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Third Energy Summit in BiH Summary, April 4-6, 2017

General overview:

- 6 panels and 5 technical sessions
- More than 450 participants
- 21 media outlets followed the Summit from Neum, there were altogether 168 published news about the Summit, out of which 140 were on the internet, 11 on TV, and 17 in the print media.
- Feedback from attendees on the interactive approach to the Summit was good, as all participants had a chance to be included in the discussion and ask questions.

Welcoming remarks:

- Maureen Cormack, Ambassador, Embassy of the United States of America
- Christiane Hohmann, Ambassador, Embassy of the Federal Republic of Germany
- Fadil Novalic, Prime Minister, Federation of Bosnia and Herzegovina
- Petar Djokic, Minister, Ministry of Industry, Energy and Mining of Republika Srpska
- Sinno Khaldoun, Deputy Head, Delegation of the European Union to BiH
- Janez Kopac, Director, Energy Community Secretariat
- Edward Ferguson, Ambassador, Embassy of the United Kingdom of Great Britain and Northern Ireland

Panel Summary:

Three important energy-related studies, which have been presented at the Summit, will soon be made available to the BiH decision makers from the Power Sector and will provide key inputs for making decisions on what type and when to build new power plants. When making decisions, the decision-makers should consider some of the following factors: impact of the South East Europe (SEE) region on BiH; electricity prices for households do not reflect all incurred costs; emission reductions; Renewable Energy Sources (RES) development and integration; Coal-mine sector inefficiency; the need to solve the transboundary problems in order to unlock blocked hydro potential in boundary rivers.

I. Panel: Strategic Planning and Energy Sector Development

Presentations:

- Framework Energy Strategy for BiH – Context and Strategic Priorities – Mislav Slade-Silovic, Senior Manager, PricewaterhouseCoopers
- Power Sector Note – Dzenan Malovic, World Bank
- Regional Hydro Master – Plan, Marko Kosir, Team Leader, Western Balkan Investment Framework

Moderator: Adnan Rondic



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Panelists:

- Admir Softic, Assistant to Minister, Ministry of Foreign Trade and Economic Relations BiH
- Janez Kopac, Director, Energy Community Secretariat
- Tarik Begic, Assistant Minister, FBiH Ministry of Energy, Mining and Industry
- Petar Djokic, Minister, RS Ministry of Industry, Energy and Mining
- Ognjen Markovic, Chief of Party, USIAD EIA

Discussions about following issues took place:

1. Development of the Framework Energy Strategy for BiH where the following issues were addressed:
 - a. The impact of the world-wide and regional development of the energy sector are important factors to take into account when preparing strategic development directions.
 - b. Factors that impact on power sector in BiH like:
 - i. Electricity prices for households that do not reflect all incurred costs as critical factor for the future of existing plants and those, eventually built in the future.
 - ii. Needs for new and replacement capacities
 - iii. Emission reductions
 - iv. RES integration (RES fee)
 - v. Coal mines sector inefficiency
 - vi. Impact of the region
 - vii. Risk from overinvestments
 - c. Serious “trilemma” that BiH (as well as ill countries in Europe) Energy sector faces in regard to affordability (energy prices) - sustainability (energy efficiency, carbon free solutions, renewable energy sources, emission reductions in large combustion plants) - security of supply (new capacities).
 - d. Electricity generation options.
2. Power Sector Note-Generation Expansion Planning Study for 2016-2035 where the following issues were addressed:
 - a. What is the best capacity mix in the future?
 - b. What are risks and related cost implications associated with higher costs of investments?
 - c. Methodology to develop Generation Plan based on Least-Cost Generation approach.
 - d. Analyzed scenarios based on different assumptions in regard to RES, EE, CO₂ and local pollutants limits.
 - e. Different options have different CAPEX and OPEX costs and export quantities.
 - f. Key messages learnt from presentation and discussions are:
 - i. Significant risk with an export-oriented strategy due to relatively low price forecast for the region



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- ii. NERP investments have a strong economic case, freeing up generation for export
 - iii. Gas plants are not economical
 - iv. Need to focus on HPP and wind development
 - v. Suitable organizations should obtain planning software so the planning process could continue.
3. Regional Hydro Master Plan-Hydropower Development Study in the Western Balkan where the following issues were addressed:
 - a. In BiH electricity demand will grow over the period 2020-2050
 - b. There are gaps in institutional-organizations and legal regulatory framework that prevent building HHPs
 - c. Large hydro potential is blocked due to transboundary problems
 - d. Recommendations to solve the problem related to transboundary issues should be find.
4. Significant portion of panel discussions took the Law on Electricity and Gas Sector Regulator and Electricity Transmission System and Electricity Market. Discussions showed needs to make further efforts in order to solve existing problems concerning this Law.
5. Experts and decision makers should seriously take into consideration key messages from tree presentations before make decision on building new capacities. Three factors, besides other factors that could impact on newly developed generation capacities are important: overinvestments, regional prices and positive impact that NERP implementation could have on net system costs.

II. Panel: The Future of the Electricity Market and Incentive Schemes

Presentations:

- Electricity Market in BiH and the Region, Status, Perspectives and Interests of BiH – Josip Dolic, Director, Independent System Operator in BiH
- Retail Market – Experience of Customers and a New Supplier – Mirsad Sabanovic, Director, ASA ENERGIJA
- Shaping the Electricity Market in Bosnia and Herzegovina through Market-Based Support Schemes – Silvana Tiedemann, Consultant, Ecofys

Moderator: Adnan Rondic

Panelists:

- Bajazit Jasarevic, General Manager, Elektroprivreda BiH
- Zeljko Topic, Head of Department for Relations with Regulators, Elektroprivreda HZHB



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- Jasmina Trhulj, Energy Market Expert, Energy Community Secretariat
- Josip Dolic, Director, Independent System Operator in BiH
- Maksim Skoko, Executive Director for Technical Affairs, Elektroprivreda RS
- Mirsad Sabanovic, Director, ASA ENERGIJA
- Silvana Tiedemann, Consultant, Ecofys

Discussions about following issues took place:

1. A significant portion of this panel discussion was dedicated to the Law on Electricity and Gas Sector Regulator and Electricity Transmission System and Electricity Market. The discussion indicated the need to make further efforts in order to solve the existing problems concerning this Law.
2. Balancing market is functioning in BiH and gives concrete positive results such as: reduced imbalances towards block Serbia-Croatia-BiH; improved security of supply; increased secured secondary and tertiary reserves and reduce prices for ancillary services.
3. Functional Balancing Market is one of key factors to create organized electricity market and its integration into the regional market.
4. Retail market in BiH is functioning where 86% of available market is a portion that belongs to incumbents.
5. For further improvements of the retail electricity market it is necessary to unbundle distribution system operators (DSO) from the vertically integrated utilities. In addition, metering system is to be improved; establish net metering system, create preconditions for implementation of the Demand Response Mechanism, as well as common bidding zone.
6. New incentive system for renewables should be carefully analyzed and implemented in order to give new impulse for RES development as well as to create preconditions for reduction of incentives fees.
7. Electricity prices for households and small commercial customers must be taken into special consideration, having in mind that three (four) power utilities (incumbent) are Public suppliers where public suppliers' tariffs are below costs incurred to the system and do not cover all real costs.
8. Regarding the problem mentioned in the item 6, one should take into consideration that industrial and other commercial customers subsidize households. In case these "good" customers switch their supplier a problem could appear with the question, who will then continue to subsidize households?
9. Needs for adoption of the State law (above mentioned) in order to create preconditions for development of the Day-Ahead and Intraday market, as well as for coupling with neighborhood markets.

III. Panel: Potential and Possibilities of Energy Efficiency

Presentations:



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- Potential and Possibilities of Energy Efficiency – Goran Krstovic, Team Leader, GIZ; Mak Kamenica, Deputy Chief of Party, USAID EIA; Sanjin Avdic, Sector Leader, UNDP
- Energy Efficiency Obligations – A Global Review – Jan Rosenow, Consultant, USAID EIA

Moderator: Adnan Rondic

Panelists:

- Ljubomir Majdandzic, Director, Environmental Protection and Energy Efficiency Fund, Croatia
- Pero Coric, Head of the Sector of Branch Associations, RS Chamber of Commerce
- Sandro Zovko, Director, Zagrebinspekt
- Sabina Jakupovic, Director, ChenCo
- Sanela Klaric, Provost, IBU and President, Green Council

Discussions about following issues took place:

1. The potential of energy efficiency in Bosnia and Herzegovina of 5 billion KM was presented, along with the data for final energy consumption in BiH and data from the public and residential buildings typologies. The presented data outlines the potential for energy efficiency measures in the building sector in BiH.
2. The introductory presentation also gave an overview of the job creation potential of investing into energy efficiency measures and indicted the manufacturing and services sectors that are utilized through the implementation of EE measures. Also, two financial mechanisms the Energy Efficiency Funds, and the Energy Efficiency Obligation Schemes were presented.
3. Systematic approach towards energy efficiency is needed that will define the programs, financial mechanisms and public outreach efforts in order for these potentials to be achievable.
4. The panelists agreed that sustainable financing mechanisms are needed for energy efficiency measures, otherwise the benefits of energy efficiency will not be achieved.
5. A gradual increase of investments into energy efficiency is advisable, as the services and manufacturing industries need time to adjust to an increase in demand. This example was given from Croatia, where the large increase in EE investments through EU funds came to a bottleneck as the construction companies could not cope with the demand.
6. The need for effective quality control for works and materials was mentioned, as local companies indicated that there are no schools and training programs for certain qualifications needed.
7. The implementation of the programs planned in the National Energy Efficiency Action Plan will require additional capacities by the local institutions.

IV. Panel: Strategic Planning in the Small Hydro Power Plants Sector

Presentations:



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- Strategic Planning Approach for Hydropower Development in Austria – Example of Good Practice – Lutz Jarczyński, Project Leader, GIZ Promotion of Renewable Energy in BiH Project

Moderator: Adnan Rondic

Panelists:

- Borisa Misiraca, Director, FBiH Operator for Renewable Energy Sources and Efficient Cogeneration
- Dalibor Muratovic, Director, Directorate for Distribution, Elektroprivreda RS
- Jasmin Beso, Commissioner, Regulatory Commission for Energy in FBiH
- Nebojsa Susic, Head of Department for Licensing and Technical Affairs, Regulatory Commission for Energy in RS
- Ozana Bulic, Agency for the Adriatic Sea River Basin
- Zoran Mateljask, Representative in BiH, WWF

Discussions about following issues took place:

1. For better environmental protection of small water streams and economic usage of those that are available for building of small hydro power plants, the key is to develop a Strategic Planning Approach for Hydropower Development, similar to the one presented at the Summit.
2. In order to implement this idea BiH must determine the body (bodies) responsible for development of this strategic document and secure funding for its development.

V. Panel: Conditions for Investing in the Bioenergy Projects in the Region (BiH, Croatia and Serbia)

Introductory Remarks:

- Biljana Trivanovic, Head of the Department for Secondary Energy and Projects, Ministry of Foreign Trade and Economic Relations BiH

Presentations:

- Introduction to Bioenergy Sector in BiH – Nihad Harbas, Consultant
- Comparative Analysis of Wood Biomass Quality in the BiH Market – Initial Results – Amila Selmanagic – Bajrovic, Project Manager, UNDP
- Biomass Cogeneration Feasibility in BiH Industry – Overview of Case Studies – Fahrudin Kulic, Energy Expert, USAID EIA

Moderator: Nihad Harbas

Panelists:



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- Dusan Gvozdenac, Consultant, USAID EIA
- Goran Mitrovic, Director, MG Gold
- Lin Herecic, Senior Associate, EKONERG, Croatia
- Zlatko Benkovic, Head of Department for Primary Wood Processing, Ministry of Agriculture, Croatia

Discussions about following issues took place:

1. The introductory presentations gave an overview of the current state of the bioenergy sector in BiH including legislative and institutional framework, studies of bioenergy potential, targets for bioenergy in the energy mix, support schemes, pre-feasibility studies of biomass co-generation projects and biomass quality control.
2. The panelists from Croatia and Serbia shared their experiences and views of the bioenergy sector in their countries. The owner of the only biogas power plant in BiH included in the support scheme (feed-in tariff) described the challenges of investing in such projects.
3. Key messages from presentation and discussions were:
 - a. Laws and regulations, section plans, support schemes must be periodically evaluated which includes the feedback from investors. These strategic documents should be amended to ensure the maximal social, economic and environmental benefits in the whole country but also for local communities.
 - b. To increase investments and usage of bioenergy cooperation between agriculture, forestry, industry, environmental protection and financial sectors is necessary.
 - c. Banks need to be educated to lower their perceived risk of bioenergy projects.
 - d. Incentives for usage of thermal energy from biomass should be considered as well as promoting the usage of waste and restricting the use of crops for generation of energy.



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VI. Panel: Energy Sector in the Eyes of the Public: From (non)Informing to (non)Understanding?

Presentations:

- How Well is the Public Informed About the Electricity Sector? – Survey Results – Elma Haveric, USAID EIA
- Electrical Energy Sector: How to Be in the Media Focus? – Lejla Turcilo, Professor, Faculty of Political Sciences Sarajevo

Moderator: Adnan Rondic

Panelists:

- Ana Bokonjic, PR, Elektroprivreda RS
- Edin Zametica, Advisor, State Electricity Regulatory Commission
- Lejla Turcilo, Professor, Faculty of Political Sciences Sarajevo
- Mirsad Salkic, Energy Expert
- Rubina Cengic, Journalist, Start Magazin
- Elma Haveric, USAID EIA

Discussions about following issues took place:

1. Public is entitled to have all information and such information should be presented in a clear and understandable way.
2. The survey developed by USAID showed that both general public and media have little or no understanding of electricity relations and key processes.
3. Official websites of relevant institutions constitute tools for journalists, not for citizens; most citizens look for information on social networks or media portals. In general users use more social networks rather than official websites.
4. It is important to continuously address both the media and the public(s); “reach out”, instead of waiting for them to get interested in us and in what we do.
5. Public Outreach departments in Power Utilities should be more proactive in responding to media requests.
6. Public should also be educated because only if the public is educated it can act in an appropriate way.
7. There is very bad image of electricity sector in public and that should be changed. There is also problem with lack of communication strategy within these institutions.
8. Communication should be two-way and informative. Electricity sector should be more proactive in communication with media.



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Technical Sessions Summary:

I. Technical Session: – Energy Efficiency Success Stories in BiH

Moderator: Edin Hadzimusic, USAID EIA

Presentation:

- 3 Smart – Marin Bakula, Elektroprivreda HZHB
 - Green Economic Development – Elvis Hadzikadic, UNDP
 - Statistics of Energy Audits in Buildings – Ismar Jamakovic, CETEOR
 - Video Presentation of the World Bank Project „Energy Efficiency in BiH“ – Mustafa Copelj
1. Within this session the participants were informed about the 3 Smart Project (Smart Building- Smart Grid – Smart City), a Transnational Program in the Danube Region for establishing energy management systems in buildings.
 2. UNDP's Green Economic Development also presented their efforts aimed to reduce spending of public funds on energy and water consumption by increasing energy efficiency and utilizing renewables and to enable favorable environment for investment into infrastructure energy efficiency measures while generating “green jobs”.
 3. Center for economic, technological and environmental development (CETEOR) Sarajevo presented results from the conducted energy audits in the B&H building sector and difficulties in their implementation.
 - Following the presentations, some issues were raised among participants regarding the net metering, integration of renewable energy sources and incentives. Representatives from the Environmental Protection and Energy Efficiency Fund Croatia shared their experience on these topics during the EU accession process.
 4. The session was concluded with the video presentation of the World Bank Project “Energy Efficiency in BiH”, which demonstrated the benefits of implemented energy efficiency measures in public sector facilities.

II. Technical Session for the members of Focus Group: How to activate the BiH energy service market?

1. Energy service market in BiH is still in the beginning phase encountering many barriers. Nevertheless, bearing in mind the interest of Bosnia and Herzegovina to reduce energy consumption as well as the commitment of the country to fulfil its goals for energy savings, it is of utmost importance for the country to establish new financial mechanisms and activate its energy service market.
2. The necessity for creating a structured market for energy services has become more clear and apparent in the last years, after identifying a need to generate both private and public sector



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investments, consequently leading to strengthening of the local economy and reducing the public expenses.

3. The Workshop served as a platform for getting a comprehensive view of the market, and clearly defining the necessary future steps each of the stakeholders should commit to in order to help establish the energy services market.