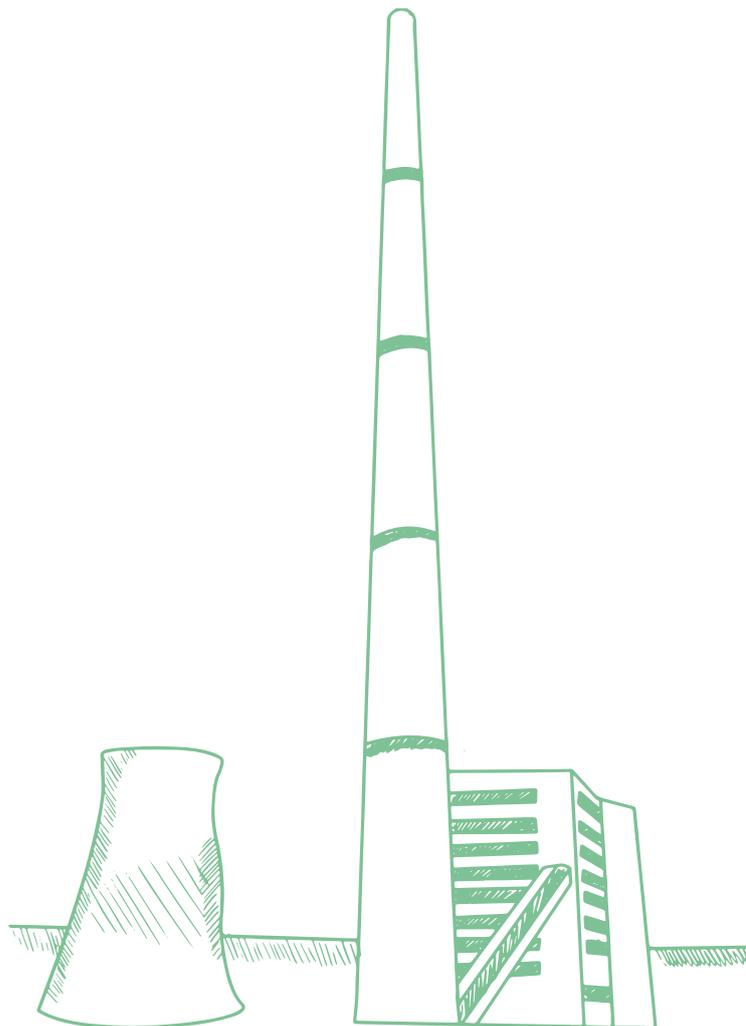


# Montenegro

## Annual Implementation Report

1 November 2023



Energy Community Secretariat



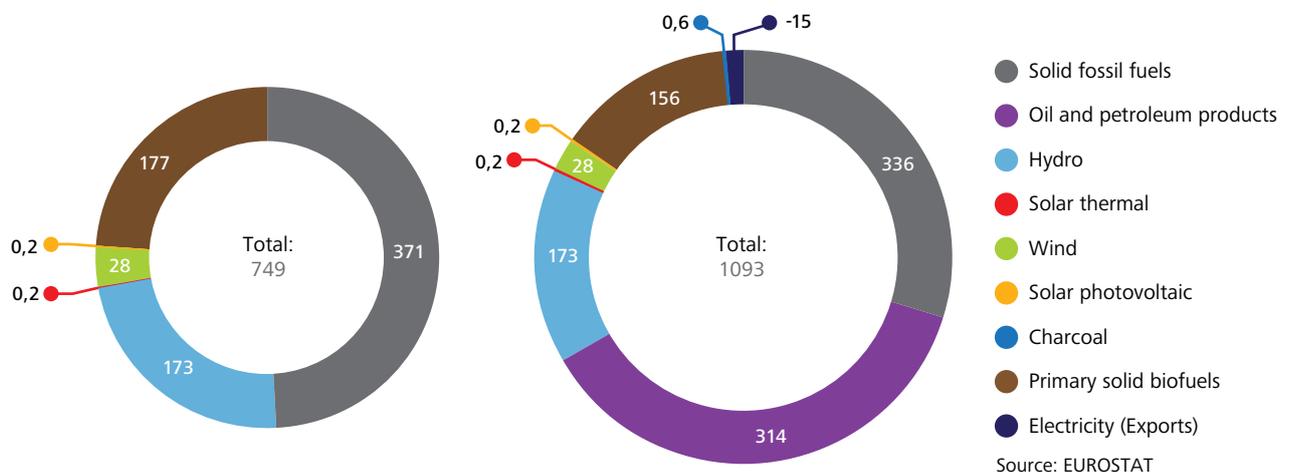
# Montenegro

## IMPLEMENTATION OVERVIEW

CLUSTER	IMPLEMENTATION STATUS	2023 HIGHLIGHTS AND NEXT STEPS
 <b>Markets and integration</b>	 <b>83%</b>	A day-ahead electricity market was launched by the Montenegrin power exchange MEPX in April 2023. Montenegro should focus on the transposition and implementation of the Electricity Integration Package as a precondition for the coupling of its day-ahead market.
 <b>Decarbonising the energy sector</b>	 <b>40%</b>	Montenegro progressed with amendments of the Energy Efficiency Law and new labelling regulations. Montenegro should submit the draft NECP to the Secretariat with a targeted approach to coal phase-out.
 <b>Ensuring energy security</b>	 <b>40%</b>	A draft Law on Information Security transposing the NIS2 Directive was drafted in 2023. It should be adopted in the next reporting period. Regulation (EU) 2019/941 on Risk-preparedness in the Electricity Sector should be transposed and its implementation should start with the designation of a competent authority.
 <b>Improving the environment</b>	 <b>68%</b>	Montenegro's good track record in the area of environment is overshadowed by the long-standing non-compliance of TPP Pljevlja with the rules on limited lifetime derogation under the Large Combustion Plants Directive. The plant is expected to comply with the Industrial Emissions Directive's limit values after its rehabilitation.
 <b>Performance of authorities</b>	 <b>69%</b>	The Agency for Competition Protection adopted its first two decisions regarding State aid in the energy sectors.

2021 Fuel mix in primary production of energy (in ktoe)

2021 Gross available energy per product (in ktoe)





# Montenegro

## Markets and integration

### ELECTRICITY

83%



#### UNBUNDLING

100%

The transmission system operator CGES is unbundled and certified. The distribution system operator CEDIS is legally and functionally unbundled from the vertically integrated company Elektroprivreda Crne Gore (EPCG). The compliance report for 2022 was submitted to the regulator and was published.

The REMIT Regulation is transposed and implemented.

#### RETAIL MARKET

98%

The retail market in Montenegro is fully supplied by EPCG, even though several other suppliers are licensed. Furthermore, EPCG is acting as supplier of last resort and supplier of vulnerable customers. These obligations were established through transparent tendering procedures. EPCG supplies household consumers under four tariff models between which they can choose. EPCG was obliged to respect restrictions for annual price increases to be lower than 6% for households and small customers. This measure was in place until the end of 2022 but was not further extended. Nevertheless, EPCG did not increase prices.

#### ACCESS TO THE SYSTEM

89%

Grid codes define the conditions of access to and use of the electricity system based on regulated terms and conditions. The latest transmission tariffs were approved for the period of 2023 to 2025 by a decision in November 2022. The tariff review for the distribution network was suspended, and temporary tariffs are currently applicable. A new request for tariff review for 2024 and 2025 was submitted in summer 2023 by the distribution system operator but not yet decided upon by the regulator.

The concept of vulnerable customers is defined by primary legislation. The Ordinance on Supplying Electricity to Vulnerable Consumers and the Electricity Bill Subsidization Programme set out the relevant measures and subsidies for their support.

The Connection Codes were transposed in 2019 by Government decrees. CEDIS adopted a new distribution grid code in June 2022, but the requirements of the connection codes were not properly integrated. Amendments to the transmission grid code were adopted in 2022 to reflect the requirements of the Connection Codes.

The Transparency Regulation is transposed and largely implemented with the majority of data being published.

#### REGIONAL INTEGRATION

41%

The regional auction SEE CAO is used for the allocation of cross-border capacity. In case of the interconnection with Serbia, the allocation takes place bilaterally between the respective transmission system operators.

CGES cooperates with neighbouring transmission system operators bilaterally on the exchange of balancing energy. Imbalance netting takes place with Serbia within the same control block covering Montenegro, North Macedonia and Serbia.

#### WHOLESALE MARKET

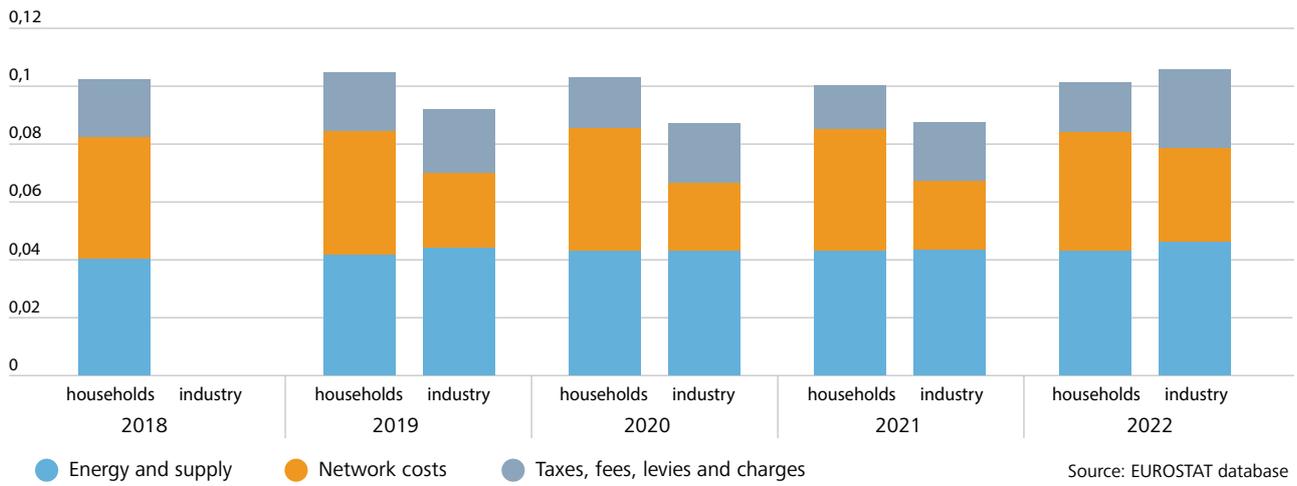
90%

The day-ahead market was launched by the Montenegrin power exchange (MEPX) on 26 April 2023. The MEPX trading platform is also used for auctions to procure losses in the transmission and distribution system. The go-live of the intraday market is still pending. The wholesale market has limited liquidity and high market concentration, dominated by the incumbent producer and trader EPCG.

Initially scheduled for 2019, the adoption of the new Law on Cross-Border Energy Infrastructure Projects, intended to transpose Regulation (EU) 347/2013 is pending. One electricity PEI project in Montenegro is related to section 4 of the Transbalkan corridor. This new 400 kV OHL Pljevlja (ME) - Bajina Basta (RS) is to complete the Transbalkan corridor, which creates benefits for southern Europe and the Italian market through the HVDC link between Montenegro and Italy. The 15-kilometer-long Montenegrin part of the line waits for Serbia to realise the construction of the 400 kV OHL Obrenovac - Bajina Basta. The previous PEI project, 400 kV line OHL Lastva - Čevo - Pljevlja, has not been finished yet.

The balancing market is operational with regulated prices of the balancing reserve set pursuant to a methodology adopted by the regulator. Such regulated prices will need to be reassessed under the new Electricity Integration Package which requires free price formation.

### Average annual prices of electricity for end users per component [EUR/kWh]



## GAS

n.a.



### UNBUNDLING

0%

No gas network exists in Montenegro. Montenegro's only applicable model for the unbundling of a future gas transmission system operator is the ownership unbundling model. Montenegrobonus has been designated by the Government for that purpose, with no actions in that regard for years.

### ACCESS TO THE SYSTEM

0%

The Energy Law and the Law on Cross Border Exchange of Electricity and Natural Gas transposed the relevant articles to ensure third party access, but the network codes transposition is still pending. The adopted tariff methodology for the transmission system is not compliant with the Network Code on Tariffs.

### WHOLESALE MARKET

0%

Montenegro does not have a gas market. REMIT Regulation (EU) 1227/2011 is in place.

### RETAIL MARKET

0%

Despite the non-existing gas market, Montenegro adopted the supply rules for natural gas.

### REGIONAL INTEGRATION

16%

Initially scheduled for 2019, the adoption of the new Law on Cross-Border Energy Infrastructure projects, intended to transpose Regulation (EU) 347/2013 is pending. The Ionian Adriatic Pipeline project with PMI status could introduce natural gas into the energy mix of Montenegro. The project has not matured in the recent past.



# Montenegro

## Decarbonising the energy sector



### GOVERNANCE / CLIMATE IMPLEMENTATION

31%

#### NATIONAL ENERGY AND CLIMATE PLANS

29%

Montenegro is still finalizing its draft National Energy and Climate Plan (NECP).

#### GREENHOUSE GAS 2030 TARGET

0%

Montenegro has not defined the 2030 climate target in its national legislation, nor in the draft NECP. It should align with the 2030 targets set by the Energy Community.

#### NATIONAL SYSTEMS FOR CLIMATE REPORTING

67%

There is a legal basis for the national inventory system. Montenegro still needs to initiate reporting on the national system for policies and measures and projections.

#### NATIONAL GREENHOUSE GAS EMISSIONS POLICIES AND MEASURES / ADAPTATION

33%

Reporting obligations have been transposed in legislation. Montenegro has nominated lead reporters for the Governance Regulation reporting activities. In the context of Reportnet system, it has not reported or initiated any process for reporting on policies and measures (PaMs), or adaptation strategies and carbon revenues.

#### LONG-TERM STRATEGY AND CLIMATE NEUTRALITY

25%

The legal basis for a long-term strategy has been adopted. However, Montenegro has not adopted a long-term strategy with a 2050 climate neutrality objective. It remains unclear if and how such an objective will be reached.

## RENEWABLE ENERGY IMPLEMENTATION

14%



### 2030 RENEWABLE ENERGY TARGETS 0%

The overall target of achieving a 50% share of renewable energy in the gross final energy consumption, in line with the 2030 target set by the Energy Community, has not yet been incorporated in the national legislation of Montenegro. The draft NECP is also pending.

### QUALITY OF SUPPORT SCHEME 0%

Based on the Energy Law, administratively determined feed-in tariffs apply to projects up to 1 MW, whereas support for larger projects is granted through a competitive process, with no additional details provided. No actions have been launched. It is crucial to adopt a new Renewable Energy Law and to establish a comprehensive legal framework for a market-based support scheme.

### SELF-CONSUMPTION AND ENERGY COMMUNITIES 50%

Montenegro has implemented a self-consumption scheme in the form of net metering without a limit for installation capacity. In the absence of a new Renewable Energy Law, the

establishment of renewable energy communities in accordance with Renewable Energy Directive (REDII) requirements poses a challenge.

### GUARANTEES OF ORIGIN 25%

Montenegro joined the Energy Community initiative to establish a regional system for guarantees of origin. The national electronic registry for guarantees of origin in Montenegro was created and can be utilized as soon as the market operator, as the designated issuing body, signs an agreement with the service provider. The existing legal framework governs the issuance of guarantees of origin solely for renewable electricity and electricity generated from highly efficient cogeneration, without encompassing other energy carriers as specified in REDII.

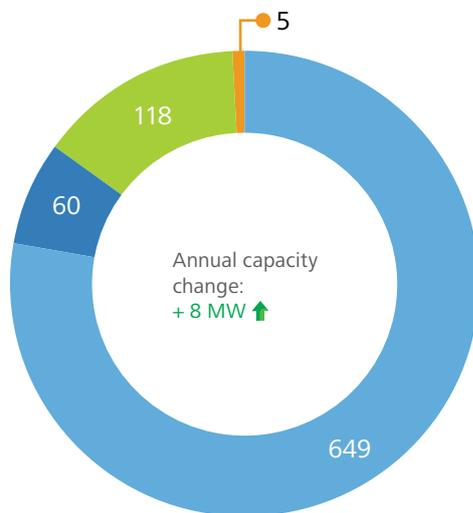
### SUSTAINABILITY CRITERIA FOR BIOFUELS, BIOLIQUIDS/BIOMASS FUELS 0%

Provisions related to the sustainability and greenhouse gas emission saving criteria for biofuels, bioliqids, and biomass fuels are not transposed and the legal framework remains completely non-compliant with REDII. It is crucial to adopt a new renewable energy law that introduces these provisions.

### RENEWABLE ENERGY IN HEATING AND COOLING 15%

There is no 2030 target for renewable energy in heating and cooling, nor have the measures for increasing renewable energy share in the heating and cooling sector been put in place. In 2023, the project Energy Efficient Home continued to support households to purchase heat pumps with interest-free loans.

Total Capacities of Renewable Energy 2022 (MW)



- Large hydropower
- Small hydropower <10 MW
- Wind
- Solar

Total capacities of renewable energy (MW):

833

Source: Ministry of Energy and Mining

## ENERGY EFFICIENCY IMPLEMENTATION

76%



### 2030 ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

59%

Montenegro is still finalizing its draft NECP, which must harmonize the 2030 energy efficiency targets with the 2030 targets set by the Energy Community. The December 2022 amendments to the Law on Efficient Use of Energy transposed the amendments to the Energy Efficiency Directive (EED), including the provisions on 2030 target setting and integrated planning.

into the National Energy Efficiency Action Plan. These should now be incorporated into the 2030 framework and adequate policy measures should be set as part of the NECP.

The national Eco Fund finances energy efficiency and environmental projects. Several projects related to the public and residential sector are ongoing, supported either by state subsidies or international loans. ESCO contracts and an enabling framework are incorporated in the Law on Efficient Use of Energy.

### ENERGY EFFICIENCY IN BUILDINGS

82%

To update rulebooks from 2015, Montenegro improved cost-optimality calculations and introduced a new software for energy performance calculations and certification of buildings. The adoption of updated rulebooks is pending. The Law on Efficient Use of Energy foresees the development of a long-term building renovation strategy, but it was not prepared let alone adopted.

### ENERGY EFFICIENT PRODUCTS – LABELLING

98%

Montenegro finalized the adoption of a complete package of updated energy labelling rulebooks, as incorporated into the Energy Community legal framework by the 2022 Ministerial Council.

### ENERGY EFFICIENCY SCHEME AND FINANCING

67%

In the previous reporting period, Montenegro opted for alternative measures to achieve energy saving target under Article 7 of the EED. The package of alternative measures was integrated

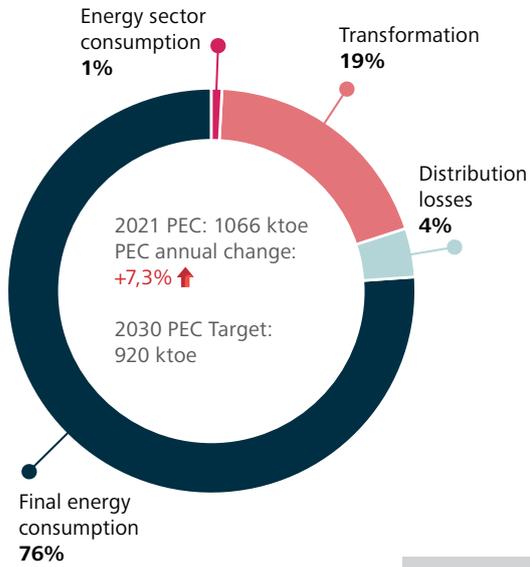
### EFFICIENCY IN HEATING AND COOLING

76%

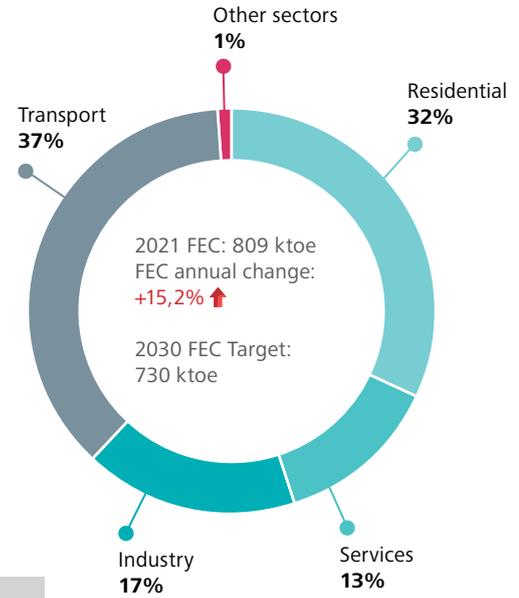
Žabljak municipality is exploring options for establishing a renewable-based district heating system. A draft of a comprehensive assessment for heating and cooling potential was prepared in 2023 and is expected to be adopted soon. Provisions on heat metering or billing are not transposed.

## 2021 Energy Efficiency Indicators and Trends

### Primary Energy Consumption (PEC)



### Final Energy Consumption (FEC)



Energy intensity,  
2021 value and trends:  
0,28 ktoe/mil EUR, **-5,5%** ↓

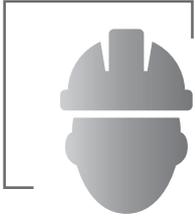
Source: EUROSTAT 2023 data and 2022 Ministerial Council Decision

### Status of transposition and implementation of energy efficiency acquis of the Clean Energy Package

Building Renovation Strategy	Central Government Buildings Renovation	Energy Efficiency Obligation Scheme	Alternative Policy Measures	Metering and Billing Information for District Heating
		n/a		

In place    In progress    Not in place

Source: compiled by the Energy Community Secretariat



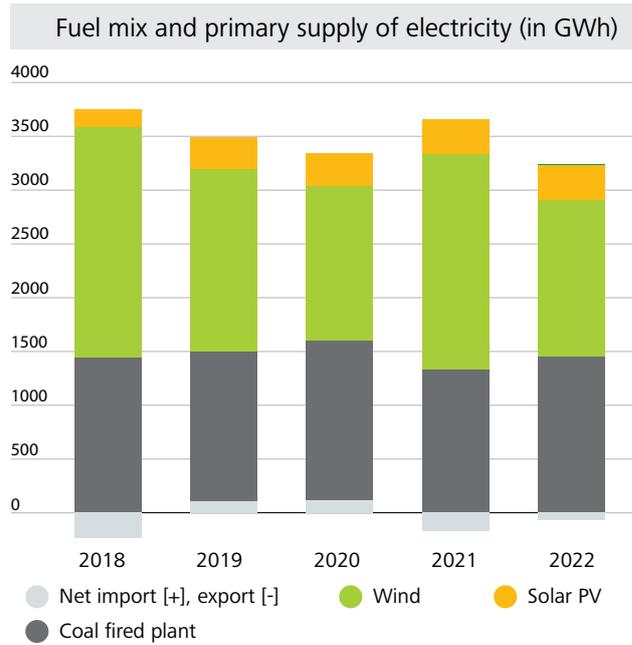
# Montenegro

## Ensuring energy security

### ELECTRICITY SECURITY OF SUPPLY 55%

Directive 2005/89/EC concerning Measures to Safeguard the Security of Electricity Supply and Infrastructure Investment has been transposed already through the 2010 Energy Law. Security of Supply Statements have not been regularly delivered to the Secretariat. The Montenegrin Government set up a national council responsible for analysing and monitoring the security of energy supply, and adopted a decision on the long-term energy balance of Montenegro for 2023 - 2025.

The Law on Information Security in Montenegro was adopted in 2010 and amended in 2016, 2020 and 2021. In accordance with the Law on Information Security, a Computer Incident Response Team (CIRT.ME) was established in 2012. The Law on Designation and Protection of Critical Infrastructure, adopted in December 2019, is in line with the ECI Directive (EU) 2008/114. A Cybersecurity Strategy 2022 - 2026 is in place, with the Ministry of Interior as the implementing body. A draft Law on Information Security from 2023 is in line with the NIS2 Directive (EU) 2022/2555 and envisages the establishment of a cybersecurity agency.



Source: Ministry of Energy and Mining, compiled by the Energy Community Secretariat

### GAS SECURITY OF SUPPLY n.a.

Montenegro is exempted from the transposition of the Security of Gas Supply and Storage Regulations.

### OIL SECURITY OF SUPPLY 5%

No emergency oil stockholding policy exists in Montenegro. However, a draft Law on the Supply of Petroleum Products in the Event of Supply Disruption, compliant with Directive 2009/119/EC, was finalised in December 2022. Adopting the new draft Law and the subsequent secondary legislation is still missing.

No data are reported.

No progress was achieved during this reporting period. Montenegro is non-compliant with oil the acquis.



# Montenegro

## Improving the environment

### ENVIRONMENTAL ASSESSMENTS **77%**

Montenegro's national legal framework aligns with the Environmental Impact Assessment (EIA) and the Strategic Environmental Assessment (SEA) Directives. The institutional setup supports streamlined assessments, although coordination with other assessments (e.g. related to water) does not take place. Montenegro has not provided a list of energy projects that underwent screening and were subjected to an EIA. The development of the EIA, which should include an appropriate assessment for the Komarnica hydropower project, located within a candidate Emerald Site and the Dragišnica and Komarnica Nature Park, was delayed. Montenegro actively engaged in the cross-border dialogue with Bosnia and Herzegovina regarding the transboundary impacts of the Buk Bijela hydropower project, facilitated by the Energy Community Secretariat. Access to environmental information and mechanisms for public participation has not improved, which potentially poses risks to an effective and efficient consultation process. The delay of the SEA for the draft National Energy and Climate Plan (NECP) may impede the quality and efficiency of the consultation process.

### LARGE COMBUSTION PLANTS **50%**

Montenegro complied with its reporting obligations under the Large Combustion Plants Directive for the reporting year 2022. With the rehabilitation of TPP Pljevlja still underway, the breach of the Large Combustions Plants Directive's provisions on limited lifetime derogation continued and became more serious. The Secretariat referred the case to the Ministerial Council in July 2023.

### SULPHUR IN FUELS **93%**

Montenegro transposed the Sulphur in Fuels Directive, including the provisions on marine fuels, into national law. Sampling and analysis is implemented for all fuels falling under the Directive's scope in accordance with the annual fuel quality monitoring programme. On-the-spot sampling for marine fuels is not yet ensured, which poses a practical implementation burden on the authorities related to seagoing ships.

### NATURE PROTECTION **53%**

Montenegro adopted the First Red List of Birds during the reporting period, demonstrating progress in its nature conservation efforts. However, the adoption of a new law on hunting and a rulebook on hunting seasons is still pending. Work is underway on a new law on nature protection, which would enhance the alignment of national legislation with the Birds and Habitats Directives. At the same time, the development of management plans for protected areas faces delays, exacerbated by a lack of financial resources. There have been no new designations of special protection areas, and the national action plan for the protection of birds was again delayed.

### ENVIRONMENTAL LIABILITY **80%**

Montenegro has transposed the provisions of the Directive via the Law on Environmental Liability. Between September 2022 and May 2023, twenty-seven procedures for environmental damage have been initiated.

### Installations under the Large Combustion Plants Directive

	of plants falling under the LCPD
	of which opted out plants
	of which plants falling under the NERP

### Total emissions from Large Combustion Plants in 2022

	Total SO <sub>2</sub> emissions from LCPs in 2022 <b>46.502</b> +14,8% ↑
	Total NO <sub>x</sub> emissions from LCPs in 2022 <b>3.954</b> +14,3% ↑
	Total dust emissions from LCPs in 2022 <b>560</b> +11,3% ↑

Source: compiled by the Energy Community Secretariat

### Amount of operational hours used from opt-out period

TPP Plevlja 	Expected expiry of opt-out period:	<b>EXPIRED</b>
	Remaining hours	0
	Operating hours consumed in 2018 - 2022	34.412

Source: compiled by the Energy Community Secretariat



# Montenegro

## Performance of authorities



### REGULATORY AUTHORITY

90%

The legal setup of the Energy and Water Regulatory Authority of Montenegro (REGAGEN) is aligned with the majority of requirements of the Energy Community acquis. The independence of the regulator is challenged by the implementation of the Law on the Wages of Public Sector Employees, which substantially lowered the salaries in REGAGEN compared to those in regulated companies. Consequently, REGAGEN faces difficulties in ensuring sufficient human resources to carry out its tasks.

The regulator initiated a court procedure related to the unbundling of the distribution system operator. On cross-border level, REGAGEN continued to cooperate with Italian authorities in cross-border electricity transmission capacity allocation.



### COMPETITION AUTHORITY

40%

In the last reporting period, the Agency for Competition Protection (ACP) had initiated an investigation into anti-competitive conduct in the liquefied petroleum gas market by INA Montene-

gro and Jugopetrol; the investigation is still ongoing. Rendering a decision on this case should be a priority for the future.



### STATE AID AUTHORITY

40%

The ACP took its first two decisions regarding State aid in the energy sectors since it assumed this competence in 2018. The first relates to the programme to foster innovation in the energy efficiency sector, which was qualified as de minimis aid. The

second relates to a State guarantee for the electricity transmission system operator for an EBRD loan for the procurement of a shunt reactor, which was preliminarily found to be compatible if information is provided that a market premium is paid.



### STATISTICAL AUTHORITY

87%

The Statistical Office of Montenegro (MONSTAT) is responsible for national energy statistics. The five annual questionnaires for 2021 are communicated to EUROSTAT in compliance with the acquis, as well as SHARES data. Disaggregated data on energy consumption of households are neither compiled nor disseminated. Mini-questionnaires with preliminary 2022 data are prepared and transmitted to EUROSTAT. MONSTAT submitted the report on the quality of transmitted data in the format defined by EUROSTAT, including an updated report in 2022 and 2023.

Montenegro made a significant step in 2022 by providing monthly energy statistics on coal, electricity and zero questionnaires for natural gas and crude oil import. However, monthly oil data are still completely missing. Electricity prices charged to industrial end-users and households broken down per consumption band and taxation level, as well as the breakdown of main price components, are collected in line with the acquis and communicated to EUROSTAT. The quality report on price statistics is prepared and published by EUROSTAT.