

30 April 2024

## **CEE Bankwatch Network input for public consultation on PEI project selection 2024**

### **General comments**

- We welcome the opportunity to comment on the preliminary list of eligible projects and would like to thank the Secretariat and Working Groups for their flexibility in organising a public consultation that was not originally foreseen.
- We welcome the fact that all the eligible projects are in the electricity sector. This reflects, in our understanding, the real situation in the Energy Community Contracting Parties at the present time.

We do expect renewable-based hydrogen to play some, albeit limited, role in the future energy mix, but only in hard-to-decarbonise sectors, not in power generation, land transport or heating as more efficient and cheaper alternatives are available. To avoid crowding out the more efficient use of renewables for direct electrification, such hydrogen should be produced via electrolysis using additional renewable electricity generation capacity (e.g. surplus wind or solar generation that otherwise risks being curtailed). For maximum efficiency, this should take place as near to the site of consumption as possible. Hydrogen imports from third countries must be avoided.

Therefore, we do not see existing or planned international fossil gas infrastructure such as pipelines and LNG terminals as corresponding to likely future hydrogen demand in terms of location or volume. As we do not see any of the Contracting Parties currently having a sufficiently developed plan to ensure the realistic and feasible use of renewable hydrogen, we believe it is appropriate not to select any projects in this category or the smart gas grids category at the moment.

### **Project-specific comments**

***E01: Increasing the capacity of existing 220 kV interconnection between Bosnia and Herzegovina and Montenegro, 220 kV OHL Trebinje – Perućica and***

***E02: New 400 kV interconnection between Bosnia and Herzegovina and Montenegro, 400kV OHL Gacko - Brezna***

These projects may be justified, given the increase of renewable projects in Montenegro and Herzegovina, however, given that neither Bosnia and Herzegovina nor Montenegro have adopted updated energy strategies or NECPs, it is hard to tell whether they are higher priority than others and whether both are needed (especially as projects E03 and E04 are also

proposed – see below). We hope this will be clarified later in the year with the finalisation of the NECPs.

In addition, we welcome the upgrade of existing infrastructure wherever possible, to minimise additional environmental impacts, so the Trebinje – Perućica one may be preferable if one line is sufficient.

***E03: New 400 kV interconnection between Montenegro and Bosnia and Herzegovina, 400kV overhead line Brezna-Sarajevo with construction 400/220 kV substation Piva's mountain***

Out of all the Montenegro – Bosnia and Herzegovina transmission lines proposed, this one seems to be the least well justified in terms of its connection to future power generation projects as it mentions Buk Bijela and Kruševo hydropower plants, both of which are highly questionable:

As well as needing to undergo a renewed environmental impact assessment and transboundary consultation after findings by UNESCO and the Espoo Convention, Buk Bijela's feasibility has been questioned by a [World Bank study](#), which advised a complete redesign.

It is also not included in the publicly available draft of Bosnia and Herzegovina's NECP, which we welcome due to the project's strong [environmental impacts](#) on the longest remaining stretch of habitat for the endangered Danube salmon. In general, the country's hydropower plans have tended to be unrealistically ambitious and have not taken account of the increasing climate vulnerability of hydropower in recent years, which is only expected to get worse.

The Kruševo hydropower plant in Montenegro has, after a long period of dormancy, resurfaced in public discourse in the last two years. However, hardly any information is available on its feasibility, contribution to the country's power supply, environmental impacts (the location forms part of the Dragišnica Komarnica Nature Park, recognized as a conflict zone in the Draft Spatial Plan of Montenegro till 2040 and SEA for the Plan) or other aspects. It is included in Montenegro's draft spatial plan but it is not clear whether it is part of the NECP as no public draft has been made available as of late April 2024. Given Montenegro's existing over-reliance on hydropower and fluctuating annual generation, it is far from clear that adding more to the mix would significantly contribute to the country's energy supply, especially given its need to diversify and add more wind and solar.

Overall, the transmission project seems highly speculative given the uncertainty about whether the two hydropower projects will really go ahead.

***E04: Transbalkan Corridor: Double OHL 400 kV Pljevlja (MNE)- Bajina Basta (RS) - Višegrad (B&H)***

We don't have any comment on the project per se, but the following statement needs to be better explained and justified: *'With the implementation of this project across three countries (Montenegro, Serbia and Bosnia and Hercegovina), we expect a better evacuation of energy from the 600MW submarine cable between Montenegro and Italy.'*

The submarine cable was originally conceived as part of a much wider plan by Italy to fulfil its 2020 renewable energy target by importing renewable electricity from the Western Balkans. In reality, however, Italy managed to meet its 2020 targets without the region's help and the cable has been used to [import electricity](#) from mixed sources from Montenegro instead, since southern Italy generally has high electricity prices and Montenegro, Bosnia and Herzegovina and Serbia have low production prices – among others due to failure to abide by EU pollution control legislation and state aid rules.

Given this background, it is hard to imagine that use of electricity *from* Italy will significantly increase in Montenegro, Serbia and Bosnia and Herzegovina because its price is generally not favourable for these countries.

***E05: Internal transmission line 400 kV Banja Luka 6 - Mostar 4***

***E06: Reconfiguration of 400 kV grid and new 400 kV interconnection Albania-Kosovo (KOSTT) / Extension of SS Fierza and new 400 kV interconnection Albania-Kosovo (OST)***

***E07: Closing the 400 kV Albanian internal Ring***

***E08: 330 kV OHL Balti (MD) - Dnestrovsk HPP-2 (UA)***

***E12: Cybersecurity management system for protection grids assets from cyber threats***

***E13: DTEK storage facilities 225 MW***

No specific comments on the above projects.