Address by the Minister, Mr. Slobodan Puhalac
Ministry of Foreign Trade and Economic Relations of BiH

Dear Chairman, Commissioner, respected members of the Energy Community, dear guests, ladies and gentlemen,

First of all, allow me to express my pleasure with having the honour to participate in this meeting on behalf of the energy sector of Bosnia and Herzegovina. I would also like to express my gratitude to the Chairman and the Republic of Montenegro for the hospitality and invitation to this meeting. To all my colleagues, I would like to congratulate on the successful cooperation achieved so far on this significant project, and to wish all of us the perseverance in further endeavours to accomplish our common goal – a single electricity and gas market without any internal barriers, which, at the same time, takes into account individual specificities.

By active participation in the Athens Process, i.e. the establishment of the Energy Community, Bosnia and Herzegovina clearly demonstrated its commitment to the energy sector reform, opening of the electricity and gas market and harmonisation of its policy and legislation with the European Union.

Much has been done with regard to that: laws, procedures and technical measures have been adopted, institutions have been established, structural changes have been introduced... However, we are aware that a lot is still to be done until the final opening of the market. Our common need is to create a stable regulatory and market framework, which will attract the investors in the energy sector in order to ensure stable energy supply which is essential to our economic development and stability.

Through establishment of the regulatory framework for the electric power, big consumers with consumption above 10 GWh have been enabled to choose their supplier since 1 January 2007, whereby 33% of the electricity market in BiH has been opened. According to the adopted dynamics, all consumers except households will have the status of eligible customer as of 1 January 2008, when the level of market openness will amount to 57.5%.

A step forward has been made in terms of liberalisation of electricity prices in the way that the electricity tariffs have been put under the authority of the regulatory commissions and they better reflect the real costs in comparison with the previous period when the prices were under the authority of the governments.

We are in the phase of preparations for the creation of legal and institutional framework for a successful gas sector reform in accordance with the Directive 55.

As you can see, Bosnia and Herzegovina follows the Energy Community Roadmap.

The reasons for our attempts to strengthen our position within the Energy Community are the following:

- Above all, with this Treaty in force, we see our opportunity for economic prosperity through the placement of our most significant available energy potentials under favourable conditions
- With the development of the sector in line with the Acquis of the European Union, we see the opportunity for attracting of foreign and private investments by means of which we will ensure secure energy supply for our citizens and achieve surpluses
- This Treaty means even more to us, having in mind that this is our first contractual relation with the European Union, which enables us to join the energy market of the
European Union even before the signing of the Stabilisation and Association Agreement which, as you know, has been negotiated, but has not yet been signed.

We invest all our efforts in order to create a strong internal electricity market, so as to be able to join the regional market in the future and thus make the most of the favourable transit geographical position, foreseen surplus of generation capacities and good connections with the neighbouring countries.

In 2006, Bosnia and Herzegovina produced 13,000 GWh, consummated 11,000 GWh and exported 2,000 GWh of electric power.
The estimated potential for construction of new power plants at the territory of BiH is 7,000 MW, i.e. 30,000 GWh of electric power per year. In other words, the estimated potential is almost twice as high as the power of the existing power plants.

In order to ensure faster economic growth and more secure and stable supply with energy generating products, the entity governments undertook numerous initiatives to attract foreign investors into the modernisation of the existing and the construction of new energy capacities.

We see the development of the electric power sector of Bosnia and Herzegovina in the implementation of the directives of the European Union, as well as in the development of the electric power infrastructure and a well regulated electric power sector, not only in Bosnia and Herzegovina, but also in the countries of the region.

The institutions of Bosnia and Herzegovina and the entity governments, the Government of the Republic of Srpska and the Government of the Federation of BiH, have given high priority to the reforms and the development of the energy sector. Our key goal is the development of the legislation compatible with the practice of the European Union and we see the achievement of this goal in further development of the regional integration, which will contribute to a higher degree of exchange within the region, as well as to a higher competition and the inflow of foreign investment.

And, finally, the high energy potential of BiH is something that encourages us. What presents difficulty is a complicated and slow procedure of reaching agreement between the entities and of decision making.

I am attending today’s meeting with strong promises made by the entity ministers to whom I trust and with belief that, finally, time will become a respected resource in BiH.

Thank you