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Key messages and voting results - Fourth BiH Energy Summit -

**Neum, Bosnia and Herzegovina
April 25 – 27, 2018**

UNDER THE AUSPICES OF



Ministry of Foreign Trade and
Economic Relations of BiH



State Electricity Regulatory
Commission



Regulatory Commission for
Energy of RS



Regulatory Commission for
Energy in FBiH

About the Fourth BiH Energy Summit

The Fourth Energy Summit in Bosnia and Herzegovina (BiH) has been organized by USAID Energy Investment Activity Project (USAID EIA) in BiH and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in Neum in April 25-27, 2018.

The Fourth Energy Summit in BiH was organized under the auspices of Ministry of Foreign Trade and Economic Relations of BiH, State Electricity Regulatory Commission (SERC), Regulatory Commission for Electricity in the Federation of Bosnia and Herzegovina (FERC) and Regulatory Commission for Energy of Republika Srpska (RERS).

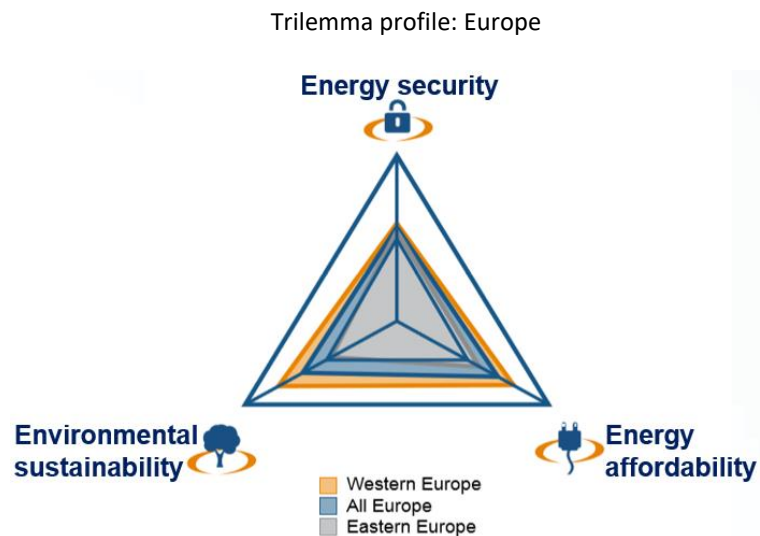
Over the course of three days, Energy Summit gathered more than 400 participants, experts from the energy sector in BiH, representatives of executive and legislative authorities who discussed about the most pressing problems and impediments for the development of the energy sector. During the first two days of the Summit, 5 panel discussions were held. The main topics of the panel discussions were the most important topics in the field of energy sector such as: Sustainable Development of the Energy Sector in BiH, Energy Market, Generation of the Energy Infrastructure in BiH – Impediments and Recommendations, Regulators as the Backbone of the Energy Sector Development and the Role of Regulatory Commissions in Energy Efficiency.

This year's Summit enabled constant interaction with participants through a mobile application which allowed participants to directly ask questions to panelists and to participate in a topic-related surveys.

The last day of the Summit was particularly interesting because the panel was organized with the parliamentary representatives from the Parliament of Bosnia and Herzegovina, and the recommendations for the energy sector reform were presented which could be the backbone of the economic development of BiH. On the following pages you can find the Fourth Energy Summit recommendations classified within six thematic areas which include voting results from the Summit participants.

I. The Path to a Sustainable Energy Sector

The energy sector of Bosnia and Herzegovina has a significant key role in the growth of the overall economy. The approach towards a sustainable economic development must be to establish a competitive energy sector, which safeguards citizens standard of living and has a positive impact on the competitiveness of other branches in the economy. At the same time, BiH expresses its commitment towards EU integration. Having that in mind, it is important to consider the further development of the energy sector to take into account the EU's focus on energy efficiency policy, which includes: (i) Energy efficiency first, (ii) Emissions reduction, (iii) Increasing RES share and (iv) Gas as a key energy source in EU energy policy in the transition period.



Source: World Energy Council/Oliver Wyman

Questions and Voting Results:

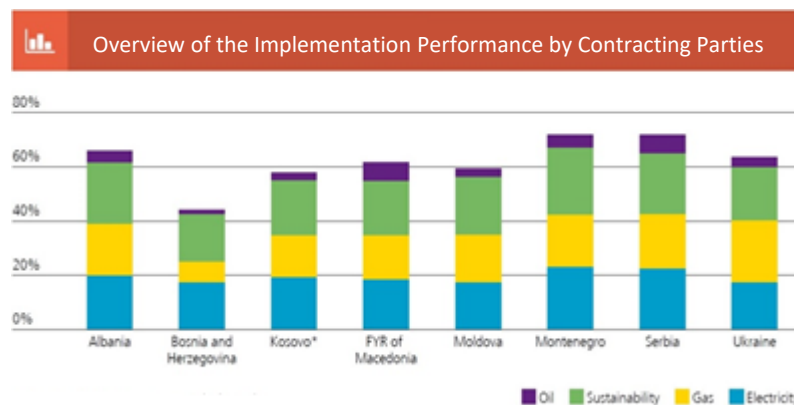
- How do you see the energy sector in Bosnia and Herzegovina in 10 years of time?
 - 24% - uncompetitive, with dependent energy supply and negative environmental impact
 - 24% - competitive with positive impact on other branches
 - 51% - 10 years of time is a too short period to expect the energy sector to be self-sustainable**
- How do you set the order of the following strategic directions, towards a competitive energy sector in Bosnia and Herzegovina?
 - 62% - energy efficiency, emission reductions, renewable energy sources and gas as a transition fuel**
 - 4% - gas as a transition fuel, energy efficiency, emission reductions and renewable energy sources
 - 16% - renewable energy source, gas as a transition fuel, energy efficiency and emission reductions
 - 18% - emission reductions, renewable energy source, gas as a transition fuel and energy efficiency

Key Messages:

- Sustainable economic development requires a **competitive energy sector** which also increases competitiveness of other branches in the economy.
- A self-sustainable energy sector in Bosnia and Herzegovina should give **priority to energy efficiency, emission reductions, renewable energy sources and gas as a transition fuel.**

II. Deadlock in the Reform of the Energy Sector – Energy Market in Bosnia and Herzegovina

BiH is lagging in the transposition and implementation of EU legislation and regulations in the two important sectors of electricity and gas. This lag has impact on further sector development, security of supply and investors interest in investing in the country. The electricity market has been open and is functioning thanks to the adoption of key laws and regulations in this sector, while the gas sector is still at the very beginning of the reform process. There are road maps for both electricity and gas that list what steps the country needs to take in order to comply with EU legislation. Therefore, it is up to the parliaments, governments and sectors institutions and agencies to work to adopt the missing laws and regulations.



Source: Energy Community Secretariat

Questions and Voting Results:

- In your opinion is the reform of the energy sector in BiH (as a part of integration of the BiH to the EU):
 - 97% - Delayed**
 - 3% - Progressing as planned
- What needs to be done to break the deadlock and continue the reform of the energy sector?
 - 89% - Adopt and implement the necessary laws and programs for completing the reforms (by the legislative and executive authorities)**
 - 11% - Wait for the other Energy Community Treaty signers to complete their reforms so that we can take over their experience

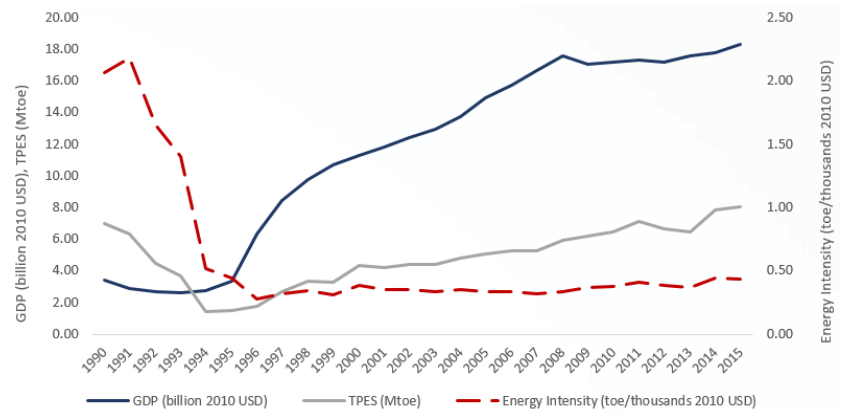
Key Messages:

- The deadlock in the reform of the electricity and gas market in BiH is evident.
- There is a reform implementation plan, but the executive and legislative authorities should actively work to implement it and lead the reforms.

III. Energy Efficiency: How to Reduce Energy Consumption First

Energy efficiency represents huge potential for saving of energy and the development of economy. It benefits not only to energy saving but also it releases additional revenue for investments into other puposes thus creating possibilities for new jobs and the development of construction sector.

In order for the country to put Energy Efficiency first it is necessary to take systematic approach including amendments to laws thereby granting jurisdiction to regulatory commissions for energy in this field.



Source: Energy International Agency (IEA)

Questions and Voting Results:

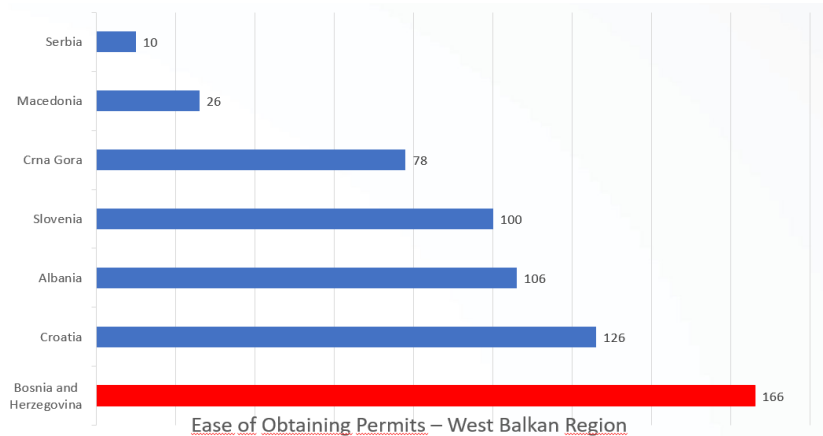
- How do you evaluate the potential of energy efficiency for the economic development in BiH?
 - 45% - Very high**
 - 33% - High
 - 15% - Low
 - 7% - Very low
- How important do you consider the potential of the building sector to reduce energy consumption?
 - 77% - Very important**
 - 23% - Important
 - 0% - Low importance
 - 0% - Not important
- Can the involvement of the regulators achieve more transparency and ensure a systematic approach to the implementation of Energy Efficiency?
 - 81% - Yes**
 - 6% - No
 - 13% - I don't know

Key Messages:

- Energy Efficiency offers a wide range of benefits to final users and can be a **driver for different branches of the local economy**.
- Especially in the **building sector** an **effective strategy** is needed.
- The **role of regulators** in the implementation of energy efficiency is of crucial importance.

IV. Secure and Affordable Energy: How to Mobilize Investments in the Energy Sector

Due to the complex, non-harmonized and non-transparent investment environment, the energy potential in BiH is still not sufficiently utilized. Without new investments in the energy sector, BiH will not be able to ensure its economic development and security in electricity supply. Complex and non-harmonized permitting procedures, and especially the absence and non-compliance of spatial planning documents at all levels of government in BiH (entity, cantonal, municipal) pose serious obstacles to new investments in the energy sector. In order to eliminate these obstacles and attract investment, BiH must simplify and accelerate its permitting procedures for the construction of energy facilities as soon as possible.



Ranking out of 190 economies of the world

Questions and Voting Results:

- Do you believe that BiH has a favourable investment environment?
 - 8% - Yes
 - 89% - No**
 - 3% - I don't know
- What would you say is the main characteristic of the current investment environment?
 - 34% - Unclear, incomplete, contradictory and non-harmonized legal framework
 - 24% - Lack of know-how within permitting authorities and inefficient internal procedures
 - 2% - High administrative and investment costs
 - 40% - All of the above**
- Should the political parties include recommendations for simplifying the permitting regime in their policies and plans?
 - 81% - Yes**
 - 13% - No
 - 6% - I don't know

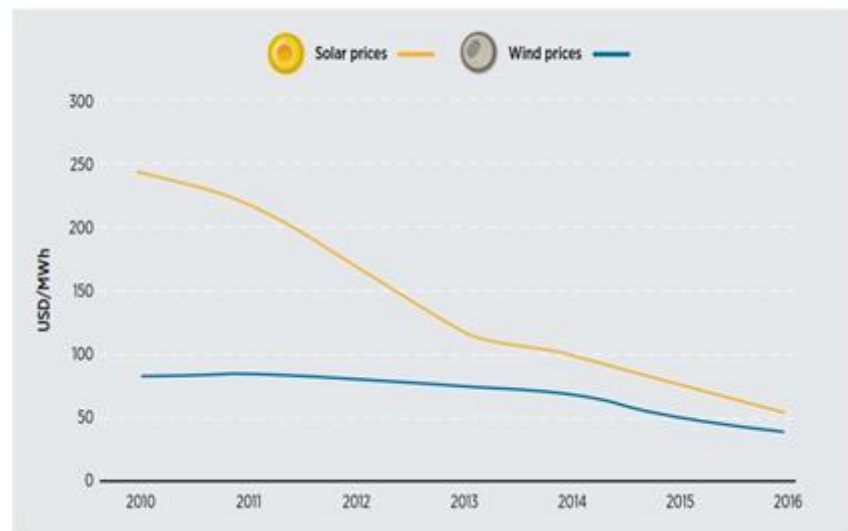
Key Messages:

- BiH does not have a favorable investment environment. Governments and Parliaments should start working to make the BiH energy sector more transparent and investor friendly.
- BiH should improve the efficiency of the permitting process for energy facilities, increase the knowhow of the administration, and through clear guidelines prepare the investors for investments.

V. Efficient Use of Resources: How To Increase the Share of Renewable Energy

Existing support schemes for various technologies in electricity generation from renewable energy sources in both entities have their limitations. Given the needs and market development, the transition to a market-based approach based on feed-in premiums and auctions is necessary. Legal, regulatory, administrative and financial measures are needed to support renewable energy use in Bosnia and Herzegovina to ensure that the 2030 targets are met. Bosnia and Herzegovina now also faces the challenge to reform its existing support systems.

Figure 1 Average prices resulting from auctions, 2010-16



Source: IRENA, 2017

Questions and Voting Results:

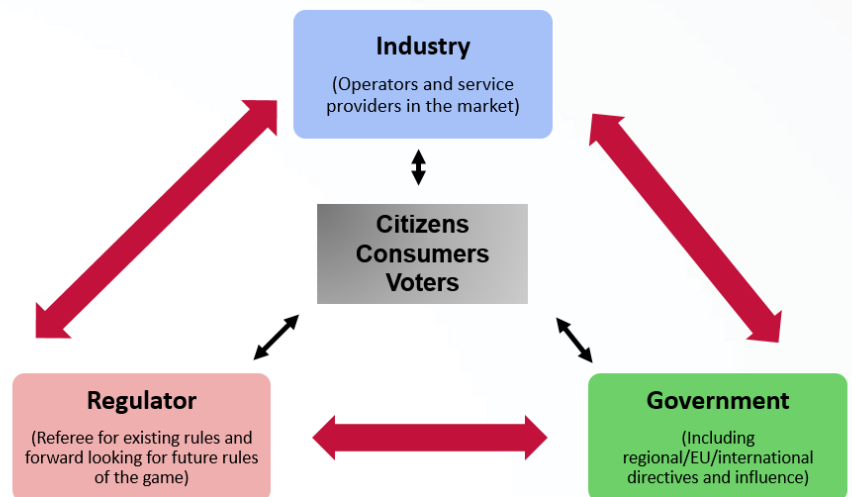
- Should Bosnia and Herzegovina reform its existing support system?
100% - Yes
0% - No
- What are the main benefits of renewable energy auctions:
7% - Allocation of real cost for each technology
27% - Creation of a competitive renewable energy market
34% - Higher transparency in allocation of support
32% - Reduction of support costs

Key Messages:

- A reform of the current support system can create a **competitive renewable energy market** in BiH.
- To efficiently exploit the renewable energy potential of BiH (bioenergy included) **strategic planning** is required.

VI. Institutional Landscape and Framework: The Position of the Regulatory Commissions

Given the significant role of regulatory commissions and the importance of their work, they must work as independent, unbiased and transparent institutions. Since the regulatory commissions in Bosnia and Herzegovina are facing different challenges, this panel will focus on opening dialogue between international and local representatives of regulatory commissions with a view to exchanging experiences and best practices with regard to these issues.



Mark Vannoy, Chairman, Maine PUC, USA – presentation BiH Energy Summit 2018

Questions and Voting Results:

- Do you think that independence of regulatory commissions is important for a stable and transparent energy sector?
93% - Yes
 4% - No
 3% - I don't know
- Do you think that politics should interfere in the work of Regulators?
 3% - Yes
93% - No
 4% - I don't know
- Do you agree that the inclusion of regulators can achieve greater transparency and provide a systemic approach to energy efficiency implementation?
81% - Yes
 6% - No
 13% - I don't know

Key Messages:

- Independence of Regulatory Commissions is crucial for the stable and transparent energy sector.
- Regulatory Commissions should have an active role and be given jurisdiction in energy efficiency.