



**European Bank**  
for Reconstruction and Development

# Improving Energy Security and regional integration in the Balkans Region: EBRD Overview and Approach

**Fourth London Ambassadors' Balkans Discussion Group**  
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# AGENDA

1. **OVERVIEW OF THE POWER SECTOR IN WESTERN BALKANS**
2. **NATURAL GAS CONNECTIONS: PRESENT AND FUTURE**
3. **EBRD'S COMMITMENT TO ENERGY SECURITY AND REGIONAL INTEGRATION**



# 1. OVERVIEW OF THE POWER SECTOR IN WESTERN BALKANS

## Generation Mix

Electricity generation dominated in general by coal (lignite) and oil. Hydro power also relevant for some countries

Most existing thermal plants in the region do not meet EU environmental standards (required from 2018)

Renewable generation still very nascent

## Power Sector in Western Balkans

## Aging Generation Capacity

Existing power generation capacity is significantly old: key infrastructure built in 1960s and 1970s with standard Soviet technology

Inadequate maintenance in the 1990s

Very limited capacity has been added in the last 20 years

Urgent need for rehabilitation and replacement

## Imports

Many countries in the region have strong dependency on imports, both in terms of electricity and fuel energy for power generation

## Market Fragmentation

The existence of an integrated, regional market would be key to facilitate new, large-scale power generation investments (both technically and economically). Few investors attracted to small, individual markets

No regional integration currently exists

# KEY CHALLENGES TO REGIONAL INTEGRATION

## REGIONAL INTEGRATION IN THE WESTERN BALKANS POWER SECTOR WOULD BRING SIGNIFICANT BENEFITS:

- Improvement of security of supply
- Achievement of a diversified generation mix
- Creation of sufficient critical mass for future investments in power generation, transmission and distribution

## HOWEVER, MOST COUNTRIES HAVE MAINLY FOCUSED ON REBUILDING THEIR DOMESTIC INFRASTRUCTURE AFTER THE WAR. A NUMBER OF CHALLENGES STILL REMAIN IN PLACE:

- Inadequate physical interconnections between each country and between the region and neighbouring regions. Interconnections have to meet system security needs and commercial power flow needs
- The mechanism for the allocation of cross-border transmission capacity must be transparent, non-discriminatory, simple and predictable
- Electricity tariffs need to be cost-reflective

# ENERGY EFFICIENCY AND SUSTAINABLE ENERGY IN WESTERN BALKANS: ROLE OF EBRD



## Energy efficiency can be significantly improved

- Energy intensity in Western Balkans is up to 2.5 times the EU average due to i) degraded state of energy infrastructure; ii) high energy losses in transmission and distribution; and iii) inefficiency in the end-use sector
- Carbon intensity is 2-4 times higher than the EU average
- Network losses are high (20% of total final consumption on average)
- Energy tariffs often below cost recovery, so price signals are not provided for energy efficiency

## EBRD Solutions

EBRD has in place a range of financial instruments to meet the growing need for investments in energy efficiency and sustainable energy

In the Western Balkans, in addition to EBRD's direct investments:

- EU/ EBRD Western Balkans Sustainable Energy Credit Line to local banks
- EBRD Sustainable Energy Direct Financing Facility (for loans up to EUR 6 million)
- EBRD Institutional Capacity Building



# SUMMARY OF RECENT EBRD TRANSACTIONS IN THE WESTERN BALKANS POWER SECTOR

**EBRD HAS MADE AN IMPORTANT CONTRIBUTION TO THE WESTERN BALKANS POWER SECTOR IN THE PAST FEW YEARS, BOTH THROUGH DIRECT INVESTMENTS AND DEDICATED FACILITIES FOR THIS REGION**

		Country	Total Project Value (€Million)	EBRD Finance (€Million)
Loan signed	EPS Metering and distribution	Serbia	80	40
	EPCG Metering and distribution	Montenegro	43	35
	Dikanc Small Hydro Power Plant	UNMIK Kosovo	1.4	2.2
	Mali Hidro Small Hydro Power Plant	FYROM	6.0	11.6
Under preparation	EPS Kolubara Environmental Improvement Project	Serbia	140	80
	EPS Small Hydro Power Plants	Serbia	53	45
	Boskov Most Hydro Power Plant	FYROM	84	65
	OSSH Improving Distribution Efficiency	Albania	374	50
	HEP Ombla Hydro Power Plant	Croatia	TBD	TBD

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