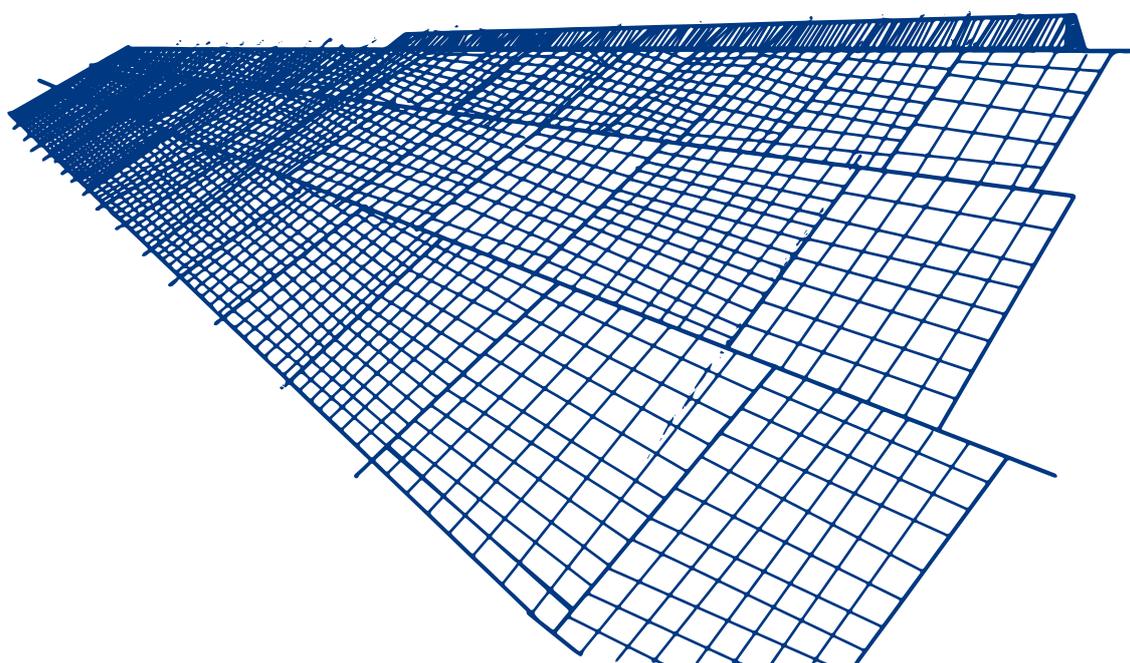


Serbia

Annual Implementation Report

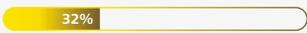
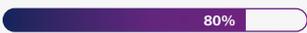
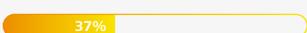
1 November 2020





Serbia

Summary Implementation

Summary Indicators	Transposition Assessment	Implementation Status	Descriptions
 Electricity		 65%	Implementation in the electricity sector of Serbia is well advanced.
 Gas		 32%	Implementation in the gas sector of Serbia is still at an early stage.
 Oil		 80%	Implementation in the oil sector of Serbia is well advanced.
 Renewable Energy		 58%	Implementation in the renewable energy sector of Serbia is moderately advanced.
 Energy Efficiency		 66%	Implementation in the energy efficiency sector of Serbia is well advanced.
 Environment		 64%	Implementation in the environment sector of Serbia is well advanced.
 Climate		 24%	Implementation in the climate sector of Serbia is still at an early stage.
 Infrastructure		 37%	Implementation in the infrastructure sector of Serbia is still at an early stage.
 Statistics		 92%	Implementation in the statistics sector of Serbia is almost completed.
 Cybersecurity		 62%	Implementation in the cybersecurity sector of Serbia is well advanced.

Overall number of cases: **4**

ECS-13/17 Gas

ECS-1/20 Environment

Procedure by Article **91**

Procedure by Article **92**

ECS-09/13S Gas

ECS-10/17S Gas



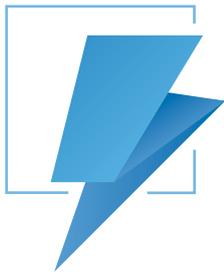
Serbia

State of Energy Sector Reforms

While Serbia has transposed the Third Energy Package in both the electricity and gas sectors, the state of implementation is lagging behind in several crucial aspects. As regards electricity wholesale market development, the country is in the lead among the Western Balkan Contracting Parties. Trading takes place on the bilateral and on the organised day-head market (operated by the power exchange SEEPEX). At the same time, regionally coordinated capacity allocation takes place on the interconnections with Bulgaria and Croatia only, while other interconnections are still bilaterally allocated. Moreover, competition in the balancing market still needs to be developed. Serbia also needs to complete the process of unbundling of electricity transmission and distribution system operators. Transposition of Connection Network Codes and REMIT is still pending. In the gas sector, Serbia is still far away from a true market. Neither of the two transmission system operators are unbundled and certified in line with the Third Energy Package, third-party access to the only entry point for gas is denied, and the degree of dominance of the domestic incumbent Srbijagas jointly with Gazprom over gas supplies is worrying. Serbia has yet to transpose the REMIT Regulation also for gas. Activities on the formation of emergency oil stocks continued.

In the area of climate and environment, Serbia has implemented support under a feed-in tariff regime and power-purchase agreements. The country recently agreed to develop a project on the development of market-based support schemes, which may be expected to be finalized in a year's time. National legislation on energy labelling, energy performance contracting and an energy service company (ESCO) project is in place, but secondary legislation on buildings acquis is still missing. The adoption and official notification of obligation schemes is still pending. Work on the National Energy and Climate Plan is yet to be commenced. For the emissions from large combustion plants, Serbia has adopted a National Emission Reduction Plan (instead of complying with the emission limit values on an individual basis following an infringement procedure). It is not implemented in practice (for sulphur dioxide and dust). Four large combustion plants are operating under the opt-out regime since 1 January 2018 and are supposed to end their operation during mid-2021 and early 2023. The country paid direct subsidies worth some EUR 41 million to support coal-fired power generation in 2019.

Serbia's electricity production mostly relies on coal and, to a lesser extent, hydropower. The country is the first, and so far only, Contracting Party with an operational organized wholesale market. While Serbia produces oil and gas, the country remains highly dependent on imports, especially of gas and in particular from Russia. There is currently only one entry point for gas (from Hungary). The so-called TurkStream 2 project will also connect Serbia with Bulgaria, but breaches European rules. Despite efforts to meet its renewables targets (significant capacities in wind power generation are in place), the country will most likely not achieve the renewable energy target.



Serbia Electricity

Electricity Implementation

Electricity Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			The transmission system operator is not unbundled in compliance with the Electricity Directive. The distribution system operator is legally unbundled, but functional unbundling requires the Government's approval of the amendments to the funding act of the distribution system operator.
Access to the system			Third party access is ensured in a compliant manner. Transposition of Connection Network Codes and full implementation of the Transparency Regulation depend on amendments to the Energy Law.
Wholesale market			The wholesale market is formally deregulated. Competition on the day-ahead market is growing. The transmission system operator is procuring losses in the free market. The balancing energy market is operational, whereas prices of balancing reserves continue to be regulated. REMIT has not been transposed.
Retail market			The retail market is formally liberalised, but dominated by the incumbent supplier EPS, which is also the universal supplier of small customers and households. Prices of universal supply continue to be regulated at a level which does not incentivize the development of competition.
Regional integration			Regional cooperation is mainly limited to bilaterally coordinated capacity allocation and balancing exchanges. Capacities on interconnections with Bulgaria and Croatia are allocated through JAO, others only bilaterally. Market coupling initiatives are still in an early phase.

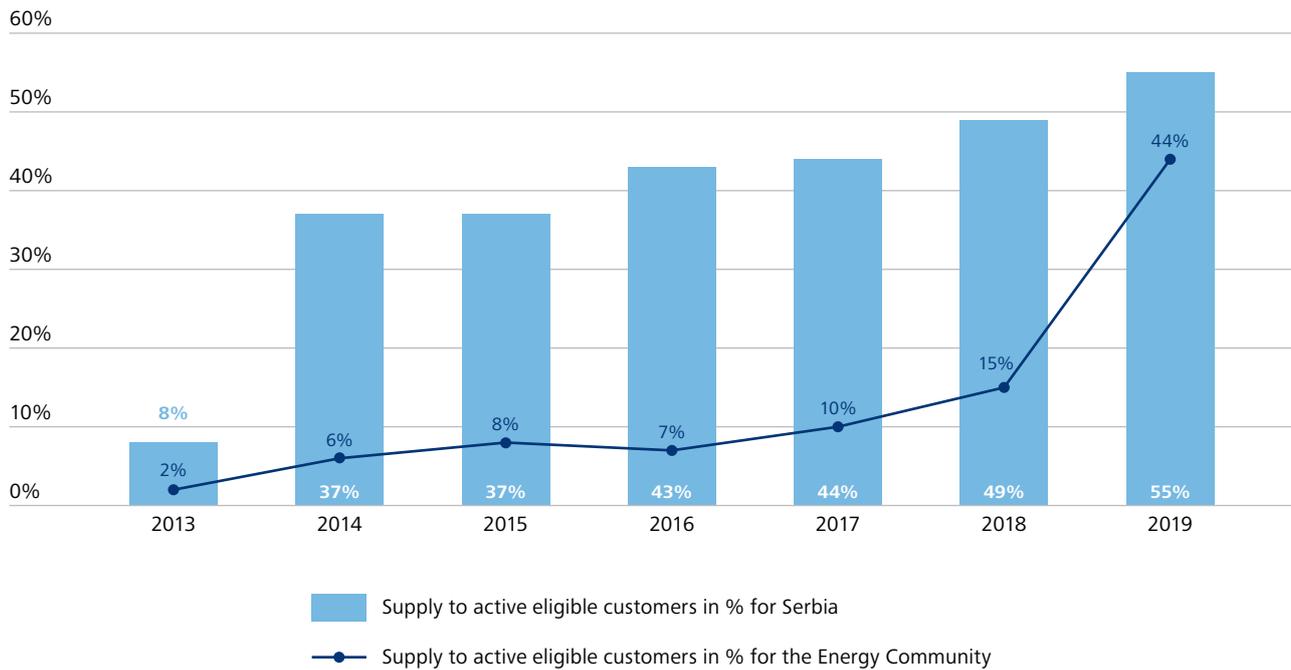
Electricity market reform in Serbia has entered a period of stagnation. There was no tangible progress towards completion of Third Energy Package implementation. The necessary amendments to the Energy Law to allow for transposition of the Connection Network Codes and REMIT were not adopted. As a result, the development of competition was very modest and the incumbent utility EPS maintained its dominance in the wholesale and retail market.

Ownership unbundling of the transmission system operator is still not completed in a compliant manner because the final decision-making for all energy activities, including transmission,

still remains with the Government.

Independence of the legally unbundled distribution system operator, EPS Distribution, in terms of organisation and decision-making is also not yet ensured, as concluded in the company's 2017 compliance report. Rectifying the situation requires amendments to the statute of the distribution system operator. They are to be approved by the Government. Thus, the regulator has not issued a licence to the distribution system operator. The annual compliance report for 2019 was submitted to the regulator for approval.

Retail Market Opening



Source: Ministry of Mining and Energy

Transposition of the Network Codes and REMIT, which was due in 2018 and 2019 respectively, is still pending amendments to the Energy Law. The transmission system operator partially implemented the Connection Network Codes through changes of the grid code adopted in 2020. The transmission system operator is publishing data in line with the Rules on Publication of Key Market Data, which transposed Regulation (EU) 543/2013. However, the publication of generation data, which are considered as commercially sensitive information, requires amendments to the Energy Law and other relevant regulations.

The retail market remains highly concentrated and the dominance of the incumbent supplier has even increased in 2019. The regulated price of universal supply to small customers and households, which is significantly below the market price, is impeding the development of competition. Despite that for the third consecutive year the regulator recommends decreasing the gap between the regulated universal service price and market prices, no actions were taken.

The organised market, operated by the power exchange SEEPEx, continues to grow. However, coupling with neighbour-

ing markets will be crucial for its further development. Market coupling projects with Montenegro, Albania and Italy (AIMS), and with Bulgaria and Croatia, are still in an early phase. The Energy Community Regulatory Board recommendation on the designation of a nominated electricity market operator in line with the CACM Regulation was not implemented.

Regionally coordinated allocation of interconnection capacities exists on the interconnectors with Bulgaria and Croatia only. They are performed through the Joint Auction Office (JAO) to which the transmission system operator became a shareholder. Joint auctions are performed on other interconnectors, also with Montenegro as of 2020. Cross-border balancing cooperation is still limited to bilateral exchanges with the transmission system operators of Bosnia and Herzegovina, Montenegro, Hungary and Romania. Regional coordination in terms of capacity calculation and allocation and day-ahead and balancing market integration should be stepped up in order to increase utilisation of cross-border capacities and competition in the electricity market. As a prerequisite, a legal framework for the implementation of Network Codes and guidelines should be established by amending the Energy Law.



Serbia

Gas

Gas Implementation

Gas Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			The daughter company of Srbijagas, Transportgas Srbija, is not yet unbundled and certified. YugoRosgaz Transport's certification was revoked and its unbundling is still pending. Gastrans, a project company for TurkStream II in Serbia, was exempted and certified by the regulator against the Secretariat's Opinion. None of the three transmission system operators have been unbundled in line with the Third Energy Package.
Access to the system			Energy Community gas Network Codes are not transposed. No transparent and non-discriminatory capacity allocation has been performed. Although an entry-exit transmission tariff methodology is in place, Srbijagas hoards its capacities at the only interconnection point (Horgos, Hungary). Gastrans was exempted from third party access without sufficient safeguards for competition.
Wholesale market			A virtual trading point exists in theory but is not operational. The wholesale market is monopolized by Gazprom and Srbijagas. No liquidity measures were adopted.
Retail market			The vast majority of the market is supplied at non-regulated prices. All customers are eligible, yet the retail market is dominated by Srbijagas. Customer protection measures are implemented.
Interconnectivity			Interconnection agreements with the adjacent transmission system operators are aligned with the Network Code on Interoperability. Security of gas supply by-laws define protected customers, supply standards and emergency measures.

Serbia's implementation record in this reporting period has not improved. Serbia transposed the majority of the Gas Directive and the Gas Regulation provisions in 2014 through an energy law. The implementation of the acquis, however, remains at low levels and is tainted with several breaches of the fundamental principles of the Third Energy Package, such as the lack of third party access. Moreover, the vertically integrated undertaking Srbijagas continues to be engaged in both supply and transmission activities and none of the three transmission operators have been unbundled in line with the Third Energy Package.

The majority of transmission system operation tasks were transferred from Srbijagas to its subsidiary Transportgas Srbija Ltd. in

2019. Nevertheless, its request for certification under the Third Energy Package was rightly rejected already twice by the national regulatory authority, AERS.

Unbundling of the transmission system operator YugoRosgaz Transport, a daughter company of YugoRosgaz whose shareholders are Gazprom and Srbijagas, has also not been achieved. The company continues to trade and supply gas in Serbia and imports gas. Although the certification of YugoRosgaz Transport was revoked in 2019, it continues to perform transmission system operation. AERS approved a ten-year network development plan (TYNDP) of YugoRosgaz Transport in August 2020.

Retail Market Opening



Source: Energy Agency of the Republic of Serbia (AERS), compiled by the Energy Community Secretariat

Gastrans, a project company owned by Gazprom and Srbijagas, was certified as an independent transmission operator in February 2020, under an exemption decision granted by AERS. This certification, however, did not take into account the Secretariat's Opinion issued in December 2019. Both the certification and the exemption decision are not compliant with the Gas Directive.

As all distribution system operators serve less than 100.000 final customers, they are exempted from the unbundling requirements by law.

Srbijagas continues to dominate the wholesale and retail markets. It acts as a supplier of all public suppliers in Serbia and as a supplier of last resort, appointed by the Government on a yearly basis.

Srbijagas adopted a grid code, which transposed the basic principles of capacity allocation, congestion management and balancing rules in 2013. However, the code's capacity allocation provisions are not applied at the only upstream interconnection point Horgos, which is reserved for itself, Gazprom Export and suppliers for Bosnia and Herzegovina. Srbijagas thus effectively prevents new entrants to the Serbian market. Gastrans' rules on the transmission network were adopted and approved by AERS in May 2020.

The gas Network Codes have not been transposed in Serbia. Thus, no capacity allocation is performed in line with the acquis. Regulated entry exit tariffs continue to apply. REMIT has not been transposed.

The wholesale market consists of bilateral contracts between traders and suppliers. No gas hub exists in Serbia. The majority of gas is sold to non-household customers under unregulated prices (84% of the market in 2019). In retail gas supply, Srbijagas is the dominant market player, accounting for some 81% of total natural gas sales in 2019.

Serbia has well established security of supply secondary legislation. The interconnection agreements with adjacent transmission system operators have been updated in line with the Network Code on Interoperability. The Agreements introduced an Operational Balancing Account (OBA) on the Hungarian-Serbian and the Serbian-Bosnian interconnection, upon the Secretariat's mediation.

In conclusion, the Serbian gas market, the second largest among Contracting Parties, remains entirely foreclosed based on breaches of European rules. Serbia must rectify its long-lasting breaches of the Energy Community gas acquis. Without an open gas market, Serbia will not be able to deliver decarbonisation of its energy cost-efficiently.

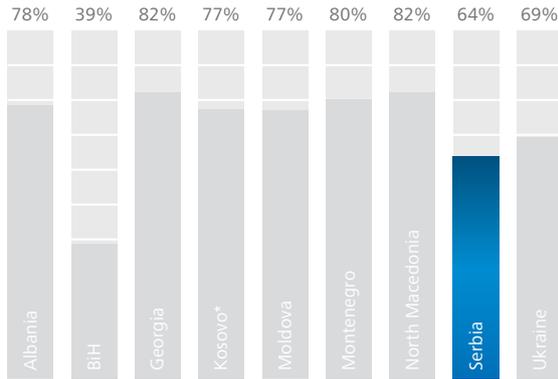


Serbia

National Authorities



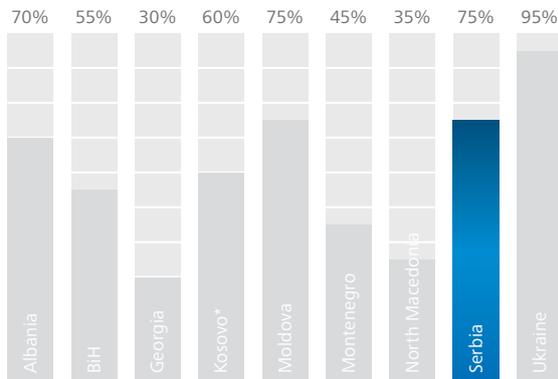
Regulatory Authority



In the reporting period, long lasting shortcomings by the Energy Agency of the Republic of Serbia (AERS) related to the enforcement of unbundling and certification of network operators or third party gas access have not been overcome. The transposition of electricity and gas Network Codes including regulatory criteria for derogation from the electricity Network Codes, the REMIT Regulation as well as rules for designation of a Nominated Electricity Market Operator are still pending due to lack of competences. This inertia is of constant concern, and contrasts the high level of expert knowledge present in AERS.



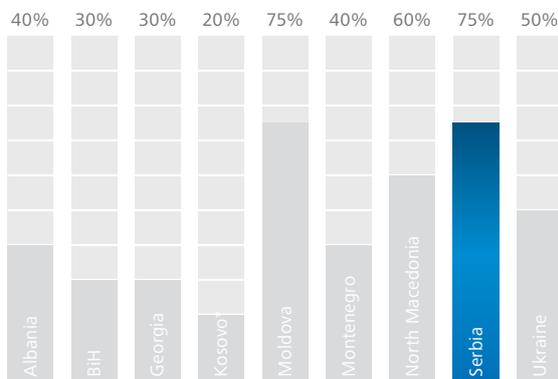
Competition Authority



In the reporting period, the Commission for Protection of Competition (CPC) once again did not render any decisions regarding anti-competitive conduct in the energy sectors; in particular, there were no enforcement activities in the heavily concentrated electricity and gas sectors, except for the review of mergers. The CPC conducted a sector inquiry into the oil derivatives retail market in 2018 and undertook an assessment of the competitive conditions on this market in 2019. However, no anti-competitive conduct was identified.



State Aid Authority



A new Law on State Aid Control is applicable as of 1 January 2020. It provides for a new structure of the authority, comprising the Commission for State Aid Control and the Secretariat as a supporting body, replacing the previous Department for State Aid Control within the Ministry of Finance and thereby ensuring independence. The Commission for State Aid Control has not rendered any decision in the energy sectors in the reporting period. Specific temporary rules for assessing compliance of aid granted in the context of the Covid-19 pandemic were adopted. The Commission for State Aid Control reviewed and cleared the decree on incentive measures for electricity from renewable sources and high-efficiency electricity and heat production which needs to be brought in line with the compatibility criteria of the Guidelines on State aid for environmental protection and energy 2014 - 2020.



Serbia Oil

Oil Implementation

Oil Indicators	Transposition Assessment	Implementation Status	Descriptions
Stockholding obligation			The emergency oil stocks obligation in Serbia, calculated based on inland consumption, covers an estimated number of 20 days. The Rulebook on Defining the Yearly Programme of Emergency Oil for 2020 was adopted during the reporting period. Public procurement for oil tickets was also accomplished.
Emergency procedures			The Emergency Response Plan was approved in 2019 and includes procedures and criteria for the identification of a supply disruption, the procedures for the normalization of supply to the Serbian market and appoints the authority and assigns the responsibility for eliminating supply disruptions. The programme includes actions in case of the adoption of international decisions to make the emergency stocks available to the market.
Fuel specifications of petrol, diesel and gas oil for non-road mobile machinery (NRMM)			The quality of liquid fuels of petroleum origin is regulated by Rulebooks on Technical and other Requirements for Liquid Fuels of Petroleum Origin. The environmental specifications for petrol and diesel are in conformity with European requirements. Gas oil used for NRMM is not compliant with the Fuel Quality Directive.
Monitoring compliance and reporting including the lay down the rules on penalties			As required by the Energy Law, a quality monitoring programme for petroleum products is in place. All penalty provisions are specified in the Law on Technical Requirements for Products and Conformity Assessments.

During the latest reporting period, activities on the formation of emergency oil stocks reserves continued. Two public procurements took place, one on the purchase of crude oil in the amount of 16 ktonnes and Euro Diesel in the amount of 6 ktonnes and one on the optional contract (ticket) for 50 ktonnes of petroleum product. The current estimated number of days of emergency reserves is 20 and calculated based on inland consumption.

Since the entry into effect of the Rulebook on Technical and other Requirements for Liquid Fuels of Petroleum Origin in 2012, significant progress in conformity of the quality of fuels with European requirements has been achieved. Trade of leaded petrol on the market is forbidden and diesel quality is very good. However, gas oil used for non-road mobile machinery (NRMM) is permitted to contain sulphur of maximum 1000 mg/kg. This is far from meeting the current EU standards, which allow the sale of gas oil only if the sulphur content does not exceed 10 mg/kg.



Serbia Renewable Energy

Renewable Energy Implementation

Renewable Energy Indicators	Transposition Assessment	Implementation Status	Descriptions
National Renewable Energy Action Plan			Serbia submitted its NREAP as well as all three Progress Reports on implementation of the Renewables Directive to the Secretariat by the required deadlines. With 20,32% of renewables in its energy mix, Serbia is far from its indicative trajectory of 24,3% in 2018.
Quality of support schemes			At the moment, the only existing support mechanism for renewable energy consists of administratively set feed-in tariffs (FiT). With that mechanism, Serbia so far supported the construction of 511 MW of various renewable energy capacities, while an additional 300 MW is in the pipeline. A market-based support scheme is still not applied.
Grid integration			According to the Energy Law, priority dispatch of the electricity produced from renewable energy sources takes place. All producers under the FiT are exempted from balancing responsibility, which is not in line with the State Aid Guidelines. Rules and procedures for connection of renewable energy producers need to be improved. The legal and regulatory framework for self-consumption is missing.
Administrative procedures and guarantees of origin			Serbia had several simplification rounds for administrative procedures including a few updates of the investors' guide for renewable energy projects. However, licensing remains lengthy and a single administrative body is not established. Serbia designated a competent body, which established an electronic system for issuing, transfer and cancellation of guarantees of origin.
Renewable energy in transport			In December 2019, Serbia adopted the necessary secondary legislation on criteria for biofuels and bioliquids. The share of renewable energy sources in transport remains low (1,16% in 2018 while the target for 2020 is 10%).

With adoption of additional secondary legislation, Serbia advanced significantly in the transposition of the renewables acquis, while also increasing renewable energy capacities.

In December 2019, Serbia adopted three by-laws on biofuels, which defined the share of biofuels on the market, the sustainability criteria and other requirements. An assessment of its national biofuel production potential taking into account the sustainability criteria is currently performed, with a view to introducing a national verification scheme.

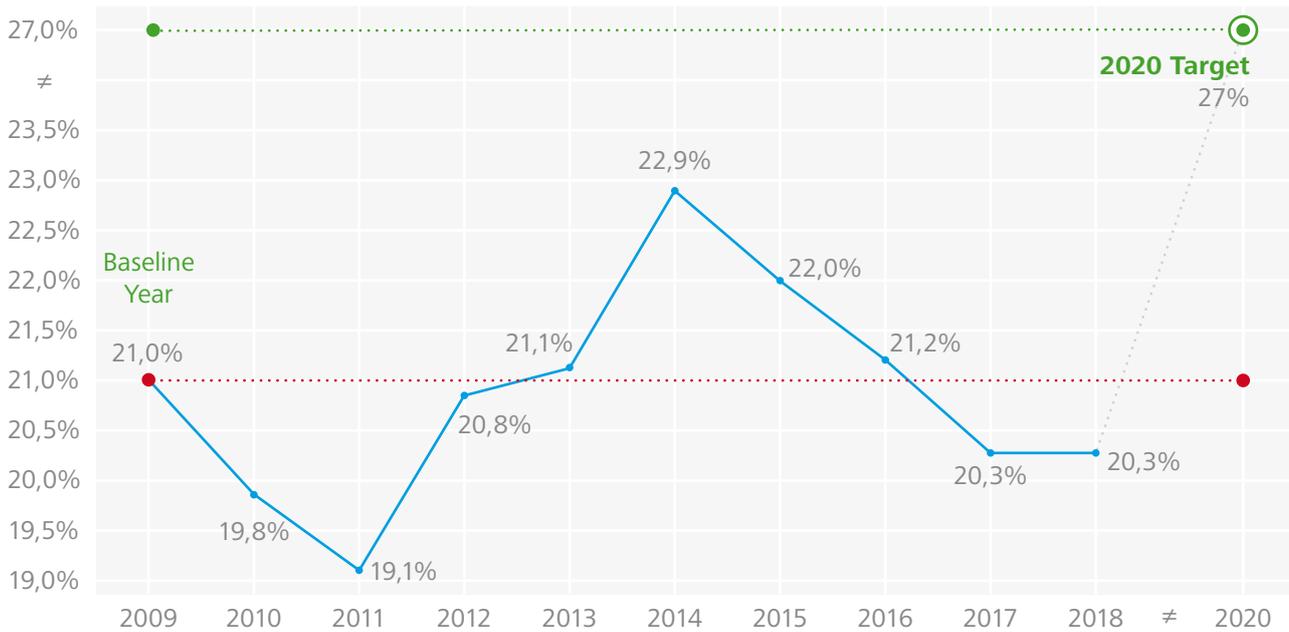
In March 2020, the Rulebook on the calculation of the share of renewable energy sources in gross final energy consumption was adopted.

In September 2019, the designated body Elektromreža Srbije (EMS) became a full member of the Association of Issuing Bodies (AIB). However, it has not yet been added to the hub to enable exchange of the guarantees of origin with other members of the AIB. In the period November 2019 - October 2020, Serbia issued 147.580 and canceled 147.660 guarantees of origin, publishing all transactions electronically on the dedicated webpage.

Serbia is yet to transition from administratively set feed-in tariffs, for which quotas have been fulfilled, to a market-based support scheme. A project on the possible models for new support schemes was recently initiated by the Ministry and is planned to be completed in 2021. Having in mind that Serbia is the only Contracting Party of the Energy Community with a functional day-ahead market, this could allow for an efficient implementation of a market-based support scheme and assure transparent pricing.

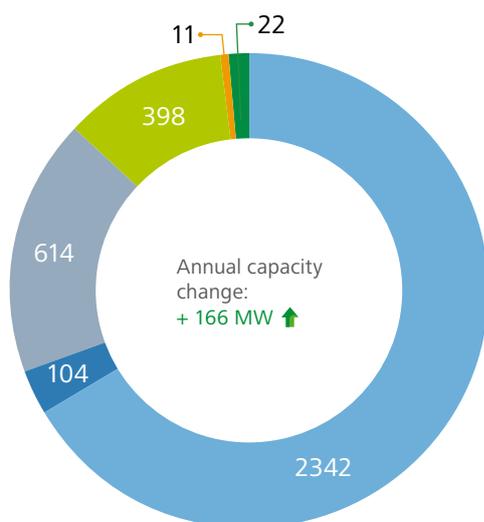
Adoption of the necessary legal and regulatory framework to implement renewables auctions in line with the State Aid Guidelines and the development of renewable self-consumption should be priorities for Serbia during the next reporting period. Moreover, administrative procedures for integration of renewables into the network should be streamlined and simplified by the establishment of a one-stop shop.

Shares of Energy from Renewable Sources



Source: EUROSTAT

Total Capacities of Renewable Energy 2019 (MW)



Annual capacity change:
+ 166 MW ↑

- Large hydropower
- Small hydropower <10 MW
- Pumped storage
- Wind
- Solar
- Biogas

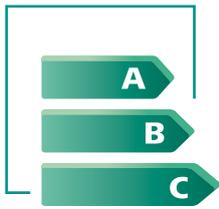
Source: Ministry of Mining and Energy

In September 2018, Serbia put in operation the biggest wind park in the region, Čibuk 1 (158 MW), reaching total capacities of this technology of almost 400 MW. The development of solar projects continues to stagnate due to the filling of modest quotas for supporting this technology.

Serbia remains far from reaching its target of 27% of renewable energy in gross final energy consumption in 2020, being not only well below the 2020 renewables target, but also below the share of renewable energy in gross final energy consumption in the baseline year 2009. Although the country is increasing its renewable energy capacities, this trend is countered by rising energy consumption. In terms of target achievement, Serbia is lagging behind in all the sectors: electricity, heating and cooling and transport.

Total capacities of renewable energy (MW):

3490



Serbia

Energy Efficiency

Energy Efficiency Implementation

Energy Efficiency Indicators	Transposition Assessment	Implementation Status	Descriptions
Energy efficiency targets and policy measures			Notification to the Secretariat on the implementation of Article 7 target for obligation schemes was fulfilled in January 2020. The new NEEAP is still under preparation. The reporting of the 2020 cap consumption target was included in the first Annual Progress Report under the Energy Efficiency Directive. The Article 5 renovation target was officially adopted in August 2018.
Energy efficiency in buildings			While the drafting of the long-term building renovation strategy is ongoing, little progress has been achieved regarding the adoption of an updated regulation implementing Directive 2010/31/EU.
Energy efficiency financing			For 2020, EUR 4,25 mil. have been dedicated for energy efficiency projects to be financed by the state budgetary fund for energy efficiency. An enabling legal framework for energy performance contracting is in place and Energy Service Company (ESCO) projects in buildings, public lighting and district heating are being implemented.
Energy efficient products - labelling			The old Framework Directive 2010/30/EU and ten out of the eleven delegated acts are being implemented. Transposition of the new Framework Regulation 2017/1369 and adoption of four new delegated regulations from 2018 are pending.
Efficiency in heating and cooling			With 58 operational systems, Serbia has the largest district heating system in the Western Balkans, but renewables make up only 1% of the input fuel. Modernization projects to increase the use of renewables are being implemented. Fifteen district heating companies introduced billing based on the consumption of individual units. Serbia has not yet assessed its potential for high efficiency cogeneration and efficient district heating and cooling, as required by the Energy Efficiency Directive.

Serbia has achieved limited progress, focused mostly on drafting of national energy efficiency legislation, improvement in energy efficiency financing and reporting on implementation of the obligation scheme under Article 7 of the Energy Efficiency Directive. The fourth Annual Progress Report required by the Directive was submitted in September 2020.

The priority for Serbia in the forthcoming period remains the full transposition of the Energy Efficiency Directive through revision

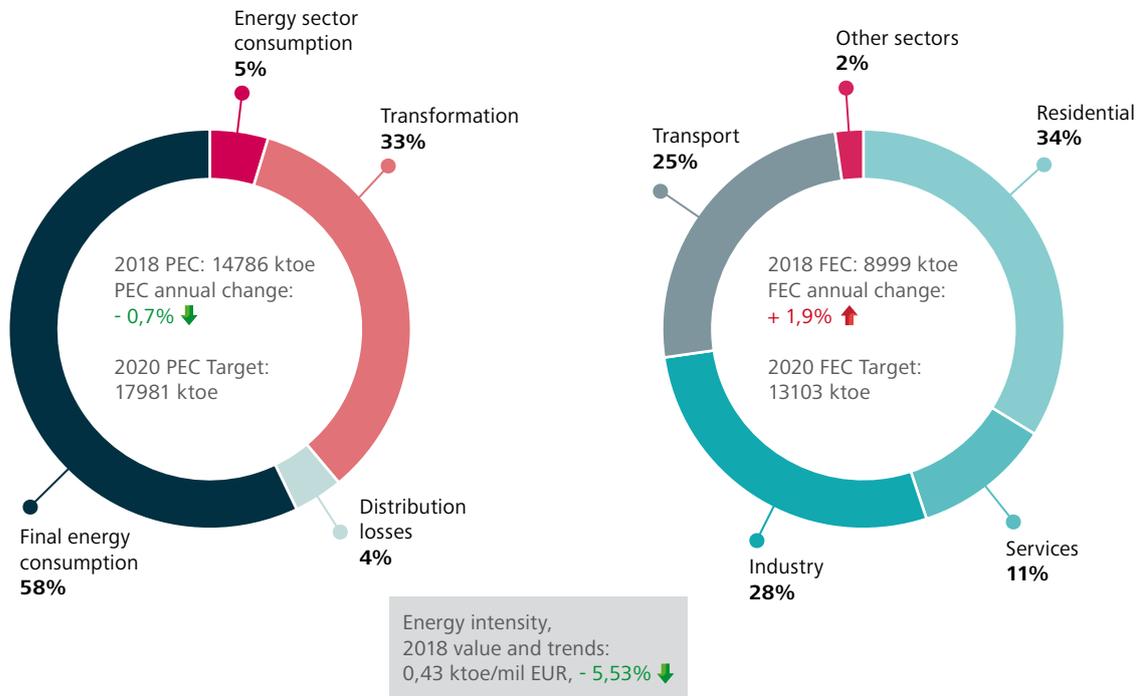
of the existing Law on Efficient Use of Energy and adoption of the draft National Energy Efficiency Plan.

The second priority should be the adoption of the updated regulation for implementation of the Energy Performance of Buildings Directive and the remaining delegated regulation for energy labelling of energy-related products, in accordance with the Ministerial Council Decisions of November 2018.

2018 Energy Efficiency Indicators and Trends

Primary Energy Consumption (PEC)

Final Energy Consumption (FEC)



Source: EUROSTAT 2020 data and the Contracting Party's Annual Reports under Directive 2012/27/EU

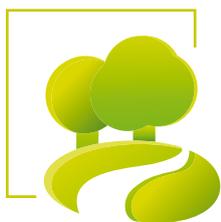
Energy Efficient Products – Overview of Implementation of Labelling Regulation

FRAMEWORK REGULATION*	Household dishwashers	Fridges and freezers*	Household washing machines	Televisions	Air conditioners and fans*	Household tumble driers	Electrical lamps and luminaires	Solid fuel boilers*	Space heaters*	Water heaters & storage tanks	Domestic ovens and range hoods
	●	●	●	●	●	●	●	●	●	●	●

● Adopted and implemented ● Compliance or implementation issues detected ● No progress with adoption/implementation

* The new labelling package adopted by the Ministerial Council in November 2018 was assessed, as the transposition deadline expired in January 2020.

Source: multiple sources of data (EECG reports, NEEAPs etc.), compiled by the Energy Community Secretariat



Serbia Environment

Environment Implementation

Environment Indicators	Transposition Assessment	Implementation Status	Descriptions
Environmental impact assessment (EIA) and strategic environmental assessment (SEA)			Amendments necessary to fully transpose the amendments introduced by Directive 2014/52/EU and the Strategic Environmental Assessment Directive are pending. Review of other relevant legislation is necessary in order to comply with the Environmental Impact Assessment (EIA) Directive. Administrative capacities should be improved to secure proper quality control of environmental reports and systematic screening of projects subject to Annex II of the EIA Directive. Ensuring effective public participation remains a challenge.
Sulphur in fuels			An unexpected revision of the transposing rulebook once again postponed the implementation date of the 1,00% requirement for heavy fuel oil to 1 January 2021, thereby extending the serious and persistent breach established by Ministerial Council Decision 2018/14/MC-EnC.
Large combustions plants and industrial emissions			The National Emission Reduction Plan is officially adopted, however, concerns regarding the monitoring of its implementation and securing enforcement of the plan remain. Serious steps, including a proper financial framework, need to be taken in order to secure aligning the emissions from large combustion plants with the ceiling for sulphur dioxide.
Nature protection			Protected areas are lacking effective protective measures and administrative capacity that can properly assess the impacts of energy projects on site. A dialogue should be established and managed when conflicts between planned hydropower projects and nature protection emerge.

Amendments to the existing legal framework to achieve full transposition of Directive 2014/52/EU and the Strategic Environmental Assessment (SEA) Directive have not been prepared yet, although planned by the Government since 2017. The Secretariat is in the process of assessing two complaints concerning the lack of transposition, proper implementation and systematic enforcement of the Environmental Impact Assessment (EIA) Directive. In the review process, other relevant legislation (e.g. the Law on Planning and Building) also needs to be assessed due to possible collision with the provisions of the EIA Directive. Concerning small hydropower development, the considerations published in the Policy Guidelines on the development of small hydropower projects should serve as support. With regard to the Strategic Environmental Assessment Directive, Serbia has to secure that a SEA for the delayed National Energy and Climate Plan is conducted in a compliant manner.

In relation to the already long overdue obligation of 1,00% sul-

phur content of heavy fuel oil, Serbia revised the Rulebook on technical and other requirements for liquid fuels, thereby postponing the deadline again until 1 January 2021. According to the revised rulebook, the sulphur content of heavy fuel oil may be a maximum of 3,00% until the completion of the desulphurization process in the refinery is completed. The Secretariat was not informed about and did not receive any explanation regarding the postponement, which is clearly in breach of Ministerial Council Decision 2018/14/MC-EnC and of serious concern.

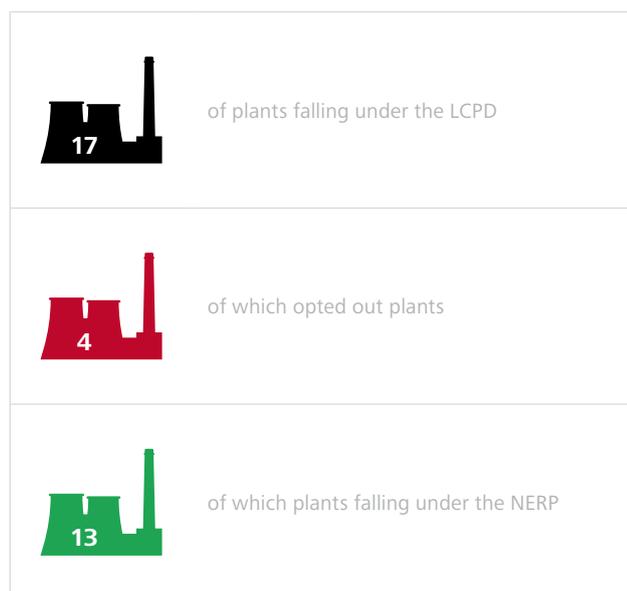
On 30 January 2020, the Government of Serbia adopted the National Emission Reduction Plan (NERP). It is however not clear which administrative body will monitor the implementation and secure the enforcement of the plan. Serbia complied with its reporting obligations under the Large Combustion Plants Directive for the reporting year 2019. Four large combustion plants are operating under the opt-out regime in Serbia. Based on their current load factor, three out of the four opted-out plants are

expected to reach the limit earlier than the end of 2023, the final date of operation for opted-out plants. In the case of plants under the NERP, the ceilings for sulphur dioxide are not complied with. Serbia also provided emission scenarios taking into account ongoing investments, which however do not show a clear trend towards compliance in the coming years. This makes the need to secure sufficient financing for proper implementation of the NERP even more pressing.

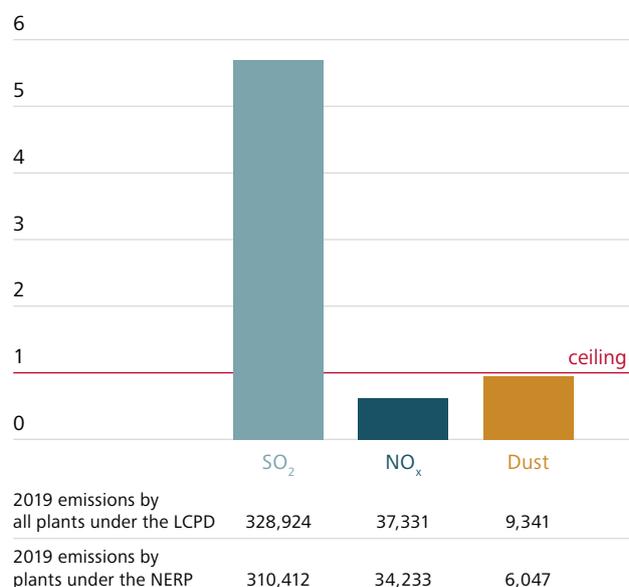
Management plans and management entities with sufficient capacity to secure enforcement of effective measures against the use of prohibited means and methods of killing, capture

and other forms of exploitation of protected species are still lacking. Serious efforts should be made for proper protection and management of the nature park "Stara Planina", a biodiversity hotspot which is also a category I protected area. Administrative capacities must be improved and adequate financial support must be allocated (on national and local level) in order to properly assess the impact of planned hydropower projects early in the decision-making process. Dialogue with the local communities and the civil society sector has to be ensured whenever conflict between planned energy projects (with particular regard to foreseen hydropower projects) and nature protection goals emerges.

Installations under the Large Combustion Plants Directive



2019 emissions versus NERP ceilings



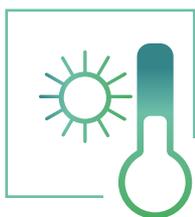
Source: compiled by the Energy Community Secretariat

Amount of operational hours used from opt-out period

Termoelektrana Kolubara A3 (boilers 3, 4, 5)	Expected expiry of opt-out period	August 2021
	Remaining hours	8.964
	Operating hours consumed in 2018 and 2019	11.036
Termoelektrana Morava	Expected expiry of opt-out period:*	June 2022
	Remaining hours	11.026
	Operating hours consumed in 2018 and 2019	8.974
Termoelektrana Kolubara A3 (boiler 1)	Expected expiry of opt-out period	August 2022
	Remaining hours	11.416
	Operating hours consumed in 2018 and 2019	8.584
Termoelektrana Kolubara A5	Expected expiry of opt-out period	December 2023
	Remaining hours	14.812
	Operating hours consumed in 2018 and 2019	5.188

*Calculations for the expected expiry of the opt-out period are based on 2018 and 2019 average load factor.

Source: compiled by the Energy Community Secretariat



Serbia Climate

Climate Indicators	Transposition Assessment	Implementation Status	Descriptions
National greenhouse gas emissions monitoring and reporting systems			The draft Climate Change Law is foreseen to be adopted by the end of 2020, it is in line with the Monitoring Mechanism Regulation, as it contains specific provisions on setting up a greenhouse gas (GHG) emission inventory, low carbon development strategies as well as policies, measures and GHG projections.
National Energy and Climate Plans (NECPs)			Serbia has not set up a national working group to prepare the NECPs. Drafting and analytical work on the NECPs is yet to be launched. Serbia will prepare the analytical basis and the NECP through the IPA "Further Development of Energy Planning Capacity Project (follow-up to IPA 2013)" to be started in the forthcoming period.

Serbia is currently preparing an update of its Nationally Determined Contribution (NDC) under the Paris Agreement, the second Biennial Update Report and the third National Communication. In its first NDC, the country made a pledge to reduce greenhouse gas (GHG) emissions by 9,8% by 2030 compared to 1990 levels.

The adoption of the Law on Climate Change, envisaged for 2019, was postponed until the forthcoming period. The Law will cover provisions on establishing an MRV framework, a GHG emission inventory system, mainstreaming of climate policies, i.e. low carbon development strategies into the relevant institutional and legal framework, as well as procedural arrangements relevant for setting up a national system for policies, measures and projections. For the time being, the legal basis for work on climate issues and the creation of national GHG inventories remains the Law on Air Quality. The competent authority for data collection in Serbia is the Environmental Protection Agency. Although the institutional and procedural arrangements and administrative capacities of the relevant institutions were strengthened in recent years, there are currently no legal instruments to force operators refusing to share information on GHG emissions for the compilation of national inventories.

The draft Low Carbon Development Strategy with Action Plan (LCDSAP) passed public consultations (January 2020) and is undergoing inter-ministerial consultations before being submitted for adoption. The draft LCDSAP covers the period up to 2030 and a perspective until 2050. It aims to support Serbia in fulfilling its obligations under the Paris Agreement as well as to present options for alignment of the country's GHG emissions pathway to the EU's in an affordable and socially fair way.

The Government has prepared an analysis for the potential revision of the draft Law on Climate Change in accordance with Regulation (EU) 2018/1999 as well as a proposal for the division of institutional competences. A working group was established by which the revision of the NDC is carried out in line with the LCDSAP. While the preparation of the National Energy and Climate Plan (NECP) has not yet commenced, the process can build on the policy planning and analytical work undertaken under the LCDSAP and NDC update. Since Serbia has not officially set up a national working group to prepare the NECPs yet, the process should be launched and streamlined without any further delay.



Serbia Infrastructure

Infrastructure Implementation

Infrastructure Indicators	Transposition Assessment	Implementation Status	Descriptions
National competent authority			The legislative framework defines the national competent authority as an inter-ministerial working group on strategic energy projects. This working group has not reported any progress on PECI/PMI projects to the Secretariat to date.
Manual of procedures			Currently, there is no manual of procedures published by the national competent authority for the permitting process of Projects of Energy Community Interest or Projects of Mutual Interest.
National regulatory authority involvement			The national regulatory authority drafted, but not yet adopted and published the methodology and criteria to be used to evaluate investment in electricity and gas projects and the higher risks incurred by them.

In February 2019, the Government of Serbia adopted the Decision on the establishment of a working group for strategic energy projects consisting of representatives of six Ministries (in charge of energy; planning and construction of buildings; agriculture; environmental protection; finance; and economy), the Energy Agency and project promoters. The national competent authority should start reporting on the projects to the PECE Groups and the Secretariat, as part of its obligations.

A unified procedure for the permit granting process already exists and is applied for all infrastructure projects by the Ministry of Construction, Transport and Infrastructure. There are defined deadlines to obtain all relevant documents from the other permit granting entities. The unified procedure is fully web based. However, it cannot be considered as the manual of procedures

as defined by Regulation (EU) 347/2013 because it does not follow the structure defined in the Annex VI of the Regulation.

The national regulatory authority must adopt and publish the methodology and criteria to be used to evaluate investment in electricity and gas projects and the higher risks incurred by them without delay.

Full adoption of the Regulation may facilitate faster realisation of the electricity and gas infrastructure projects in Serbia like the Transbalkan corridor (PECE 2016, 2018, suggested 2020), gas interconnectors Bulgaria – Serbia and Serbia – North Macedonia (suggested PECE 2020), as well as the Serbia – Croatia gas interconnector; Phase I (suggested PMI 2020).

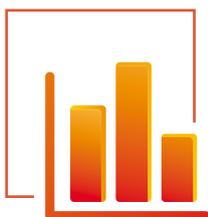
Proposed 2020 PECE/PMI projects: **6**

Electricity: **3**

PECE: **3**

PECE: **2**
PMI: **1**

Gas: **3**



Serbia Statistics

Statistics Implementation

Statistics Indicators	Transposition Assessment	Implementation Status	Descriptions
Annual statistics			The five annual questionnaires and the questionnaire on final energy consumption of households for 2018 were transmitted to EUROSTAT.
Monthly statistics			Monthly oil data and short-term monthly data are not transmitted to EUROSTAT.
Price statistics			Price statistics for electricity and natural gas for 2018 were compiled and transmitted in accordance with the acquis.

Serbia maintained a high level of compliance with the exception of monthly oil statistics, which remain critical.

According to the Law on official statistics, the central body responsible for energy statistics is the Statistical Office of the Republic of Serbia (SORS). A memorandum on cooperation was signed with the Ministry of Mining and Energy to efficiently use human and technical resources.

Annual energy statistics for 2018 are compiled in the five questionnaires, transmitted on time and published by EUROSTAT. Disaggregated data on energy consumption of households are compiled and transmitted to EUROSTAT in due time. Preliminary data for 2019 are also compiled and transmitted to EUROSTAT. The questionnaire on the renewables share for 2018 was also transmitted to and published by EUROSTAT. SORS has established a quality management system based on written procedures and policies. The quality reports for statistical surveys are submitted to EUROSTAT.

SORS is responsible for disseminating monthly data. In cooperation with the Ministry of Mining and Energy monthly electricity, coal and natural gas data are collected and transmitted to EUROSTAT. Monthly oil data are still not transmitted in line with the acquis. Short-term monthly collections on natural gas, oil and electricity are yet to be provided.

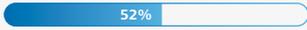
Half-yearly prices of electricity and gas for industry and households per consumption band, as well as the price breakdown per component, are submitted to EUROSTAT in accordance with Regulation (EU) 2016/1952.

To fully comply with the statistics acquis, Serbia must implement the remaining reporting requirements related to short term monthly data, primarily on oil.



Serbia Cybersecurity

Cybersecurity Implementation

Cybersecurity indicators	Transposition Assessment	Implementation Status	Descriptions
Institutions and legislation			The existing cybersecurity framework covers the energy sector, and the mechanism for designating critical infrastructures is established. Energy-specific rules and cross-border cooperation should be further developed. The Strategy for development of information security should be updated.
Requirements for operators and energy regulatory authority			The risk assessment, security requirements and reporting obligations of energy operators are well established. Energy-specific rules and mechanisms should be considered for increased efficiency. The energy regulator does not have powers in cybersecurity.

Cybersecurity in energy is effectively implemented through the concept of information and communication (ICT) systems of special importance. Rules, security measures and reporting obligations of operators are adopted and applied to energy. Energy-specific rules and cooperation mechanisms should still be further developed.

The Strategy for Development of Information Security for the period 2017 - 2020 sets the principles and defines objectives in security of the ICT systems of special importance and the citizens, fight against cybercrime, protection of information, and implementation of Directive 2016/1148/EC (NIS Directive) as the basis for international cooperation. The competent authority for its implementation is the Ministry of Trade, Tourism and Telecommunications. There are no energy-specific policies identified in the Strategy.

The Law on Information Security of 2016 sets the legal and institutional framework for cybersecurity and identifies the energy sector as an area with ICT systems of special importance. It obligates the operators to adopt rules on ICT system security with dedicated protection measures against security risks, supervision, and responsible liaison officer. The Law promotes cooperation of public and private sector, academic community and civil society through establishment of a body for coordination of information security.

The Government Regulation of 2019 laying down a List of Activities in the fields in which activities of general interest are carried out and in which ICT systems of special importance are operated, includes energy activities. The Ministry of Trade, Tourism and Telecommunications (Ministry) keeps a registry of

operators of ICT systems of special importance with registered operators in the energy sector and their liaison officers. The Ministry of Mining and Energy does not have any cybersecurity competences.

The national computer emergency response team (SRB-CERT), responsible for the energy sector, operates within the Regulatory Agency for Electronic Communications and Postal Services and the Ministry. It performs continuous risk assessment, shares security risk and incidents information and performs prevention and protection tasks.

Risk assessment is defined in the Law on Information Security and in the Regulation on More Detailed Contents of Enhancement on Security of ICT of Special Significance. Both acts apply to the energy sector, but lack a cross-border component. Security requirements for operators of ICT are provided in the same Law and enhanced by the Regulation on Closer Regulation of Protection Measures for ICT of Special Significance, referring to organizational structure, safety in remote operation, identification of assets, classification of data and its protection level and qualification and responsibility of personnel. Reporting obligations are detailed in the Regulation on Incident Notification Procedure in ICT of Special Significance, which defines the criteria, content and reporting details for different types of incidents. There is a potential of further enhancement of the cybersecurity environment for the energy sector by developing specific rules and mechanisms for direct cooperation between the energy operators.

The energy regulatory authority AERS does not have any powers or obligations in the domain of cybersecurity.