ratify the most important international agreements in the field of environment. In this regard, Law on Ratification of the Espoo Convention on Environmental Impact Assessment in a Trans-boundary Context, Law on Ratification of the Protocol on Strategic Environmental Impact Assessment, Law on Ratification of the Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters have been adopted in 2009.

80 What is the status of the legislation in the area of radiation protection in your country? Please provide a copy of existing legislation together with relevant regulations or government decrees in the following areas:

- a) Health protection of the population;
- b) Health protection of workers;
- c) Medical applications of ionising radiation;
- d) Emergency preparedness, in particular early exchange of information and information to the general public;
- e) Contamination of foodstuffs and feeding stuffs;
- f) Shipments of radioactive waste and spent fuel;
- g) Control of high activity sealed sources and orphan sources. Do the arrangements comply with the IAEA Code of Conduct on the safety and security of radioactive sources?
- h) Shipments of radioactive substances;
- i) Protection against exposure to radon in dwellings and drinking water.

Until August 2009, the legal framework was primarily provided by means of old regulations, Law on Protection against Ionising Radiation and related secondary legislation ([Annex 61](#)) and Law on the Prohibition of the Construction of Nuclear Power Plants in Federal Republic of Yugoslavia (Official Gazette of the Federal Republic of Yugoslavia 12/95). With the Constitutional Charter from 2003, Montenegro adopted all regulations in this field from the Federal Republic of Yugoslavia.

Commitment of Montenegro to implement the highest European standards imposed the need of reforming the legislation in this field. In this regard, Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09) was adopted during 2009. Inter-sectoral group and experts of other relevant institutions, as well as representatives of non-governmental sector have worked on draw up of this Law. The Law on Ionising Radiation Protection and Radiation Safety contains some of the most important directives which further transposition is expected through the development of secondary legislation that has a total of twenty-six (26) acts ([Annex 87](#)). Inspection control is implemented on the basis of the Law on Inspection Control (Official Gazette of the Republic of Montenegro 39/03) ([Annex 66](#)) and Law on Ionising Radiation Protection and Radiation Safety.

Indirectly, i.e. within consideration of problems concerning transport and trafficking of radioactive materials, protection against ionising radiation is also treated by: Law on Transport of Dangerous Substances (Official Gazette of Montenegro 05/08) ([Annex 65](#)), Law on Foreign Trade (Official Gazette the Republic of Montenegro 28/2004) ([Annex 62](#)), Law on Foreign Trade in Arms, Military Equipment and Dual-purpose Goods (Official Gazette of Montenegro 80/08) ([Annex 63](#)), Law on Food Safety (Official Gazette of Montenegro 14/07) ([Annex 67](#)), Law on Environment ([Annex 60](#)) and Decision concerning Control List for Import, Export and Transit of Goods (Official Gazette of Montenegro 82/) ([Annex 92](#)).

When it comes to the case of radiation accident that may cause a state of emergency, the Government of Montenegro adopted National Strategy for Emergency Situations in 2006, and after that, the Parliament of Montenegro adopted the Law on Protection and Rescue (Official Gazette of Montenegro 13/07 of 18 December 2007 , 05/08 of 23 January) ([Annex 68](#)). On the basis of this Law, the Rulebook on Methodology for Compilation of Assessment Study on Imperilment by Natural, Technical-technological and Other Accidents (Official Gazette of Montenegro 41/08) ([Annex 83](#)) and the Rulebook on Methodology for Development of Plans for Protection and Rescue (Official Gazette of Montenegro 44/08) ([Annex 82](#)) have been adopted during 2008.

With the aim of adoption of international standards, conventions and agreements in this field have been adopted and concluded and they are listed in the response to the question 52.

a) Health protection of the population;

- Decree on Organisation and the Manner of Work of the State Administration (Official Gazette of Montenegro 43/09) ([Annex 69](#))
- Law on Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09) ([Annex 61](#))
- Decision on Systematic Research of Radionuclide Content in the Environment (Official Gazette of the Federal Republic of Yugoslavia 45/97 and Official Gazette of Serbia and Montenegro 1/2003 – Constitutional Charter); ([Annex 91](#))
- Rulebook on Conditions that Legal Persons shall meet to Perform Systematic Research of Radionuclide Content in the Environment (Official Gazette of the Federal Republic of Yugoslavia 32/98, 67/02 and 70/02); ([Annex 79](#))
- Rulebook on Limits of Exposure to Ionising Radiation (Official Gazette of the Federal Republic of Yugoslavia 32/98); ([Annex 86](#))
- Decision on Recording the Ionising Radiation Sources and Exposure of Population, Patients and Persons who Work with Ionising Radiation Sources (Official Gazette of the Federal Republic Yugoslavia 45/97); ([Annex 93](#))
- Decision on Conditions that Legal Persons shall meet to Perform Measurements with the aim to Estimate Level of Exposure to Ionising Radiation of Persons who Work with Radiation Sources, Patients and Population (Official Gazette of the Federal Republic of Yugoslavia 45/97); ([Annex 89](#))
- Rulebook on Intervening and Levels of Executed Interventions and on Measures for Protection of Population, Domestic Animals and Agriculture in Case of Accidents (Official Gazette of the Federal Republic of Yugoslavia 18/92); ([Annex 84](#))
- Rulebook on Conditions that shall be met by Legal Persons who Perform Decontamination (Official Gazette of the Federal Republic of Yugoslavia 9/99);([Annex 78](#))
- Rulebook on Limits of Radioactive Contamination of Environment and on Manner for Conduction of Decontamination (Official Gazette of the Federal Republic of Yugoslavia 9/99 and Official Gazette of Serbia and Montenegro 1/2003 – Constitutional Charter) ([Annex 85](#))

b) Health protection of workers;

- Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09); ([Annex 61](#))
- Rulebook on Limits of Exposure to Ionising Radiation (Official Gazette of the Federal Republic of Yugoslavia 32/98); ([Annex 86](#))

- Decision on Recording the Ionising Radiation Sources and Exposure of Population, Patients and Persons who Work with Ionising Radiation Sources (Official Gazette of the Federal Republic of Yugoslavia 45/97); ([Annex 93](#))
- Decision on Conditions that Legal Persons shall meet to Perform Measurements with the aim to Estimate Level of Exposure to Ionising Radiation of Persons who Work with Radiation Sources, Patients and Population (Official Gazette of the Federal Republic of Yugoslavia 45/97); ([Annex 89](#))
- Decision on Education Levels and Health Conditions of Persons that Work with Ionising Radiation Sources (Official Gazette of the Federal Republic of Yugoslavia 45/97). ([Annex 90](#))

c) Medical applications of ionising radiation;

- Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09); ([Annex 61](#))
- Rulebook on Application of Ionising Radiation Sources in Medicine and Basic Provisions (Official Gazette of the Federal Republic of Yugoslavia 32/98 and 33/98); ([Annex 81](#))
- Decision on Education Levels and Health Conditions of Persons that Work with Ionising Radiation Sources (Official Gazette of the Federal Republic of Yugoslavia 45/97); ([Annex 90](#))
- Rulebook on Limits of Exposure to Ionising Radiation (Official Gazette of the Federal Republic of Yugoslavia 32/98). ([Annex 86](#))

d) Emergency preparedness, in particular early exchange of information and information to the general public;

- Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09) Chapter V; (link – annex to question 52); ([Annex 61](#))
- National Strategy for Emergency Situations; ([Annex 94](#))
- Law on Environment (Official Gazette of Montenegro 48/08); ([Annex 60](#))
- Law on Protection and Rescue (Official Gazette of Montenegro 13/07 and 05/08); (link – annex to question 52); ([Annex 68](#))
- Law on Transport of Dangerous Substances (Official Gazette of Montenegro 05/08); (link – annex to question 52); ([Annex 65](#))
- Rulebook on Methodology for Compilation of Assessment Study on Imperilment by Natural, Technical-technological and Other Accidents (Official Gazette of Montenegro 41/08) ([Annex 83](#)) and
- Rulebook on Methodology for Development of Plans for Protection and Rescue (Official Gazette of Montenegro 44/08) ([Annex 82](#)).

e) Contamination of foodstuffs and feedingstuffs;

- Decision on Systematic Research of Radionuclide Content in the Environment (Official Gazette of the Federal Republic of Yugoslavia 45/97 and Official Gazette of Serbia and

Montenegro 1/2003 – Constitutional Charter); ([Annex 91](#))

- Rulebook on Conditions that Legal Persons shall meet to Perform Systematic Research of Radionuclide Content in the Environment (Official Gazette of the Federal Republic of Yugoslavia 32/98, 67/02 and 70/02); ([Annex 79](#))
- Rulebook on Intervening and Levels of Executed Interventions and on Measures for Protection of Population, Domestic Animals and Agriculture in Case of Accidents (Official Gazette of the Federal Republic of Yugoslavia 18/92); ([Annex 84](#))
- Law on Food Safety (Official Gazette of Montenegro 14/07); ([Annex 67](#))
- Rulebook on Conditions under which Food and Items of General Use that are Conserved by Ionising Radiation may be Placed on the Market (Official Gazette of the Federal Republic of Yugoslavia 42/98) ([Annex 80](#)).

f) Shipments of radioactive waste and spent fuel;

- Law on Law on Ionising Radiation Protection and radiation Safety (Official Gazette of Montenegro 56/09); ([Annex 61](#))
- Law on Transport of Dangerous Substances (Official Gazette of Montenegro 05/08); ([Annex 65](#))
- Decision concerning Control List for Import, Export and Transit of Goods (Official Gazette of Montenegro 82/08); ([Annex 92](#))
- Law on Foreign Trade in Arms, Military Equipment and Dual-purpose Goods (Official Gazette of Montenegro 80/08); ([Annex 63](#))
- Rulebook on Conditions for Collecting, Keeping, Registering, Storing, Processing and Disposing of Radioactive waste (Official Gazette of the Federal Republic of Yugoslavia 9/99); ([Annex 77](#))
- Rulebook on Conditions for Trafficking and Use of Radioactive Materials, X-ray Generators and Other Devices that Produce Ionising Radiation (Official Gazette of the Federal Republic of Yugoslavia 32/98); ([Annex 76](#))
- Foreign Trade Law (Official Gazette the Republic of Montenegro 28/2004) ([Annex 62](#)).

g) Control of high activity sealed sources and orphan sources. Do the arrangements comply with the IAEA Code of Conduct on the safety and security of radioactive sources?

- Law on Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09); ([Annex 61](#))
- Law on Inspection Control (Official Gazette of the Republic of Montenegro 39/03); ([Annex 66](#))
- Law on Transport of Dangerous Substances (Official Gazette of Montenegro 05/08 of 23 January 2008) ([Annex 65](#)).

Within the Law on Ionising Radiation Protection and Radiation Safety, legal basis for draw up of secondary legislation is provided, where all authorised persons will have obligations relating to security and safety aspect when it comes to radiation sources, especially highly active sources. In addition, the Law on Transport of Dangerous Substances includes a chapter concerning radioactive substances where measures that legal and natural persons need to respect are described.

h) Shipments of radioactive substances;

- Law on Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Montenegro 56/09); ([Annex 61](#))
- Law on Transport of Dangerous Substances (Official Gazette of Montenegro 05/08); ([Annex 65](#))
- Decision concerning Control List for Import, Export and Transit of Goods (Official Gazette of Montenegro 82/08 of 31 December 2008); ([Annex 92](#))
- Law on Foreign Trade in Arms, Military Equipment and Dual-purpose Goods (Official Gazette of Montenegro 80/08 of 26 December 2008); ([Annex 63](#))
- Rulebook on Conditions for Collecting, Keeping, Registering, Storing, Processing and Disposing of Radioactive waste (Official Gazette of the Federal Republic of Yugoslavia 9/99); ([Annex 77](#))
- Rulebook on Conditions for Trafficking and Use of Radioactive Materials, X-ray Generators and Other Devices that Produce Ionising Radiation (Official Gazette of the Federal Republic of Yugoslavia 32/98) ([Annex 76](#)).

i) Protection against exposure to radon in dwellings and drinking water.

- Decision on Systematic Research of Radionuclide Content in the Environment (Official Gazette of the Federal Republic of Yugoslavia 45/97); ([Annex 91](#))
- Rulebook on Conditions that Legal Persons shall meet to Perform Systematic Research of Radionuclide Content in the Environment (Official Gazette of the Federal Republic of Yugoslavia 32/98, 67/02, 70/02); ([Annex 79](#))
- Rulebook on Limits of Radioactive Contamination of Environment and on Manner for Conduction of Decontamination (Official Gazette of the Federal Republic of Yugoslavia 9/99 and Official Gazette of Serbia and Montenegro 1/2003 – Constitutional Charter); ([Annex 85](#))
- Rulebook on Conditions that shall be met by Legal Persons who Perform Decontamination (Official Gazette of the Federal Republic of Yugoslavia 9/99). ([Annex 78](#))

81 What is the timetable for compliance with Euratom Treaty and derived legislation provisions on radiation protection? Please provide any draft amendments or draft new legislation under consideration for the future.

With the aim of harmonisation of legislation of Montenegro with the EU standards, strategies, regulations and other acts, in the field of ionising radiation protection are being adopted. In this regard, under the Law on Ionising Radiation Protection and Radiation Safety ([Annex 61](#)), which is partially harmonised with European standards, development of a Strategy for Protection against Ionising Radiation, Radiation Safety and Radioactive Waste Management with the Action Plan is planned.

The Government of Montenegro adopted the National Programme for Integration of Montenegro into the EU (NPI) 2008-2012, which has envisaged the timetable for adoption of legislation.

ANNEX - List of planned secondary legislation based on the Law on Ionising Radiation Protection and Radiation Safety.

82 Does your country follow the 1994 International Basic Safety Standards (BSS) edited by the IAEA?

With adoption of the Law on Ionising Radiation Protection and Radiation Safety ([Annex 61](#)), which is partially harmonised with international standards, the field of ionising radiation protection will be fully harmonised with the International Basic Safety Standards (BSS) through drawing up of secondary legislation on the basis of aforementioned Law. Through the planned accession to international conventions in the upcoming period, Montenegro will completely encompass the legal framework in this field.

Participation of Montenegro in a large number of national and regional projects supported by the European Commission and the International Atomic Energy Agency significantly assists the competent authorities to properly establish regulatory infrastructure and build institutional and administrative capacities. Country Programme Framework (CPF) ([Annex 88](#)) was concluded between the Government of Montenegro and the International Atomic Energy Agency during 2008, and it presents key document defining priorities in technical cooperation of Montenegro with the IAEA, as well as development projects in the field of environmental protection, medicine - field of oncology (radiation therapy) and illicit trans-boundary trafficking of nuclear and other radioactive materials, and enabling enhancement of capacities and resources for implementation of BSS.

Annex: CPF

ANNEX Summary Questionnaire on the energy situation: Montenegro – energy production

Table 1: Summary Questionnaire on the energy situation: Montenegro – energy production

Primary production	Statistics				Forecast				
	2000	2004	2006	2008	2009	2010	2015	2020	2025
	x 1000 toe (Tonne of Oil Equivalent)								
Solid Fossil Fuels	348	339	336	386	275	336	667	663	659
Oil	0	0	0	0	0	0	0	0	0
Natural Gas	0	0	0	0	0	0	0	0	0
Nuclear Energy	0	0	0	0	0	0	0	0	0
Hydro and Wind Power	136	193	151	132	167	182	269	272	274
Geothermal	0	0	0	0	0	0	0	0	0
Other Renewable Energy Sources	32	53	53	39	54	58	90	94	97
Total	516	584	539	558	497	576	1026	1029	1030

Source: Statistical Office of Montenegro, Ministry of Economy of Montenegro

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