

SEMINAR ON POLICY REFORMS TO PROMOTE ENERGY EFFICIENCY AND RENEWABLE ENERGY INVESTMENTS

Bosnia and Herzegovina

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Country overview

- Area 51.209 km²
- Population 3.8 million
- Administratively consists from two entities:
Federation of BiH and
Republika Srpska and
Brcko District
- TPES 5,991 ktoe (2008, IEA)
- TFC 2,961 ktoe (2008, IEA)
- GDP 14.025 billion US\$ (2009)*
- GDP p/c 4,431 US\$ (2009)*

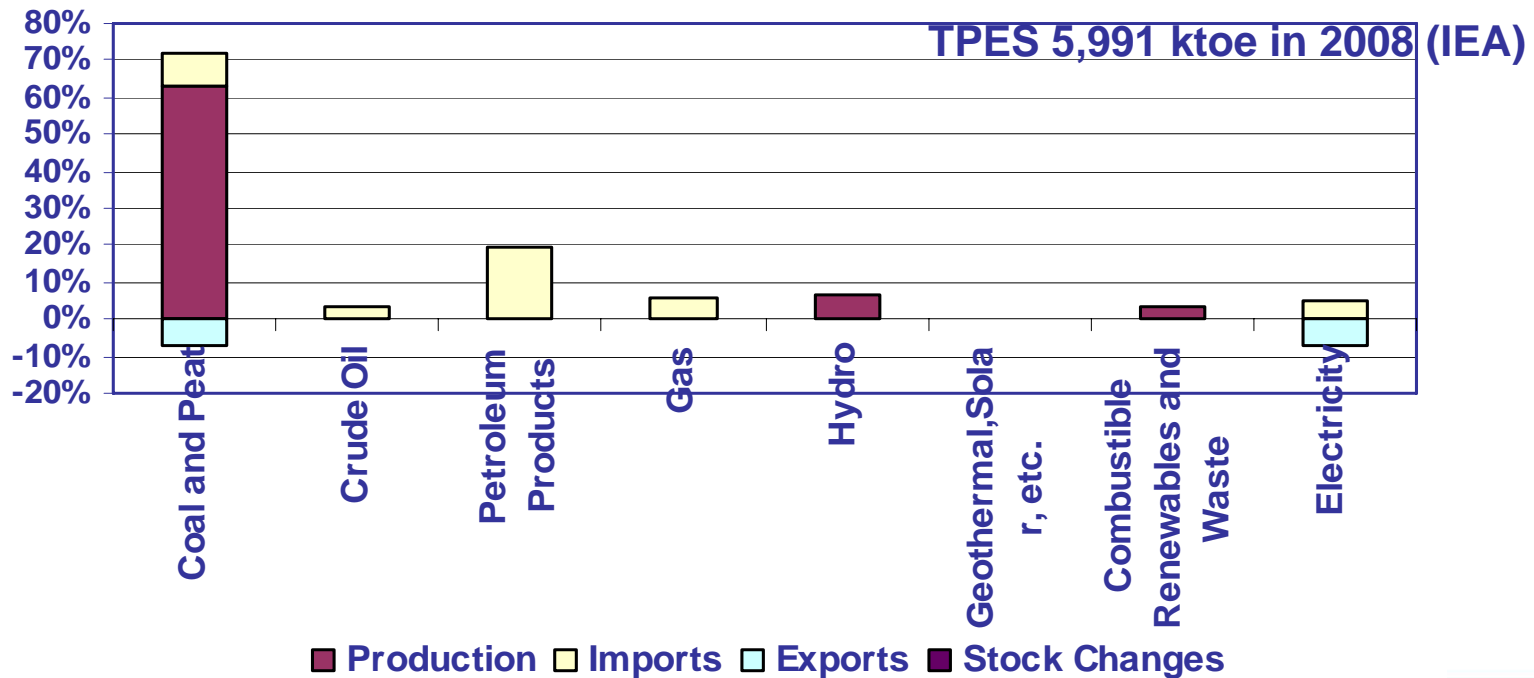
* Source : Central Bank of BiH



Overview of Energy Sector in BiH

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- Significant coal resources - (Coal 63% of TPES)
- Significant Hydro potential - utilization level is 40 %
- **Significant RES and EE potential** (hydro, solar, wind and biomass)
- All oil and gas are imported



Electricity sector in BiH

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- Total installed capacity in BiH is 3845 MW
- Electricity generation in 2009 was 14,561 GWh (TPPs 65 %, HPPs 34%, 1% other)
- BiH is exporter of electricity
- In 2009 exported 3900 GWh
- Good interconnection capacities with neighbouring countries



Policy reforms

- Bosnia and Herzegovina (BiH) is in the process of adapting its energy system to the international energy and environmental standards, as well as to the energy policies and best practices of the European Union.
- The priorities of BiH in implementing reforms in the energy sector are mainly focused on capacity development and institutional strengthening, and in the fulfillment of international obligations and commitments of Bosnia and Herzegovina



International commitments

- **Stabilization and Association Agreement (SAA)** between the EU and BiH - by signing this Agreement, BiH took responsibility to gradually harmonize its legislation with the EU
EU accession is a strategic priority for BiH energy sector reform
- **Energy Charter Treaty** and Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects (**PEEREA**)
(protection of foreign investments, trade in energy and energy transit, the promotion of energy efficiency and minimizing the environmental impact of energy production and use.
- **UNFCCC** (United Nations Framework Convention on Climate Change) and **Kyoto Protocol** (as Non- Annex I country)
- **Energy Community Treaty**
Create a stable regulatory and market framework capable of attracting investments in energy sector



Recent reforms to promote market based energy systems

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- At the end of 2009, State Electricity Regulatory Commission adopted modifications to the Decision on Scope, Conditions and Time Schedule of Electricity Market Opening in Bosnia and Herzegovina in order to remove some provisions that may hinder further progress in the market opening process
- According to this Decision status of an eligible customer can get all the customers except customers in the categories of households, which this status can acquire from the first January 2015



The Constitution of BiH

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- In accordance to the Constitution of BiH **international treaties** that BiH has ratified and which have entered into force **become a part of the BiH legal system** and **their provisions prevail over those of domestic legislation** that may contradict them.



Current policies and legislation in BiH

State level:

- Law on Transmission of Electric Power, Regulator and System Operator of Bosnia and Herzegovina
- Law Establishing an Independent System Operator for the Transmission System of Bosnia and Herzegovina
- Law Establishing the Company for the Transmission of Electric Power in Bosnia and Herzegovina
- **Connection Rules(2008) - According to this rule:**
“Electricity generation facilities using renewable sources shall pay 50% of the fixed part of connection fee. Facilities using hydro power shall be able to use this benefit if their granted capacity does not exceed 10 MW“.
- Law on Concessions BiH



Current policies and legislation in BiH

Entity level:

- Federation of BiH Law on Electricity
- Republika Srpska Law on Electricity
- **Regulation on use of renewable energy and cogeneration in Federation of BiH (2010)**
- **Draft law on renewable energy and cogeneration in Federation of BiH (2010):**

The Law promotes production from RES providing incentives for producers of renewable energy.

- Decision about a Methodology for the Determination of Purchase Prices for Electricity from Renewable Sources with Installed Power up to 5 MW (Federation of BiH)



Current policies and legislation in BiH

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- Decision on methodology to determine the levels of redemption electricity prices from renewable energy sources of the installed capacity of up to 5 MW – Republika Srpska
- **Law on Energy of Republika Srpska (2009)**
Promotes use of RES and co-generation as well improvement of energy efficiency and use of incentive means
- Federation of BiH Law on Concessions
- Republika Srpska Law on Concessions



Main Legislative Framework for Investments

The **legal framework is almost complete** and in compliance to the requirements of international organizations promoting foreign investments:

- Foreign Investment Legislation in BiH is based on the State “**Law on Policy of Foreign Direct Investment in BiH**” (1998, 2003) and Entities’ mutually harmonised “Law(s) on Foreign Investment”
- According to this Law and related Entities’ Laws, foreign investors are entitled to invest capital and to reinvest profits of such investments into any sectors of the BiH economy (including Energy Sector), without any limitation and under the same conditions and will have the same rights, obligations and benefits as defined for investors - residents of BiH

In October 2010 adopted an Amendment to this Law by which existing the procedure for registration of foreign investments in BiH is simplified.



Implementation of recommendations from the Regional Analysis of Policy Reforms to Promote EE and RE Investments



Energy Strategies

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- Federation of BiH adopted the Strategic Plan and Programme for the Development of Energy Sector in Federation of BiH
- In the Republika Srpska Energy Strategy is already prepared, and now it needs to pass by National Assembly of Republika Srpska
- Both documents give significance to the renewable energy and energy efficiency as well investments with new technologies without pollution environment
- This two documents are basis for the design of State Energy Strategy development which will be created in 2011



Statistical Data Gathering

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- Statistical data gathering have been already established in BiH at the level of statistic agencies. According to the Agency for statistics of BiH , in cooperation with entity agencies for statistics and with relevant ministries of both entities, they are already preparing State Energy statistic.
- All data are in accordance to the international standards of the IEA/ EUROSTAT, and thus they are internationally comparable.
- The Agency planning to develop pilot oil balance in 2011, after which they will make a state energy balance.



Available funds

The funds available for addressing energy efficiency and renewable energy issues are very limited:

- The **Funds for Environmental Protection** in both entities
- Federation of BiH Fund for Environmental protection signed an Agreement on cooperation with Foundation for Sustainable Development - "OdRaz" (2010). Among other in Agreement is defined:
 - Preparation and design of partnership projects and cooperation on joint implementation of projects in the field of conservation, improvement and sustainable use of the environment
 - To have common applications for domestic and foreign funds in the preparation, implementation and development of projects



Available funds

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- **IPA**- the Instrument for Pre-Accession Assistance (EC Project)
- **UNECE** Project Energy Efficiency Investments for Climate Change Mitigation
- Limited funds have been made available through the **UNDP and USAID**
- **New EBRD initiative** to lend investment capital through local banks
- **KfW energy efficiency credit line**



Capacity Building and Awareness

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- International Donors show an **increasing interest** in providing assistance to BiH in the field of sustainable energy.
- There is an huge number of proposals for the development of programmes or projects, some of which are being implemented or planned.
- All these programmes are of great significance for BiH and help **to overcome lack of awareness and human capacities for the increase in use of sustainable energy.**



Current projects

In Bosnia and Herzegovina many projects with technical assistance, from the State to the local level, and implementation of demonstration projects in EE and RE and pilot projects with IFIs are in force:

- **UNECE EE 21** Financing energy efficiency investments for climate change mitigation
- **IPA 2007 and IPA 2008** with IFI
 - Demonstration projects for energy efficiency/renewable energy, Institutional and technical capacity building , Public Education, Legal Framework
- **IPA Cross Border Cooperation Programme – Alterenergy Project**



Current projects

- **Norsk Energy Norway - CDM Projects**
 - Proposal is for developing greenhouse gas reduction projects in the heating sector in Bosnia Herzegovina, with the objective to assist local municipalities and district heating companies to prepare projects for funding using the clean development mechanism (CDM)

- **USAID 3E (Economy of Energy Efficiency)**
 - Support development of EE initiatives and technologies
 - Increase public and private sector capacity to implement EE projects
 - Raise public awareness of EE potential
 - Increase financial sector capacity to implement EE projects



Current projects

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- **EBRD:** Western Balkans Sustainable Energy Direct Financing Facility
 - Euro 50 million fund, plus incentive grants, is available for promoting RES and EE projects for demonstration of new replicable behavior and activities, demonstration of new financing mechanisms, transfer of skills, legislative reforms and capacity building
 - So far six projects from this credit line have been successful implemented



Current projects

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- **USAID and Greek Government Synenergy Project**
- **GTZ EE** at municipal level
- **GTZ ORF** (Open Regional Fund) - Energy – EE
- **UNDP** Biomass and Energy Efficiency Projects
- **World Bank** Regional Project EE
 - direct loans for EE upgrades of infrastructure, market development support through EE fund structures (credits and guarantees), energy service company (ESCO) development and carbon finance support



Current projects

■ Western Balkans Sustainable Energy Direct Financing Facility: Institutional Capacity Building

- Feed in Tariff (FIT) systems for electricity generation from renewable energy - recommendations related to implementation of the FIT system in practice
- Grid connection issues of renewable energy projects

Above mentioned technical assistance are helping BiH to accelerate the process of energy sector reform, particularly in the field of sustainable energy



Conclusion

From the Pöyry's first visit (2008) until now we made considerable progress but we need to continue with sustainable energy market formation and investment project development to reduce greenhouse gas emissions.



Actions

- **Energy strategy** especially on EE and RES
- Accomplishment of **institutional and legislative framework** at the state and entity levels
- Introduction of **public incentives** to support the use of renewable energy investments and the implementation of energy efficiency measures
- **Raising of awareness** regarding the required energy sector reform process based on EE and RES at all levels (state, entity, local level and broad public)
- Increase **international cooperation** in the field of EE and RES



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Thank you for your attention!
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