

Energy in Montenegro



Igor Živkovski

Even though Montenegro, located in Southeastern Europe on the Adriatic Coast and with a population of just over 600 thousand people, is a small country, its vast energy potential is recognized by numerous international investors and by the Montenegrin Government.

The energy sector of Montenegro is highly dependent on imports of liquid fuels, gas, and electricity. The energy supply is dominated by electric power and charcoal and oil-based products. There is no domestic natural gas network or district heating. Currently, the most important local sources of energy include coal, water, lignite, firewood, and industrial wood waste. Solar energy, wind energy, and biomass energy are the main sources of renewable energy in the country. However, Montenegro still has significant untapped potential for other forms of renewable energy.

Montenegro's commitment to continuing with the process of European integration requires a responsible and complex approach, particularly in the context of a developing the country's energy sector as the mainstay of the country's overall development. This is of great importance to the overall development of Montenegro not only from ecological and social standpoints, but also from a macroeconomic point of view.

Montenegro tends to harmonize its energy legislation with the European Union legislation and with the modern trends in the fields of production, transport, and trade of energy, and renewable energy. In the context of EU harmonization, in June 2015 Montenegro adopted a new Energy Law, along with bylaws governing the issuance of licenses, the production of energy, classification of power plants, renewable energy (and incentive prices for the energy produced from renewable energy sources), and the acquiring status and accomplishing entitlements of the privileged producers of electricity.

In December 2007, the Ministry of Economic Development adopted the Energy Development Strategy of Montenegro by 2025. Among the primary objectives of the Strategy are the establishing of a secured and high quality supply of energy, reducing the country's dependence on energy imports by improving investment conditions, and developing and implementing renewable energy sources and clean and efficient energy technologies.

In its effort to fulfill the objectives of the Strategy, and having already concluded the first phase, Montenegro has recently initiated the second phase of the Montenegro Energy Efficiency Project, in order to conduct and incorporate necessary improvements to heating systems, energy characteristics of the external layers of the buildings, and the internal lighting of the public schools and hospitals.

Montenegro, working with a number of foreign companies, is currently researching the Adriatic Sea for possible oil exploitation. According to the preliminary results of this research, reserves equivalent to 438 million barrels of oil have been discovered. Bearing in mind that these results are only preliminary, it is reasonable to expect an even higher amount of stored underwater oil and gas potential. Based on the information available so far, it is expected that the first oil rig will be constructed and operational at the end of 2019.

The Government has decided to start gradually reducing feed-in tariffs for renewable energy sources as of January 1, 2020 and announced that it will continue to promote the realization of wind farms, solar power plants, and large hydropower plants, without guaranteed incentive prices. Furthermore, the Government has decided not to issue energy licenses in the upcoming period, nor award concessions for the construction of small hydropower plants.

Finally, a shift in the regulatory framework and tendering for renewables was announced recently. Tendering for long-term leases of state-owned land for the construction of two renewable energy projects – a 60-65 MW wind farm in the Municipalities of Budva and Bar, and a 50 MW solar power plant in Podgorica, the capital – is planned to be launched by the end of the second quarter of 2019. The introduction of a market-based support scheme is planned through amendments to the Energy Law which should be adopted this year. Moreover, the completion of the preparation and revision of the Preliminary Design with the Feasibility Study and the Environmental Impact Assessment Study of the HPP Komarnica (155 MW) is scheduled for 2019.

With all this in mind, it is safe to say that Montenegro is currently a dynamic energy market that is likely to develop even faster in coming years.