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## THE WESTERN BALKAN COUNTRIES' ACCESSION TO THE EUROPEAN UNION FROM THE ENERGY PERSPECTIVE

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*Abstract:* Given the particular historical, political and socioeconomic circumstances, the countries of the Western Balkans have met the necessary conditions for the integration of their national energy systems with the EU energy system to varying and often modest degrees. Recent changes in Europe's energy strategy and trends additionally complicate the situation in the Western Balkans. The situation is substantially different in the oil, gas, electricity, renewable energy, and energy efficiency sectors. The fact that the processes are often stalled is also indicated by the measures that have been taken against some of the countries from the domain of the Energy Community sanctions. This paper analyses the situation in the energy systems of the Western Balkan countries in terms of fulfilment of the criteria for the EU accession and the system of measures taken by the EU towards future member states in the accession process, as well as the factors affecting this situation, especially the influence of forces outside the region.

*Keywords:* the Western Balkans, the EU, energy, the EU accession criteria, the fulfillment of criteria, the EU accession forecast

### INTRODUCTION

The subject of this paper is the situation in the Western Balkan countries, as well as the setting of a realistic deadline for the criteria fulfilment in the field of energy, which would enable their accession to the EU regardless of all limitations.

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The paper aims to analyse the possibility of the Western Balkans countries to accelerate the process of European integration, adapt to the functioning of the European energy market and fulfil the accession conditions by 2025, and to point out the impacts of various factors, including the influence of countries outside the region.

The criteria for the EU accession from the energy standpoint are legal, implementation, and techno-economic-logistical. For each of the criteria, a necessary minimum of indicators is determined. The situation in all Western Balkan countries is analysed from the perspective of the fulfilment of the above criteria. The sectors of electricity, renewable energy, ecology and energy efficiency, gas and oil have been analysed individually. The ownership structure in the energy sector and its impact on meeting the accession criteria are particularly analysed to refute or prove the theses on political influence in the implementation of the EU enlargement strategy.

The possibility of accelerating the processes through the initiated measures from the domain of the Energy Community sanctions is analysed, but also through the activities of financial-technical support for the projects' realization, which should accelerate the integration and fulfilment of the preconditions or criteria.

The paper lists the commitments undertaken by future EU and Energy Community (EC) members, but also the measures the EC has undertaken to achieve these goals, and all the data are collected from official sources.

### **FOREIGN FORCES, THEIR ASPIRATIONS AND THE IMPACT ON THE WESTERN BALKANS THROUGH THE PRISM OF ENERGY**

The Balkan countries: Albania, Bosnia and Herzegovina, Bulgaria, Montenegro, Greece, Croatia, North Macedonia, Romania, Slovenia, Serbia, and Turkey (European part) occupy an area of nearly 800,000 square kilometres, with about 70 million inhabitants (excluding the Asian parts of Turkey) (Sakan, 2018). In many periods throughout history, the Balkans was a scene of conflicts (Russia, the United Kingdom, Austria, Germany, Turkey) and it continued to be the hotspot of the interest conflicts of the great powers (the USA, the Russian Federation, the European Union, China, and Turkey).

From eleven Balkan countries, five (Greece, Slovenia, Bulgaria, Romania, and Croatia) are the EU member states, while the remaining have the status of candidate countries, i.e., they have signed the *Stabilization and Association Agreement* (SAA), which regulates the rights and obligations of a country in the process of joining the European Union.

The European Union has long supported the European perspective of the Western Balkans, which is the focus of this paper. The *EU's Enlargement Strategy for the Western Balkans* (EU, 2018) has defined the year 2025 as a timeframe for the joining of the countries of this region to the EU. According to the *EU Strategy for the Western Balkans*, six measures (initiatives) have been identified to give greater support to the transition of countries: 1. strengthening the rule of law, 2. enhancing security and migration engagement (enhanced cooperation in the fight against organized crime, countering terrorism and violent extremism, border security and migration management), 3. increasing support for socioeconomic development, 4. developing the Digital Agenda for the Western Balkans (developing a broadband network in the region), 5. supporting reconciliation and good neighbourly relations, and 6. increasing transport and energy connectivity within the region and the EU, including new investment aid. For the fulfilment of the *Strategy for the Western Balkans* and support to the smooth accession, adequate funding is needed. The European Commission proposes a gradual increase of funding by 2020 within the Instrument for Pre-Accession Assistance (IPA), as far as the reallocation of funds under the existing package allows. For 2018 alone, €1.07 billion of pre-accession assistance is foreseen for the Western Balkans, in addition to nearly €9 billion between 2007 and 2017 (Delegation, 2018).

Every two years, starting from 2013, the European Commission draws up a new list of PCIs (*Projects of Common Interest*). On 24 November 2017, the Commission published the third PCI list, containing 173 projects; 106 for electricity transmission and storage, 4 for smart grids, 53 for gas, 6 for oil, 4 for transboundary carbon dioxide networks (EC, 2018).

Regarding the influence of other countries, China has supported investments in new production facilities over the last ten years, including coal-fired power plants that are unacceptable in most EU countries today (Stanari in BiH, the Republic of Srpska; Kostolac 3, Serbia) (Zarko Obradovic et al., 2019, pp. 159–171). So far, Chinese companies have not tried to gain ownership of energy companies in the Western Balkans.

Russian investment is dominant in the oil sector and less in the gas sector. However, Russia dominates in the region as the main supplier of gas and oil. The gas supply of BiH, Serbia, and North Macedonia depends entirely on Russia today. The oil supply of the remaining two refineries in the region (Brod and Pancevo) comes almost entirely from Russia, but this does not apply to petroleum products. It is indicative that the largest Russian oil and gas companies are present in the region, such as *Lukoil* (Lukoil, 2020), *Gasprom*, *Gaspromneft* (Petroleum Industry of Serbia, 2020) and *Zarubezhneft* (Optima Group, 2020).

Since 2013, Turkish investment in the region's energy sector has emerged, in so-called Kosovo (Keds, 2018).

To objectify the impact analysis of the EU and other individual countries, data on ownership of energy companies by country and sector, are summarized in Table 1. Ownership was chosen as clear material evidence and a precondition based on which economic and political influence can be exercised, which is also somewhat described in Milinovic's *Challenges of National Defence in the International States and Private Corporate Infrastructure Protection Management* (2013).

*Table 1. Ownership of energy companies in the Western Balkans by sectors and countries*

Country	Gas (dominant company)	ownership	Oil (dominant company)	ownership	Electricity (dominant company)	ownership
Bosnia and Herzegovina	BiH-Gas Ltd. Sarajevo (BiH Gas doo, 2020)	100% state-owned	Optima Ltd. with INA, NIS, OMV's share on the market (Optima Group, 2020)	JSC Zarubezhneft	Independent system operator in BiH - NOS BiH JSC Electro transmission BH (Elektroprenos, 2020)	100% state-owned
	Gas promet RS (Gaspromet, 2020)	100% state-owned			Electric Power Industry of the Republic of Srpska (ERS, 2020)	100% state-owned
	Sarajevo gas Ltd. (Sarajevogas, 2020)	100% state-owned			JSC Elektro transmission RS incorporated in JSC Elektro transmission BiH (Elektroprenos, 2020)	100% state-owned
Serbia	JSC Srbijagas (Srbijagas, 2020) and Jugorozgas (Jugorsogas, 2020)	100% state-owned, 75% Gasprom, and 25% Srbijagas	An oligopoly with the dominant player NIS, with the participation of EKO, MOL, OMV, SHELL on the market	Gasprom 56,15% and the Government of Serbia 29,87% (NIS, 2020)	Electric Power Industry of Serbia (Elektroprivreda Srbije) - EPS Electricity networks of Serbia (Elektromreze Srbije) - EMS	100% state-owned
Kosovo*	none	-	none	Private companies	KEK (KEK, 2020) (Kosovo Electricity network) KOSTT (KOSTT, 2020) KEDS (Kosovo Energy distribution)	100% state-owned Turkish company Calik & Limak is the owner of KEDS (Keds, 2018)

Country	Gas (dominant company)	ownership	Oil (dominant company)	ownership	Electricity (dominant company)	ownership
Montenegro	Montenegro bonus (the market is virtually non-existent, except for import via containers for KAP purposes)	100% state-owned	Jugopetrol Kotor (Hellenic Petroleum), INA, EKO	Private companies	Electric Power Industry of Montenegro (EPCG), Electricity transmission system of Montenegro (CGES) Electricity market operator of Montenegro (COTEE)	In EPCG 85,4% state-owned and 3,2% Italian A2A (A2A, 2019). Should be out of ownership by the end of 2019 (Bankar Me, 2019) CGES 55% state-owned, TREN (Italia) 22%, EMS (Serbia) 10%.
Albania (The Renewable Energy and Energy Efficiency Partnership, 2012)	Ministry of Infrastructure and Energy – Albpetrol regulating the market which is negligible	100% state-owned	Albpetrol (Albtrol, 2020) and Albanian Petroleum Corporation (APC)	100% state-owned	Korporata Elektroenergjitike Shqiptare – KESH Operatori i Shpërndarjes së Energjisë Elektrike – OSHEE (76% sold to CEZ Group) Operatori i Sistemit të Transmetimit - OST	100% state-owned, except the part of distribution sold to CEZ Group
North Macedonia	GA-MA	Co-ownership Makpetrol 75% and the state 25%; ownership dispute unresolved (Makpetrol, 2018)	Makpetrol, Refinery OKTA (out of work), LUKOIL	Makpetrol – small shareholders (employees) and management OKTA refinery owned by Hellenic Petroleum	Macedonian transmission system operator for electricity transmission and power system management MEPSO Macedonian power plants (Elektrani na Makedonija-ELEM) EVN Makedonija (distribution) Thermal power plant - heating plant Skoplje	100% state-owned (MEPSO, 2020) (ELEM, 2020) 100% EVN Austria (EVN, 2020) 100% Balkan energy group (Rusia) (BE group, 2020)

Based on the systematic review in Table 1, several facts can be discussed:

1. The only sector dominated by private (domicile, EU and Russian companies) companies is retail or broader, the trade of petroleum products.

2. All the refineries in the region have been privatized, but the state's share in the Petroleum Industry of Serbia (NIS) is quite significant.

3. Except for North Macedonia and a small part of the main gas pipeline owned by JSC Yugorosgaz in Serbia, the transport and supply activities for natural gas are practically 100% state-owned.

4. Electricity production is 100% state-owned, except in the case of North Macedonia (where the state share is also dominant) and Montenegro from the end of 2019 when the Italian owner withdrew and transferred its shares to the state.

5. The transmission of electricity is 100% state-owned, except in the case of Montenegro, where the minority package is controlled by foreign companies.

6. Privatization is the least advanced in Albania, and except for gas stations and part of the electricity distribution, everything is state-owned. The next is BiH and so-called Kosovo. The privatization progressed the most in North Macedonia and slightly less in Montenegro. Serbia is somewhere in the middle of the rankings. Note: We did not take into account the small-scale renewable energy plants present in all Western Balkan countries, which are mainly privately owned.

7. Turkey is present with an investment of €26 million only in so-called Kosovo, which is also the only major investment in the energy sector in that territory.

8. EU companies only invested in gas station networks in Albania, North Macedonia, and Montenegro (from which they will depart).

9. Russian companies dominate in refining, considering that the only two active refineries are in their hands.

10. Russian companies are dominant in gas trading because supply is tied to Gazprom's resources. The Russian capital is also present in the production of heat and electricity in North Macedonia (Skopje heating plant), but this case should be taken with a grain of salt since the company was not purchased with intent but obtained for debt.

Based on all this, no clear correlation can be established between the EC/EU accession and the beginning of the more extensive foreign investment. It is also indicative that there are no US energy companies in the region, and that the leading Western energy companies, such as Shell, have only entered the region since 2018 through the construction of several gas stations (OMV, MOL, and Hellenic Petroleum are medium or small companies in the sector) and the presence of Shell is somewhat more pronounced in Bulgaria and Hungary. Based

on the ownership of the energy companies, it is inconclusive that it is correlated with the political influence on the observed countries. Ownership of US energy companies that have a dominant influence in the territory of Albania or so-called Kosovo is almost non-existent, and energy sources such as coal are not promising (Novosti, 2018). Rather, it can be said that influence is exercised at the security-political level, through the presence of military forces in certain territories or the determination of political elites for the EU and NATO accession (as detailed in Jeftić, 2010, pp 623-653 and I. Djordjevic, 2016, pp. 193-208).

Russian-owned companies exert partial influence in the sphere of legislation, striving for countries to adapt EU requirements to their own development plans or investment opportunities. An example of this is the elimination of high sulphur fuel oil in Serbia, which instead of being finished in 2017, was postponed until the Pancevo Refinery is modernized in the next two years. However, similar requirements come from Western companies, e.g., in the case of failure to apply the provisions of the Large Combustion Plant Directive of the Pljevlja Thermal power plant or the Sulphur Directive in the case of the Hellenic Okta Refinery in North Macedonia. It could be concluded that they are essentially under pressure from investors, and in an attempt to save production and jobs, local governments consciously alter or avoid the application of certain regulations, unrelated to the specific country of capital origin.

The US is trying to impose itself as a potential gas supplier and squeeze the Russians out of, practically, a monopoly position. The EU also has the ambition to push the Russians out of the gas market by building a network of interconnectors and other pipelines that would allow supplies from other sources. Connecting and opening up the electricity market is also one of the EU's goals.

## **THE WESTERN BALKAN COUNTRIES IN THE EUROPEAN UNION ENERGY SYSTEM**

EU measures and activities to strengthen cooperation in the Balkans include a set of legal, economic and financial instruments as well as direct and indirect financial assistance through grants, EU programs, loans from the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). This paper will outline the energy goals to which the countries of this region have committed by signing the *SAA* and *the Energy Community Treaty*.

### **Energy Community**

The European Union (EU) through the Energy Community (EC) bodies constantly manages the process and monitors and reports on the degree of

compliance of energy regulations with the EU Acquis. *The Energy Community Treaty* (entered into force in 2006) was confirmed through the *Stabilization and Association Agreement* (SAA). The Energy Community is an international organization that brings together the European Union (on the one side) and its neighbours to create an integrated pan-European energy market (Picture 1)<sup>4</sup>. The main task of the *Treaty* is to create a stable legal, economic and energy framework, which will ensure the security of energy supply, attract investment in energy infrastructure, improve environmental protection, and create a single regulatory space for energy trade. To achieve these objectives, the member states have to fulfil three levels of commitments:

- implementation of the relevant *Acquis communautaire* in the energy sector, environmental protection, the use of renewable energy sources and the protection of competition,
- the establishment of a separate regulatory body and independent transmission system operators, which will allow the efficient functioning of the market within the Energy Community,
- creating an energy market for energy transmitted with grids without internal borders, and the possibility of creating a common energy trade policy with participants in markets outside the EU and the EC. In the EU, the internal electricity and gas market was fully liberalized in 2007, while candidates are expected to further liberalize by implementing the so-called *Third Energy Package*.

The key objective of the Energy Community is to extend the rules and principles of the EU internal energy market to the countries of Southeastern Europe, the Black Sea region and beyond, to fully integrate them into the EU energy market even before formally joining this community. The newly defined goal is the transition to “green energy“.

Areas of work of the Energy Community are contractual care, electricity, gas, investment, the security of supply, renewable energy sources, energy efficiency, environmental protection, competition, social issues, oil, as well as dispute resolution related to *The Energy Community Treaty*. For non-compliance with contractual obligations, the EC initiates sanctions, which may include: denying EU funds from various funds, withdrawing voting rights, offsetting the costs of cooperation with the EC, and more. Moreover, international financial organizations may suspend cooperation with a country under sanctions<sup>5</sup>.

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<sup>4</sup> Non-EU countries are highlighted in gray colour.

<sup>5</sup> Bosnia and Hercegovina is the first country to be sanctioned for not having any legislation on gas.



Picture 1. the EU and members of the EC



There are several regional initiatives within the EC. *The Western Balkans 6 Initiative* (WB6, known also as the Berlin Process) aims to support six Energy Community Contracting Parties in Southeast Europe - Albania, Bosnia and Herzegovina, so-called Kosovo, North Macedonia, Montenegro, and Serbia - in fostering regional cooperation and sustainable growth and employment. The Energy Community implements the WB6 Initiative in the areas of energy infrastructure development, energy “connectivity” and sustainability. *EU4Energy* is an EU support program for energy efficiency policy-making in the region of the Eastern Partnership, bringing together the EU, its Member States and six partner countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. On 10 July 2015, a Memorandum of Understanding was signed as part of the Central and South-Eastern Europe Energy Connectivity - the CESEK Initiative. This initiative advocates a common approach to address natural gas diversification and issues of security of supply. The Central and Southeastern European countries, including 9 EU members and 8 Energy Community members, have expanded cooperation on electricity, energy efficiency and renewable energy (CESEC, 2020) as part of the CESEK Initiative.

In Europe have been developed ENTSO-E and ENTSO-G - *the European Network of Transmission System Operators for Electricity (and Gas)*, representing 43 transmission system operators (TSOs) from 36 countries across Europe. ENTSO-E was established and received the legislative mandates of the EU’s Third Legislative Package on the Internal Energy Market in 2009, which aims to further liberalize the EU gas and electricity market.

### **Investments as a condition and incentive to create a common energy market**

The Energy Community budget is adopted by the Ministerial Council based on a proposal from the European Commission. This is in accordance with the needs identified in the organization's two-year work program. The EC budget for 2019 was €4.76 million (E-Community, 2019, pp. 195). Financial aspects include the role of the EIB and the EBRD. In 2015, the European Union launched the *Connectivity Agenda* to further strengthen the economic development of the Western Balkans by improving key transport and energy links. Energy security is still a priority of the EC, and therefore energy diversification is crucial (E-Community, 2019).

To this end, the EU is ready to donate €698.2 million to the Western Balkan countries for projects with a total value of €2,414.4 million, or about 30% of the total amount required (WB, 2018).

This money is raised through the *Projects of Energy Community Interest (PECI)* and *Projects of Mutual Interest (PMI)* and refers to infrastructure projects that meet the general and specific criteria.

The important infrastructure projects in the Western Balkans in the field of natural gas and oil are the interconnecting pipelines: 1. Slobodnica-Brod-Zenica-BiH-HR, 2. Licka Jesenica-Trzac- Bosanska Krupa-BiH-HR, 3. Zagvozd-Posusje-Travnik, 4. Stip-Strumica-Bulgarian border, 5. Strumica gas pipeline-Greek border, 6. Serbia-Romania interconnector, 7. Serbia-Bulgaria interconnector, 8. Serbia-Croatia interconnector, 9. Serbia-North Macedonia interconnector, 10. Serbia- Montenegro-Nis interconnector, 11. Albanian gas pipeline of Kosovo - ALKOGAP, 12. Ionian-Adriatic gas pipeline, 13. Trans Anatolian pipeline - TANAP, 14. Underground gas storage Dumrea - Albania, 15. LNG – Cluster Krk, LNG terminal with connecting and evacuation gas pipelines towards Hungary, and 16. South-Druzhba pipeline.

In the field of electricity, these are the interconnection between Resita (RO) and Pancevo (RS), transmission lines Kragujevac-Kraljevo, Obrenovac-Bajina Basta, Visegrad (BA) - Pljevlja (ME), Lastva-Pljevlja, Bitola (MK) - Elbasan (AL), Banja Luka (BA) - Lika (HR), and Tuzla (BA) - SS Gradacac (BA) - SS Djakovo (HR).

To these projects, it should also be added the funds the EC uses for the realization of the so-called technical assistance for the improvement of the legislation and regulatory environment of the energy sector in the region.

The analysis of the mentioned projects concludes that only the projects that either contribute to the opening of the market or those that increase the security of supply are explicitly funded. The infrastructural interconnection of countries enables the diversification of supply and provides an opportunity for more

manufacturers and suppliers to compete in until recently closed national markets. The projects are also intended for the development of markets not hitherto existing, such as the gas market of Albania, Kosovo and Montenegro. Regarding the security of supply, the interests of the supply of old EU member states, especially Italy, which is one of the world's largest energy importer, are taken into account. Notably, virtually no project is being funded that allows increased access to Russian producers to the EC countries' markets.

The previous presentation also concludes that from all the "influential powers", the EU is the only that has at its disposal an institutionalized (and contractual) mechanism embodied in the EC, which was voluntarily joined by the Western Balkan countries. This mechanism serves to steer and guide and, at the same time, pressure countries to move more quickly towards the common energy policy with the EU.

### **CRITERIA FOR THE EU ACCESSION FROM THE ENERGY STANDPOINT**

The criteria for EU accession from the energy standpoint are legal, implementation, and techno-economic-logistical.

#### **Legal and implementation criteria**

Legal criteria relate to the transposition of the Third Energy Package or *Aquis communautaire*, which essentially means the "enactment" of twenty-seven different documents (directives, regulations, bylaws). By 2020, we expect the implementation of the so-called "Clean Energy Packages", i.e., five documents on gas and three on electricity (E-Community, 2018).

The first liberalization directives (The First Energy Package) were adopted in 1996 (electricity) and 1998 (gas). The Second Energy Package was adopted in 2003. The Third Energy Package was adopted in 2009.

Actually, the number of documents to be introduced into legislation and practice has changed several times. By the time the Third Energy Package came into force in 2009, the implementation of twelve documents was mandatory (e.g., there was no regulation in the field of energy efficiency), which means that there are 130% more of them today. The last set of documents came on the implementation agenda in November 2016, when the Commission proposed a set of legislative proposals called "Clean Energy for All Europeans" (Community, 2018, pp. 21-26).

The EU also adopted the Fourth Energy Package in 2016 (the so-called Winter Package) precisely to be at the forefront of reducing CO<sub>2</sub> emissions for at least 40% by 2030 (foreseen in 2015 by the Paris Agreement) (Community, 2018, pp 24).

The 2017 Energy Community Report (Community, 2018, pp. 21-26) acknowledges that the tendency for a permanent expansion of the *Aquis communautaire* creates a growing gap between the EU countries and other EC members.

At the same time, the EC began to increasingly apply sanction mechanisms and even extended them to issues such as state aid, environmental impact assessments for coal-fired power plants, contractual destination clauses in gas delivery, costs in electricity distribution tariffs or retroactive changes of the *feed-in* tariff for renewable energy (Community, 2018), (Community, 2019).

The minimum criterion for legal regulation is the transposition of the Third Package into the relevant energy laws. North Macedonia is the last country to introduce the provisions of the Third Package into its legislation in 2017 (Community, 2018, pp. 98). Other Western Balkan countries did that before. Adoption of appropriate laws, by itself, is still not enough since it is necessary to adopt a large set of bylaws, which in practice enable the implementation of legal provisions. The problem is twofold and concerns the introduction (adoption) of the new regulations without implementing the old ones, as well as the implementation of the regulations themselves.

The adoption of laws and bylaws is influenced by two factors - political will and the level of competence of legislative bodies. The level of competence can be overcome through “technical assistance” and the enhancement of competencies whereby the EC helps all countries. Those countries that have more possibilities and competent staff solve this problem faster. Political will is a factor that depends on local circumstances in each country.

The state of implementation of the provisions governing energy is given in Table 2. The basis for the conception of this table was the 2018 EC Report (Community, 2018)<sup>6</sup>. For each of the Western Balkan countries, implementation progress assessments have been made according to a number of criteria related to the areas covered by the EC activities. For each of the criteria, a percentage of implementation is given. It is obvious from the report that there is no country whose implementation is complete (100%). Montenegro and BiH recorded the best result in the case of renewable energy (98%).

The situation with the implementation of investment projects from the PECE/PMIs initiatives is interesting. As Table 2 shows, some members from the Western Balkans have zero realization, and the highest level of realization is in Montenegro 44%.

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<sup>6</sup> The change between 2018 and 2019 was minimal for the Western Balkan countries, which was acknowledged in the 2019 report. Serbia’s progress between 2018 and 2019 was + 1% and Albania’s -1% (Energy Community, 2019). The 2018 report provided some quantifications of the results achieved, and was therefore used for display (Energy Community, 2018).

Table 2. – Review of legal and implementation criteria

	Albania	BiH	Kosovo	North Macedonia	Montenegro	Serbia
<b>PECI / PMIs</b>	<p><b>0</b> <b>50%</b></p> <p>Albania adopted EE Law in November 2015. The government formally established the Energy Efficiency Agency in 2016, while the process of the fund establishing is ongoing.</p>	<p><b>18%</b> <b>70%</b></p> <p>BiH's energy intensity decreased in 2015. However, the values of these indicators remain high. The transposition of EE Law in BiH is still insufficient.</p>	<p><b>0</b> <b>70%</b></p> <p>The final energy consumption in Kosovo* decreased during the period 2012-2014 and then increased slightly in 2015. So-called Kosovo has achieved partial compliance with energy efficiency regulations.</p>	<p><b>30%</b> <b>80%</b></p> <p>The final energy consumption decreased from 2012 to 2014. Directive 2006/32/EC is transposed by the Energy Act and bylaws. The public sector is obliged to implement measures in the field of EE.</p>	<p><b>44%</b> <b>85%</b></p> <p>The final energy consumption in Montenegro decreased in 2012 and 2014 but increased slightly in 2015. Except for a few missing delegated regulations on labeling, it has reached a relatively high level of the transposition of regulations.</p>	<p><b>35%</b> <b>84%</b></p> <p>Third Energy Efficiency Action Plan reported 4.4% savings between 2010 and 2015 (9% energy savings) to be achieved by the end of 2018.</p>
<b>Renewable energy</b>	<p><b>62%</b></p> <p>Albania achieved a 34.9% share of energy from RES from 38% it committed to. 10% by 2020 in the transport sector is only mentioned in the law. The Legislation is not in accordance with Directive 2009/28/EC.</p>	<p><b>98%</b></p> <p>Although it achieved a 41.5% of RES, exceeding the 40% target, BiH regulations have not been harmonized with Directive 2009/28/EC regarding RES in the transport sector, nor Article 13 (transparent and favourable investment framework for RES).</p>	<p><b>55%</b></p> <p>The target is 25% by 2020. It is currently 18.5%. Current legislation is not in accordance with Directive 2009/28/EC. As for biofuels (10% target), there is no certification scheme or a relevant body established to implement the plan.</p>	<p><b>25%</b></p> <p>A target of 28%, currently 19.9%. Directive 2009/28/EC is only partly transposed. The 2011 law and several regulatory acts.</p>	<p><b>98%</b></p> <p>Montenegro achieved a 37.7% share of RES in 2015, higher than the target of 33%. The Energy Law passed in 2015 is the main legal act of the transposition of the RES Directive. Amendments to the existing bylaws are required.</p>	<p><b>75%</b></p> <p>A target of 27% of RES, currently 21.8%. The National Action Plan for RES in Serbia includes a target of 10% of RES in transport by 2020. The share of renewable energy in the transport sector is 0% so far.</p>

	<b>Albania</b>	<b>BIH</b>	<b>Kosovo</b>	<b>North Macedonia</b>	<b>Montenegro</b>	<b>Serbia</b>
<b>Oil</b>	<p><b>20%</b></p> <p>Albania is the largest exporter of crude oil in the EC. State-owned Albpetrol is active in the development, production and crude oil trade. 2016 Privatization of Albpetrol failed.</p>	<p><b>0%</b></p> <p>Crude oil is mainly imported from Russia. At present, the policy of forming required reserves at the state level is in the initial phase.</p>	<p><b>20%</b></p> <p>So-called Kosovo neither produces nor refines crude oil. There are no regulations or reserve requirements.</p>	<p><b>80%</b></p> <p>The Directorate for Required Reserves was formed, partly formed reserves.</p>	<p><b>40%</b></p> <p>The 2010 Energy Act, which requires strategic reserves of oil and oil derivatives has never been implemented. Imports from Serbia and Greece.</p>	<p><b>80%</b></p> <p>Following the transposition of the most provisions of Directive 2009/119/EC on oil reserves in 2013, Serbia has adopted almost all bylaws. 85% imports from Russia. Partially formed reserves.</p>
	<p><b>15%</b></p> <p>Albania does not currently have a gas market. Its gas sector is characterized by the marginal domestic gas production (about 34 mcm).</p>	<p><b>17%</b></p> <p>The natural gas sector is regulated at the entity level. No separation due to entity disagreement. BiH continues to seriously violate the EC Treaty because of the failure to align with the Second Energy Package.</p>	<p>/</p> <p>The gas market does not yet exist in Kosovo*. The supply of gas is planned via the interconnector through the gas transmission system in Albania (ALKOGAP project).</p>	<p><b>45%</b></p> <p>GA-MA has not been divided in accordance with Directive 2009/73/EC. The state and Makpetrol are the only GA-MA shareholders.</p>	<p>/</p> <p>No natural gas consumption.</p>	<p><b>45%</b></p> <p>The implementation is lagging behind, especially regarding the separation of transmission system operators, Yugorosgaz Transport and Srbijagas. The right to freely choose suppliers is guaranteed to all customers, but it is not applied in practice.</p>
<b>Gas</b>						

	<p><b>Albania</b> 60%</p> <p>The separation of the distribution system operator into a state-owned joint-stock company OSHEE began but did not produce tangible results.</p>	<p><b>BIH</b> 70%</p> <p>The Government of BiH has not adopted the State Law on the Regulatory, Transmission and Energy Market and the Supplementary Law on the Establishment of Transmission System Operators.</p>	<p><b>Kosovo</b> 65%</p> <p>Contracts signed by transmission system operators EMS (Serbia) and KOSTT (Kosovo) in 2014 have not yet been implemented. According to the Electricity Act, all customers have the right to freely choose the supplier of their choice.</p>	<p><b>North Macedonia</b> 65%</p> <p>The legal and functional separation of distribution system operators and supply companies (2016) has been fully transposed by the new Energy Act. The amount of electricity supplied at unregulated prices in North Macedonia is the highest among contracting parties.</p>	<p><b>Montenegro</b> 85%</p> <p>No further action has been taken to improve competition in the retail market. There are no alternative suppliers. Regulated prices are available to households, small consumers, vulnerable customers. In terms of distributive separation, EPCG established in 2016 a separate legal entity (CEDIS) to operate, maintain and own distribution networks. Tariff methodologies in Montenegro are regularly challenged before the courts.</p>	<p><b>Serbia</b> 85%</p> <p>Production and supply prices have been deregulated since 2015, except for the price of electricity supplied to households and small customers. While the legal separation of the distribution system operator is completed, the functional separation is not. EMS is also the only transmission system operator in the Western Balkans not participating in SEE CAO. Cross-border balance cooperation is being implemented between EMS and CGES of Montenegro.</p>
<b>Electricity</b>						

	<b>Albania</b>	<b>BIH</b>	<b>Kosovo</b>	<b>North Macedonia</b>	<b>Montenegro</b>	<b>Serbia</b>
<b>Ecology</b>	<p>82%</p> <p>As for the emission from the large combustion plants, Albania has only one thermal power plant Vloja, not currently in function. A Legal framework was carried through the Law on Environmental Permits. There are several protected area systems in Albania. Albania has two refineries. It has transposed the Fuel Sulphur Directive, but it still has to transpose the provisions of the Fuel Directive.</p>	<p>95%</p> <p>The Environmental Impact Assessment Directive was transposed. Several rules need to be adopted for law enforcement. BiH has one refinery. The Government adopted the Decision on The quality of liquid fuels in 2002, which has been modified several times. BiH has five plants that fall under the scope of the Large Combustion Plants Directive. All units use lignite and/or brown coal as fuel. The Federation adopted Regulation on air emission limitation from the combustion.</p>	<p>70%</p> <p>So-called Kosovo * has no refineries and therefore no domestic production. So-called Kosovo has two plants that fall within the scope of the Large Combustion Plants Directive (all thermal power plants are now in this group). Requirements of the Sulphur Fuel Directive are transposed.</p>	<p>78%</p> <p>North Macedonia has one refinery but does not currently produce. Nine installations fall within the scope of the Large Combustion Plants Directive. The Sulphur Directive has not yet been fully implemented.</p>	<p>95%</p> <p>Montenegro has neither domestic crude oil production nor processing installations and has therefore prescribed fuel quality in accordance with EU directives and standards. Montenegro has TPP Pljevlja, which falls within the scope of the Large Combustion Plants Directive, which has only been partially transposed into legislation. Although the emission limit values for new plants are fully in line with those of the Industrial Emissions Directive, current regulations stipulate in their transitional provisions that plants put into operation before entry into force will be allowed to exceed the emission limit values by 250% up to 31 December 2025.</p>	<p>75%</p> <p>Serbia has two refineries. There is a detailed legal framework for petroleum-based liquid fuels. Serbia has also ratified the MARPOL Convention on the Prevention and Pollution from Ships. Serbia has nine thermal power plants that fall under the scope of the Large Combustion Plants Directive. Seventeen units work on lignite, while four work on natural gas. To this should be added 26 sections used in various industrial plants. Serbia has adopted a law governing emissions of large combustion plants and related regulations. The Sulphur Fuel Directive was only partially transposed into Serbian law. Domestic law effectively transposes the emission limit values of the Large Combustion Plants Directive (for the existing installations) and the Industrial Emissions Directive (for new plants) and will allow Serbia to apply the provisions of these directives within the deadline of 1 January 2018.</p>



Albania and so-called Kosovo have not implemented any of the planned investments. The reasons are twofold, justified for pipelines that cannot be built until gas arrives via the TAP pipeline<sup>7</sup> (Trans Adriatic Pipeline) to Albania, and others caused by the lack of political will and inefficiency of the states as in the case of the Bitola-Elbasan transmission line. On the whole, the situation with Serbia, BiH and Montenegro, which are implementing projects of 4 transmission lines, is somewhat better. Serbia is still slowly progressing regarding its gas interconnection project with Bulgaria, although 80% of the funding is provided through the grant. Some serious shifts in the development of EU-sponsored gas infrastructure should not be expected until the TAP pipeline is completed and another source of supply is provided for the region.

In terms of energy efficiency, almost all countries are on the right track, but lack funding and incentives.

According to the assessment of the EC Secretariat in the *Electricity Market Monitoring Report*, the Western Balkan countries are progressing in varying degrees in the development of their electricity markets, and a regional market is yet to be formed. The report states that in the region, the only functional Day-Ahead market is the Serbian electricity market/power exchange SEEPEX (Serbia), although other countries have taken steps in that regard (Montenegro founded the BELEN power energy exchange company in August 2017). Legal separation of distribution system operators has not yet been completed in Albania and Bosnia and Herzegovina, and functional separation in North Macedonia, Montenegro and Serbia. This hinders the efficient opening of the markets for small buyers and households. Serbia has also committed itself to the restructuring and reorganizing of the PE Electric Power Industry of Serbia (EPS) and JSC Electricity networks of Serbia (EMS). According to the plans, electricity markets in Albania, Bosnia and Herzegovina, North Macedonia and Montenegro should become operational and ready to merge with neighbouring markets by July 2019.

According to the provision of Article 20 of the Energy Community Treaty, all countries have been given a binding objective that, for example, for the Republic of Serbia, accounts for 27% of renewable energy in its gross final energy consumption, as well as the share of energy from renewable sources in the transport of 10% by 2020. Given the trend of increasing electricity consumption in Serbia, it will be harder to reach the binding percentage, although since 2009, when the legal framework with the feed-in tariffs was first established, in Serbia until 2016 for the production of electricity from RES were built new

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<sup>7</sup> Cross-border projects in the region - Trans Anatolian Pipeline (TANAP) Azerbaijan-Turkey-Bulgaria-EU, Trans Adriatic Pipeline (TAP) Turkey-Greece-Albania-(Adriatic Sea)-Italy, IAP (Ionian Adriatic Pipeline) Albania-Montenegro-Bosnia and Herzegovina-Croatia, Gas ring, LNG terminal Krk.

facilities with an installed capacity of 80.3 MW (MRE, 2018). The situation is similar in all countries, except partly in Montenegro and BiH regarding electricity, although they did not adopt an appropriate regulation. What is characteristic of all Western Balkan countries is that they are very far from reaching the target of 10% of renewables in transport by 2020. The actual share of energy from renewable sources in the transport sector is close to 0%, i.e., no one except Serbia, in part, has adopted all the necessary regulations and provided the necessary preconditions.

In order to raise the security of natural gas supply and fulfil the future obligations of the EC Member States but also the EU, the following is necessary:

1. to establish or raise gas production levels;
2. to strengthen gas infrastructure
3. to develop gas storage facilities
4. to develop LNG terminals
5. to raise the level of energy efficiency
6. to enable replacement of gas consumption by other energy in case of interruption of supply
7. to provide supply contract flexibility

Serbia (85%), and BiH and North Macedonia (100%) are import-dependent on the Russian Federation, and the pipeline supplying them passes through Ukraine.

In Bosnia and Herzegovina, the 234 km long transmission system is managed by three transmission system operators: BH-Gas Ltd. in the Federation, JSC Gas Promet, and JSC Sarajevogas East Sarajevo in the Republic of Srpska. Two of the three are fully linked and do not meet the separation requirements. The Republic of Srpska is slightly ahead of the Federation because it has transposed Directive 2009/73.

North Macedonia imports natural gas from Russia via a pipeline going through Bulgaria. The MER Macedonia (Macedonian Energy Resources Corporation) signed a Memorandum of Understanding with the DESFA (Greek transmission system operator) for the interconnection of the two systems. GA-MA is a vertically integrated company non-compliant with separation, according to Directive 2009/73/EC.

There are two transmission system operators in Serbia, the PE Srbijagas and JSC Yugorosgaz, under which Yugorosgaz Transport operates. On 27 September 2018, the Serbian Parliament approved the suspension of a destination clause included in the interstate agreement between the Government of the Republic of Serbia and the Government of the Russian Federation from 2012 for the supply of natural gas that does not allow re-export. After the Secretariat brought

this case before the Ministerial Council in late 2017, the governments of Serbia and Russia agreed to amend the agreement by removing the destination clause. The Secretariat, therefore, withdrew its case against Serbia (the case ECS-18/16). The Government of Serbia has adopted a binding action plan on restructuring the PE Srbijagas in accordance with the Third Package, but no action has been taken in this regard, which is why a misdemeanor procedure has been underway since 2013. The Secretariat considers that JSC Yugorosgaz Transport, which has filed for certification, is not properly separated (which is potentially prevented by an interstate agreement between Serbia and Russia).

Officially, in 2014, the realization of the South Stream failed, and the construction of the Nis - Dimitrovgrad gas pipeline remained the only activity carried out to improve the infrastructural integration of the market for Serbia. This interconnection ranks second on the priority projects list of the *Group for the project implementation* (CESEK). The expropriation of real estate on the pipeline route is underway, and the Annex to the Joint Statement on the construction of the Bulgaria-Serbia gas interconnector project signed on 17 May 2018 in Sofia, is scheduled to be put into operation in May 2022. The “Balkan or Turkish Stream” is a well-advanced project but not a priority of the EU, nor does the EC consider that it is intended to work according to EU rules (Community, 2019).

Countries in the region are supplied with the crude oil by the JANAF, (Croatia, Serbia, Bosnia and Herzegovina), Thessaloniki-Skopje (North Macedonia) pipeline and Druzhba pipeline (Hungary, Croatia section). BiH, Albania, and Montenegro are supplied mainly by derivatives through ports in the Adriatic Sea or from refineries in the region.

In accordance with the Energy Community Treaty, the Member States are required to implement Directive 119/2009/EC, which obliges them to establish minimum reserves of oil and/or petroleum products no later than 1 January 2023. The current situation regarding the implementation of Directive is as follows:

- *Albania* - currently working on a policy defining the formation and maintenance of mandatory oil reserves;
- *Bosnia and Herzegovina* - the formation of mandatory reserves at the state level is in its initial phase. The Federation of Bosnia and Herzegovina and the Republic of Srpska have adopted an act defining that commodity reserves will be in charge of the formation and maintenance of oil reserves, which is not in line with Directive 2009/119/EC.
- *So-called Kosovo* - neither produces nor processes crude oil, nor does it have any mandatory reserve regulations.

- *North Macedonia* - in the process of the formation of mandatory reserves. The Directorate of Compulsory Reserves of oil and oil derivatives was formed.
- *Montenegro* - a directive on minimum reserves has been prepared, but it has not yet been adopted. There are no reserves for now.
- *Serbia* - there are currently insufficient reserves. Serbia plans to build missing storage capacity for oil and oil derivatives in the next few years. Following the transposition of the relevant provisions of the Directive on Mandatory Reserves in 2013, Serbia has adopted almost all bylaws necessary for the implementation of the system. The only remaining bylaw that has not yet been transposed is the Emergency Response Plan in case of an interruption of oil supply.

The characteristic of the whole region is the need for significant investments in storage capacities, as well as the supply of oil and petroleum products.

Ecology is the region's most vulnerable spot. The Sulphur Directive has not yet been fully implemented due to the technological inability of the existing refineries. Also, due to the implementation of the provisions of the Directive on Large Combustion Plants, most of the thermal power plants (27 in total) in the region are under the threat of closure. In the case of strict application, so-called Kosovo would be left without almost whole electricity production, while in other countries, except Albania, more than 50% of capacities would be closed. This is the reason for the continued delay in applying this Directive.

### **Techno-economic-logistic criteria and limitations**

This set of criteria has been defined for reasons of complete and complex consideration of the situation. Namely, the transposition and enactment do not usually require considerable material, time or human resources. However, the realization of the prescribed, in addition to political will, requires significant material and human resources, and the realization deadlines are often breached.

In this paper, the techno-economic criteria are classified into several groups:

1. Formation of mandatory reserves of oil and derivatives
2. Application of renewable energy sources in transport
3. Implementation of the Directive on Large Combustion Plants
4. Realization of projects of common interest

As already mentioned, practically only Serbia and North Macedonia have started with the formation of mandatory reserves of oil and derivatives, i.e., the fulfilment of requirements for the acquisition and storage of oil and oil derivatives for the formation of reserves that can cover 61 days of average annual

consumption. In the case of Serbia, this is about 500,000t (rough calculation). The current value of the reserves is about \$200- \$250 million. To this figure must be added to the funds for building adequate storage and handling capacities. In total, roughly, in the Serbian case, it is about \$500 million. These funds are usually provided from a dedicated fee. In Serbia, it is 2.6 RSD per litre of gasoline and diesel (Srbijadanas, 2018), or slightly less than 2% of the retail price. Such a fee is determined under the assumption that reserves will be formed within 10 years, that is, by 2023 when Serbia obliged itself to form these reserves, provided that its impact on the increase in the retail price is not more than 2%, so as not to cause negative effects to general inflation. To date, Croatia has formed the required reserves in the shortest period, i.e., in 6 years (AZU, 2018). This was done through the purchase of "oil-bonds" (a type of commodity credit) during the period when Croatia became certain that it would become an EU member state and that it must fulfil this obligation. Given that other Western Balkan countries have not adopted the necessary regulations in this area, which takes about a year, the deadline of 2023 is practically unachievable, and the fulfilment of the conditions by 2025 will entail taking commodity loans.

The obligation to use 10% of renewable fuel in transport is in its initial phase in the Western Balkans. Ideally, it takes a year to pass the regulation, and at least a year until the first agricultural products from which these fuels can be produced arrive. Only Serbia has taken some steps in this direction by adopting several regulations.

As stated, for the implementation of projects of common interest, the EU has provided part of the funds in the form of grants. Some members from the Western Balkans have zero realization, and the highest level of realization has Montenegro with 44%. Each of the more complex projects (e.g., pipeline construction) takes an average of four years to complete. Without the realization of these projects, it will be difficult to speak of a common energy market. Thus, in the case of Serbia, without the Nis-Dimitrovgrad-Sofia gas interconnection, it will be difficult to obtain gas from a source other than Russian. The projects in which Serbia should participate are estimated at €546.1 million, and the EU is ready to sponsor them with €231.6 million. Serbia has to allocate €315 million, or about €53 million annually (by 2025) if it wants to complete the projects until the possible accession to the EU.

The implementation of the Directive on large combustion plants involves the closure of older thermal power plants that are larger pollutants. Serbia should close about 1080 MW or about 15% of its production capacity by 2023. It will take up to 6 years to build the new capacity of the same strength if the works start immediately. This means breaching the deadline (2023) and the need for urgent implementation if the deadline for the EU accession in 2025 is to be achieved. For the previously mentioned, it is necessary to allocate at least €1.5

billion for the implementation of these projects in the Serbian case or about €250 million on average per year.

It is clear from the foregoing that in order to meet the techno-economic-logistical part of the energy criteria by 2025, Serbia alone has to allocate more than €350 million annually. To this, it should be added about €500 million a year to solve environmental problems, according to estimates of the Fiscal Council (Fiscal, 2018) or about 10% of its current state budget.

### **Measures that were taken by the EC against the members in the Western Balkans**

Currently, the Energy Community Secretariat (SCS) has initiated 9 proceedings against BiH, 5 against Serbia, 3 against Albania, and 2 against so-called Kosovo (Community, 2019).

Montenegro and Serbia lead the way when it comes to meeting the obligations under the EC Treaty. Albania and North Macedonia are currently at a crossroads. So-called Kosovo is not focused on reducing coal use (97% of electricity production), but on maintaining energy independence from Serbia, from which it is trying to separate. On 2 July 2018, the EC Secretariat initiated a preliminary *ex-officio* dispute settlement procedure against so-called Kosovo due to a lack of the transposition and implementation of regulations related to emissions of large combustion plants.

In early 2018, the EC Secretariat initiated preliminary dispute settlement procedures against Albania, Bosnia and Herzegovina, and Ukraine over the lack of separation of electricity distribution system operators. The Secretariat considers that Albania and BiH continue to violate the Energy Community Treaty by failing to adopt all the legal provisions necessary to achieve a sufficient level of the transposition and implementation of the provisions of Directive 2006/32/EC, aimed at promoting and monitoring energy services and other energy efficiency improvement measures. Following the successful participation of the Macedonian Transmission System Operator (MEPSO) in 2017 on an auction of cross-border electricity capacities through the Coordinated Auction Office in South East Europe (SEE CAO), the EC Secretariat has decided to close the ECS-04/11 dispute settlement case against North Macedonia. On 21 May 2018, the North Macedonian Parliament adopted the Energy Law for the transposition of the Third Energy Package. Therefore, the EC Secretariat formally closed the cases ECS-09/16 and ECS-02/15.

As it is already mentioned, the EC has conducted misdemeanour proceedings against Serbia since 2013 due to the non-separation of operations at the EP Srbijagas. Besides, it is considered that Yugorosgaz Transport is not properly

separated. We can expect the opening of new cases against Serbia over the “Balkan or Turkish Stream” (Community, 2019).

## CONCLUDING CONSIDERATIONS

Consideration of the EU accession criteria, legal, implementation and techno-economic-logistical, clearly indicates the serious unreadiness of the Western Balkan countries to currently join the EU as equal members in the energy sector. The techno-economic-logistical constraints indicate the large resources needed to meet the set criteria. The amount of needed allocations is such that countries can hardly handle it on their own. Also, time is not on the side of the countries of the region, as can be seen from the example of Serbia, which has otherwise, along with Montenegro, progressed the most towards the accession processes. Serbia is on the verge of technical possibilities to realize all projects by 2025. Other countries, including Montenegro (due to mandatory reserves of oil and derivatives), have almost no possibilities to be prepared for the EU accession by 2025. If we add to these the recent need for the implementation of the Fourth Energy Package, the introduction of the carbon tax, etc., the gap becomes too large to be overcome as it has been done so far, that is, counting that the countries of the region will succeed on their own with the small help of the EC.

According to the trends (2017-2019), the EC reports analysed here show that the previous conclusion is correct. In its latest report of November 2019, the EC notes that the transition from the socialist to the market model has slowed, which will certainly delay the second phase of change called “towards clean energy” (Community, 2019).

The accession process is certainly multifactorial conditioned. Interestingly, ownership of energy companies by the non-EU countries cannot be directly correlated with meeting EU requirements (see Tables 1 and 2). Russian companies own the majority shares in the Petroleum Industry of Serbia (NIS), and JSC Yugorosgaz is the only foreign company in the region that owns a part of the transport pipeline. Yet Serbia has made the most progress in integrating with the EU. Albania is completely under Western influence, and there is virtually no major foreign investment in the energy sector. BiH has made the least progress in European integration, due to, inter alia, the continuing conflict over jurisdiction between the entities. North Macedonia has progressed the most in privatization, and it was the last one to adopt the law introducing the Third Energy Package from all the Western Balkans.

The only thing that can be argued with certainty is that sectors dominated by private capital in the region, such as the oil sector, are making faster progress in

the implementation of EU regulations. The public sector is undoubtedly trying to maintain its current state.

Of the non-EU countries, Russia has the greatest influence on the region and its energy sector, but more through the historically inherited position of the sole natural gas supplier than in other ways. It seems that maintaining the region's gas market share is, in fact, the only strategic goal Russia is pursuing using all the leverage available.

The EU is seriously catalysing the process of drafting relevant legal and regulatory documents in all countries of the region. One of the causes of the delay in drafting the regulations is certainly the lack of human resources and competence. Even when appropriate documents are drafted or enacted with the support of the EC, the countries of the region do not do enough to implement their own regulations. Examples of these are particularly characteristic in the gas sector where, for example, Serbia, BiH and North Macedonia have not separated the activities of gas companies, i.e., they have prolonged the implementation of their own regulations. One gets the impression that the existing structures, more or less related to current politics, both in state-owned companies and in private ones (e.g., GA-MA in North Macedonia) are resisting the introduction of any changes. The whole situation could be defined by the English term “lack of institutional capacity”, which encompasses a whole range of the causes ranging from lack of internal political capabilities, lack of human resources, lack of competence-knowledge, lack of will, lack of responsibility, lack of the inspection system, coercion and repression, etc.

For the “projects of common interest”, the EU has earmarked about 30% of total funds in the form of donations (Community, 2018). From the perspective of the countries of the region, these funds are certainly insufficient. However, when one considers the fact that some countries like Albania or so-called Kosovo have not implemented any project despite the approved funds, it is clear that there are other factors of some other nature than financial, which are seemingly mostly related to the “*lack of institutional capacity*”.

We have previously listed a relatively large number of proceedings initiated by the EC against the Member States. It could also be noted that the sanction mechanism, in the current lack of EU incentive funds, is one of the remaining mechanisms to accelerate the process. Also, it could be stated that incentives are sometimes not enough to realize the adopted plans. The fact that sometimes the actions against countries do not have a special effect is obvious if we observe those led against Serbia and BiH since 2012 (E-Community, 2019).

The answer to the question of whether the demands and pre-accession measures of the EU are stimulating and encouraging for the countries of the Western Balkans or, on the contrary, demands are made to slow down the process



of European integration of this region seems simple after this analysis. The EU member states also imposed on themselves all the requirements they set for the Western Balkan countries, so it cannot be concluded that some measures especially slow down the process of accession of the Balkan countries in the energy sector. Certainly, what could be helpful in this process is to increase donations and efforts for the building of the institutional capacity of the region. It should be noted that the introduction of the Fourth Energy Package and the new environmental regulations will increase the gap between the EU and the Western Balkan countries to the limit of insurmountability and that it will probably take decades to master it.

All the above-mentioned confirms that any decision regarding the accession of the countries in the region by 2025 can only be made for the sake of achieving the EU's political goals. It could be safely argued that without the clear political will, most of the Western Balkan countries, according to objective criteria, will not be ready for accession by the end of the next decade. This means that if the criteria are to be met quickly, the model in which the future member states mostly self-finance this procedure has to be changed, and the higher amounts of both technical and financial assistance must be approved. At the same time, it is clear that the EU, at least in the energy sector, is not leaving this region behind, given the ongoing activities and monitoring of the EC, regular meetings at the Ministerial level, approval of new donations, and project financing.

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### **PRISTUPANJE EVROPSKOJ UNIJI ZEMALJA ZAPADNOG BALKANA IZ PRESPEKTIVE ENERGETIKE**

*Apstrakt:* S obzirom na posebne istorijsko-političke i društveno-ekonomske okolnosti, zemlje Zapadnog Balkana su u različitom, često skromnom, obimu ispunile neophodne uslove za uključivanje svojih nacionalnih energetske sistema u energetske sistem EU. Najnovije izmene u evropskoj energetske strategiji i trendovima komplikuju situaciju na Zapadnom Balkanu. Bitno je različita situacija u sektorima nafte, gasa, električne eneregije, obnovljivih izvora i energetske efikasnosti. Da su procesi često u zastoju, govori i činjenica da su protiv nekih od zemalja pokrenute mere iz domena sankcija Energetske zajednice. U ovom radu analizirana je situacija u energetske sistemima zemalja Zapadnog Balkana iz aspekta ispunjenosti kriterijuma za pristupanje EU, kao i sistem mera koje EU preduzima prema zemljama budućim članicama u procesu pridruživanja, kao i uticajni faktori koji utiču na ovakvo stanje, posebno uticaj sila van regiona.

*Ključne reči:* Zapadni Balkan, EU, energetika, kriterijumi pristupanja EU, ispunjenost kriterijuma, prognoza pristupanja EU.

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