



Crna Gora
Ministarstvo ekonomije

ENERGY POLICY OF MONTENEGRO UNTIL 2030

Podgorica, February 2011

1. INTRODUCTION

Pursuant to the Energy Law (“Official Gazette of MN”, no 28/10), the energy policy of Montenegro identifies *the goals of the energy development of Montenegro and manner and measures of their achievement*.

The Government of Montenegro, in accordance with its obligations under the:

- Energy Law – EL (“Official Gazette of MN”, no 28/10),
- Energy Efficiency Law – EEL (“Official Gazette of MN”, no 29/10),
- Law on Exploitation and Production of the Hydro-carbon (“Official Gazette of MN”, no 41/10),
- Law on verification of the Treaty between the European Community and the Republic of Montenegro on Establishing the Energy Community (“Official gazette of MN”, no 66/06),
- Law on verification of the Kyoto Protocol with United Nation Framework Convention on the Climate Change (“Official Gazette of MN”, no 17/07),
- Ministerial Declaration on Ionian-Adriatic Gas Pipeline (25 September 2007),
- First national report of Montenegro on climate change under the United Nation Framework Convention on the Climate Change (UNFCCC) (2010),
- National strategy of sustainable development of Montenegro (2007)
- Regional development Strategy of Montenegro 2010-2014 (2010)
- Economic and fiscal program for Montenegro 2009-2012 (2010)
- Laws and documents regulating the environment protection, spatial planning and development and other relevant laws,

and in line with the documents of the European Union (EU), Energy Community, World Energy Council, International Energy Agency, recognizing the energy as the pillar of overall, sustainable and long-term stable development of the State of Montenegro, with evident positive macro economical effects, hereby sets out **the goals of the energy development of Montenegro until 2030**, presented in two levels, as follows:

- A. Main priorities (Figure 1 and Table 1) and
- B. Key strategic commitments (Table 2).

2. GOALS – MAIN PRIORITIES AND KEY STRATEGIC COMMITMENTS OF THE ENERGY POLICY

A) Main priorities

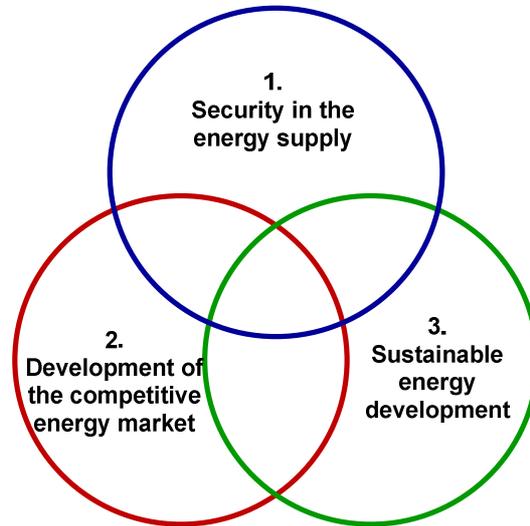


Figure 1: Connection between main priorities of the energy development of Montenegro

Table 1: Main priorities of the Montenegrin Energy Policy

Priority	Meaning
1 Security in the energy supply	Permanent, secure, high quality and diversified energy supply aimed to comply the supply with the demands of the buyers;
2 Development of the competitive energy market	Securing liberalized, non-discriminatory, competitive and open energy market on the basis of transparent conditions; Establishing of competition in market activities (electricity and natural gas production and supply), base of price policy for energy forms solely on market principles, as well as creating conditions for new energy undertakings to emerge (independent energy producers, suppliers, traders);
3 Sustainable energy development	Securing the sustainable development of energy sector based on accelerated, but rational use of own energy resources in compliance with the principles of environment protection, increased energy efficiency (EE) and increased use of renewable energy sources (RES), as well as need for socio-economic development of Montenegro.

B) Key strategic commitments

Table 2: Key strategic commitments of the Montenegrin Energy Policy

(1) Maintenance, rehabilitation and modernization of existing and construction of new infrastructure for production, transmission and distribution of energy on the principles of fulfillment of international technical standards, energy efficiency, reduction of losses and its negative impact on environment;
--

(2) Gradual reduction of energy import dependence by (i) reducing the specific consumption of final energy, (ii) increasing the energy production (primary and secondary) by use of own resources and (iii) reducing the energy losses from production to end consumption. From the current net energy importer, Montenegro plans to become the net energy exporter after 2020;

(3) Reviewing the existing barriers for activation of all long-term energy development options;

(4) Energy efficiency represents a priority in Montenegrin energy policy: <ul style="list-style-type: none">a. Provision of institutional conditions and financial incentives with the purpose to improve EE and reduce energy intensity in all sectors, from production to end consumption of energy;b. Montenegro shall reach the indicative target of EE increase, which represents saving in the amount of 9% of the average final energy consumption in the country (without Aluminium Plant Podgorica) until 2018. Interim indicative goal until the end of 2012 amounts to 2%. Remaining average annual saving after 2018 shall be in compliance with the goals set out at the level of Energy Community or EU;c. Rational use of energy in transport and promotion of EE measures (improved public transportation including the railway transport, promotion of energy efficient and low-emission vehicles, and integration of EE criteria in the transport infrastructure projects);

(5) Utilization of RES represents a priority in the Montenegrin energy policy: <ul style="list-style-type: none">a. Creating a favorable environment for development and utilization of RES and reaching the national target regarding the RES share in the gross final consumption of energy;b. Continued researches on RES potentials and study work on researching the possibilities to use remaining available RES potentials;c. Increased share of RES utilization in transport aimed at securing the achievement of RES share in overall consumption of energy in transport, in accordance with the obligations of the state;

(6) Improved heating and/or cooling systems in buildings by: (i) substitution of direct transformation of electricity into heat and (ii) use of new technologies acceptable from
--

the environmental aspect, which implies increased use of RES and use of high-efficient cogeneration;

(7) Realization of strategic 90-days stocks of petroleum products in accordance with the EU energy policy;

(8) Exploration of oil and gas in the Montenegrin undersea and in continental area, as well as of coal in Pljevlja and Berane basin;

(9) Proactive role of the policy of the State of Montenegro in the endeavors to provide access to the systems of natural gas through the international projects (Ionian-Adriatic gas pipeline and others), development of natural gas system (including the construction of regional gas pipelines and plants for utilization of natural gas);

(10) Increased operational efficiency of energy companies by reducing the operational costs, technical and commercial energy losses, with justified return on investments;

(11) Continued restructuring of EPCG AD and CGES AD in accordance with the principles of relevant EU energy legislation and duly issuing of plans for further development;

(12) Sustainable development of energy sector in relation to the environment protection and international cooperation in this field, especially regarding the reduction of gas emission with greenhouse effect;

(13) Pursuant to the verification of Kyoto protocol, being the country outside the annex of developed countries at least until 2012, provision on support to investors and provision of conditions for implementation of projects of so called Clean Development Mechanism (CDM);

(14) Incentives for researches, development, transfer and application of ecologically sustainable new technologies in the energy sector; increased investments in education and scientific-research projects and incentives for the international cooperation in the field of ecologically sustainable new technologies in the energy sector, as well as introduction of lectures on energy in the educational system;

(15) Harmonization of legislative-regulatory framework in accordance with the EU requirements and ensuring support for development and accelerated implementation of programs and projects on RES usage and implementation of EE measures, substitution of energy-generating products and development of local energy industry (combined generation of electricity and heat);

(16) Creating appropriate legislative, regulatory, institutional and financial framework to encourage private sector involvement and investments in energy;

(17) Securing social protection for endangered (vulnerable) energy consumers, as well as for labor surplus within the process of changes in the energy sector that might have impact to their social position;

(18) Reaching the agreement with neighboring countries in relation to the optimal utilization of joint hydro-potential and water management, as well as planning and construction of new electric power interconnecting lines for connection between these countries;

(19) Improvement of the regulatory process and professional independence of the

Regulatory Energy Agency, aimed at continuous development of predictable and clear regulatory framework and favorable environment for investments into Montenegrin energy sector;

(20) Active international cooperation in the energy sector.

3. MANNER AND MEASURES FOR IMPLEMENTATION OF ENERGY POLICY OBJECTIVES

Manner and measures (instruments) for the achievement of the above mentioned objectives, which are to be defined in details in the action plan for the next five years (2012-2016), shall be:

3.1. Strategic–system measures

- a) Updating/ reviewing of the Energy Development Strategy of Montenegro until 2030 (“Strategy”), on the basis of the sector analysis and in accordance with the EL (Article 8);
- b) Development of the Strategic Environmental Impact Assessment of the Strategy;
- c) Development of the Action Plan for implementation of the Strategy for the period 2012-2016, in accordance with the provisions of the EL (Article 9);
- d) Development of program for utilization and development of RES and cogeneration in accordance with EL (articles 17 and 19);
- e) Establishing and implementation of electronically supported base on energy data, as an unified platform with more participants, such as for example: Ministry of Economy, MONSTAT, Regulatory Energy Agency, Market Operator, in accordance with the requirements and recommendation of EU policy in the area of energy statistics;
- f) Establishing the promotion system and mechanism for financing and incentives to the program implementation and implementation of projects from EE and RES;
- g) Simplification and increase of transparency in the administrative procedures with the goal to create efficient system for preparation of the investment and project documentation, from planning to issuing the use permit, together with the administrative procedures;
- h) Provision of a consistent monitoring system for implementation of the Strategy and Action Plan in accordance with the EL (Article 10);
- i) Encouraging the development of human resources at the level of local self-government for the needs of energy planning at the level of local self-government, pursuant to the provisions of EL (Article 11), as well as state institutions competent for the energy affairs;
- j) Establishing the information system for monitoring the energy consumption and energy management in accordance with the EEL (Articles 17 and 41);
- k) Establishing better mutual cooperation between state institutions at the central and local level;
- l) Promotion and research of new technologies in energy sector pursuant to the geographic features of the state, with the aim to reduce specific energy consumption and increase of generation, in compliance with the relevant measures for environment protection, respectively the principles of sustainable development and social dialogue.

3.2. Legislative–regulatory measures

- a) Amendments to the existing and development of new secondary legislation in accordance with the EL and EEL within prescribed deadlines;
- b) Continue harmonization of legislative-regulatory framework of Montenegro with the energy policy of the Energy Community and therefore with EU, aimed at further European integration through Montenegrin accession process;
- c) Continue the European integration process – accession process of Montenegro for fully-fledged EU membership, together with preparation and successful completion of Chapter 15 on the energy in the process of harmonization of Montenegrin legislation with the EU legislation;
- d) Active monitoring and fulfillment of obligations in accordance with Kyoto Protocol and obligations that are to be defined in the post-Kyoto period;
- e) Active monitoring and compliance with the changes of the EU and Energy Community energy policies;
- f) Re-examination of existing and adoption of new legal acts, technical standards and regulations in the area of special development and construction of power and other facilities, with particular reference to the environment protection and aimed at the EE increase and increased use of RES;
- g) Establishing the regulatory framework for faster development and efficient operations at the electricity market and adoption of regulations for introduction and support to the development of natural gas market, constant monitoring and development of tariff system methodologies, as well as for protection of energy end users and socially endangered (vulnerable) consumers in accordance with the law.

3.3. Institutional-organizational measures

- a) Founding the Market Operator as an independent legal state-owned entity with authorizations and obligations in accordance with the EL (Article 95) within the deadlines prescribed by the laws;
- b) Completion of unbundling the Distribution power system operator from the market activities of EPCG AD in accordance with the internationally set out rules within deadlines prescribed by the laws;
- c) Provision of a favorable environment for participation of new players at the energy market of Montenegro: independent producers, traders and suppliers, aimed at de-monopolization and de-concentration of market and the increase of competition in Montenegro;
- d) Provision of competitive and transparent selection of public supplier under equal conditions for all power suppliers in Montenegro;
- e) Engagement and training the human resources in the public sector for monitoring the implementation of the Strategy and Action Plan, in more details:
 - Ministry of Economy / Sector of Energy for (i) preparation of the Strategy and Action Plan, as well as for coordination of the Action Plan implementation, (ii) preparation of the development program and RES use and cogeneration, (iii) promotion and implementation of the program definition of procedures for implementation of RES projects, (iv) preparation and implementation of program on

provision of strategic reserves of petroleum products, (v) establishing data base and development of energy balances and standard internationally recognized energy indicators, and (vi) coordination among the donors;

- Ministry of Economy / Sector for Energy Efficiency for preparation of the Action Plan for energy efficiency and promotion and implementation of programs and projects in accordance with the Action Plan on energy efficiency;
- f) Improvement of the regulatory framework through active participation of the Regulatory Energy Agency as the independent regulator of the energy sector, aimed at increasing and maintaining the confidence of investors into the energy sector of Montenegro.

3.4. Economic-social measures

- a) Define tariff and pricing policy for energy on the market principles taking into account: (i) real costs (also including the costs for implementation of environment protection measures) and return on investments in accordance with the international standards in comparable sectors and work conditions, (ii) requests for gradual reduction of technical losses in electric power system in accordance with the UCTE international standards, (iii) requests for rigorous reduction of non-technical losses and (iv) incentives for EE measures and higher utilization of RES;
- b) Termination of state subsidies and relieves to all legal entities for special conditions in energy supply, aimed at no distortion of energy market;
- c) Definition of conditions, adoption and implementation of subsidy programs to endangered (vulnerable) electricity and gas consumers in accordance with the EL (article 156), aimed at satisfying the minimal needs for energy and maintenance of necessary living conditions for such energy consumers;
- d) Running the active policy on utilization of pre-accession funds in the EU accession process, especially in co-financing the investments, as well as transfer of knowledge and experience from EU to Montenegro and its adjustment to local conditions;
- e) Creation of conditions for implementation of projects from the energy sector in accordance with the principle of private-public partnership;
- f) Improved control and supervision over the work and business operations of energy undertakings.