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SERBIA ENERGY MARKET SNAPSHOT – UPCOMING CHALLENGES AND EXPECTATIONS

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The global events and current energy crisis have demonstrated once again the imperative of continuous development of the energy sector and its modernization, which is both time-consuming and financially burdensome, but inevitable for the sustainability of the economy and overall society.

It has additionally pointed out the real need for the equal or quasi-equal level of development of the electricity, gas and oil sector and increased dynamic development of the renewables energy market and, the imperative of having a firm orientation to diversification and establishment of different routes and different sources of supply.

There is a necessity of having a long-term strategic determination to stability and security of supply and national strategic plan to achieve it.

When it comes to natural gas, the Republic of Serbia is completely dependent on natural gas from the Russian Federation, whereby less than 10% of Serbia's needs are satisfied by domestic natural gas production.

Aware of the fact and oriented towards achieving long-term stability and security of natural gas supply, the Republic of Serbia has since 2017 been oriented towards the implementation of several parallel projects, such as :

- construction of cc 402 km long interconnector (Serbian section of so-called "Turkish Stream", also recognized as a "Balkans Stream"), aiming to ensure different route of natural gas supply (other than the one from Hungary which was the sole route of supply for decades) and future gradual access to potentially different sources of supply, which project has been completed in 2021,
- 2. expansion of capacities of natural gas storage in the Republic of Serbia, still undergoing,
- 3. construction of new natural gas interconnector Serbia Bulgaria (Niš Dimitrovgrad pipeline) (also called "IBS interconnector"), financed from IPA funds and EIB loan, aimed to be completed by the end of 2023.

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In line with internationally undertaken obligations, the Republic of Serbia has significantly improved its legislative framework and enacted new legislation, mainly in the sector of renewable energy sources, all aimed to boost this relatively neglected sector

All these natural gas projects are aimed to ensure stability and security of natural gas supply, in terms of creating the additional routes of supply and expanded storage facilities which could mitigate the gas crisis caused by shortfalls in natural gas supply and ensure the operations of industry and households for some time, until the supply chain is restored, as pointed out in the recent interview with the 'CEE Legal Matters' on the subject. They also have a potential for diversification of sources of supply and, in the future, possible connections with TAP and TANAP gas pipelines (South gas corridor) and the access to natural gas from LNG terminals in Greece and Croatia.

On the other hand, the current production of electric energy is still not ensuring the expected level of security and it requires significant investments in the construction of new infrastructure, as well as in the modernization of existing premises and their homogenization. This should go hand in hand with the further development of the transmission and distribution system and their alignment with the production system.

In line with internationally undertaken obligations, the Republic of Serbia has significantly improved its legislative framework and enacted new legislation, mainly in the sector of renewable energy sources, all aimed to boost this relatively neglected sector. Despite the fact that the projects aimed to facilitate the production of the energy from renewable sources have commenced some time ago, at the beginning with the construction of small hydro-electric plants, and later with the construction of wind parks, solar parks, and premises based on the utilization of biomass, this is still not enough, both in terms of ensuring energy stability nor in the sense of ensuring the compliance with the undertaken international obligations. Green agenda, initiatives to switch to green economy and decrease the coal consumption, decarbonization, and use of less carbon-intensive fuels, in hand with the orientation towards the circular economy, depollution, protection of nature and biodiversity would be a driving engine of future development of the Republic of Serbia.



Serbia's orientation to become more independent in respect to sources of energy supply and different routes of supply, with regard to energy, is hand in hand with the construction of new infrastructure, ensuring better connectivity and mobility - a key precondition for FDIs, as the Serbian economy is significantly dependent on FDIs, whereby the key factor for deciding where to invest is driven by the price of investment (directly preconditioned, inter alia, by the price of energy consumed for the operations), good infrastructure connectivity and logistics. Therefore, the development of the energy sector is not an imperative per se but it is a long-term driver of the Serbian economy and society.



At this point in time, it is very difficult to predict future developments. Like all the parties which are facing the same challenges, the Republic of Serbia is looking for alternatives and trying to bypass the pitfalls in a time-efficient and cost-benefit manner. The task has never been more complicated and challenging as the time is now for a long-term strategic orientation, whereby limited alternatives are currently at hand and the time is running.

It seems that the urgency of making problem-solving choices shall temporarily put on hold some great initiatives that cannot produce enough energy, as needed at the time being and, should be focused on priorities that are often not green-friendly.

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