

Analysis | 6 January 2014

Is the Western Balkans the new Desertec?

An Energy Corridor through South Eastern Europe Makes Sense – For Coal Producers Too

By Paul Hockenos, Zagreb

If assessment studies are even roughly accurate, the countries of the Western Balkans – Albania, Bosnia Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, and Serbia – have enormous potential to exploit renewable energy resources. The region abounds in year-around sun, untapped hydro, gusty coasts, and rich agricultural land. Moreover, the first undersea transmission cables from the Adriatic coast to Italy will be operational by 2015, long before the transmission network envisioned for the Desertec project links Northern Africa to continental Europe.

Could the Balkans export renewable energy to mainland Europe in the near future? Would western European investment and the resources of South Eastern Europe create a win-win situation for everyone involved?

There are more than a few experts involved in the region who think so. The vision is that European countries struggling to meet their own renewable energy targets – or simply looking for cost-effective energy – would invest in production facilities in the region and import power across the Adriatic to Italy.



Reconstructed bridge in Mostar (c) Fer.filol

“This cooperation could be up and running much more quickly than Desertec,” explains Andreas Türk of the Joanneum Research Institute in Graz, Austria, referring to the mega-project of sending solar-generated power from the Middle East and Northern Africa to Europe. “What’s needed in the Balkans is an infrastructure upgrade. It’s not starting from scratch (...) Since these are all EU accession countries, political stability is ensured over the long run,” he says.

On paper, the Balkans looks like a Shangri-La for clean-energy production. Albania stands atop the list with 70,000 GWh of final energy production possible by 2020 – a mix of large hydro, bio-energy, and onshore wind power. Bosnia Herzegovina, Montenegro, and Serbia follow well behind Albania, but they and the other countries of the Western Balkans all have potential that easily outstrips their 2020 targets. The regional potential of solar PV has not yet been fully assessed.

“The EU targets don’t reflect potential, but rather where these countries are now and where they have to be by 2020,” says Robert Pasicko of the Energy and Environment Office at the United Nations Development Programme in Zagreb, which is promoting EU member state and third country cooperation. In other words, officials like Pasicko say that they could meet current targets and still have plenty to export, should the right investments be made.

“Clean-energy investments in this region are too risky for many investors,” says Türk, whose institute is involved in promoting the project, known by its acronym [BETTER](#). The feed-in tariffs are either low or subject to change, he says. “Demand from Western Europe may be more predictable and less risky,” says Türk.

The entire region is just now setting its sights on increasing renewable energy capacity, which currently exists mostly in the form of small-scale hydroelectric. Croatia, which joined the EU this year, has an action plan in line with the EU’s 20-20-20 goals that encourages low-carbon energy production, in particular biomass, biogas, cogeneration, and small hydroelectric plants. It hopes to add 80,000 new green jobs to its economy through clean-energy production and energy efficiency measures.

The other countries, which are involved in accession negotiations, will finalize their own action plans with renewable energy targets in 2014. EU energy policy in the Western Balkans is guided by the [Energy Community Treaty](#), which extends the EU internal energy (electricity and gas) market to South East Europe and beyond. This cooperation encompasses investment support, including [for fossil fuel production](#), which EU officials say is necessary for ensuring supply security.

“The idea is good in principle because these countries [of the Western Balkans] can incentivized onshore wind for technical reasons and solar PV production at relatively small volumes for cost reasons,” explains Nebojsa Arsenijevic, Manager of the International Finance Corporation's Balkan Renewable Energy Program. Arsenijevic explains that if producers export their renewable power together with guarantees of origin, they wouldn’t be eligible for the national feed-in tariff nor would the output count toward their country’s renewable energy goals.

“But at least some of them [utilities or other producers] see the lure of foreign investment and a steady buyer willing to pay for renewable energy as potentially better or less risky deal,” says Arsenijevic, who is based in Belgrade. Currently, there is no legal barrier to such cooperation. The Western Balkan countries, however, are in the process of setting up the legal framework for guarantees of origin that will include mutual acceptance of these guarantees, says Arsenijevic. He expects that framework be in place by the end of 2014.

Indeed, there are deals already underway and others percolating. Italy is at the center of most of them, preparing to import 6 TWh a year of electricity from the Balkans – primarily Albania, Montenegro, and Serbia. The first project is a 118 MW-capacity hydroelectric power plant on the Ibar River in central Serbia that will cost 300 million euro. Simultaneously, the Italian TSO Terna is currently constructing a 1,000MW cable that will run for 390km along the Adriatic Sea bed from Tivat in Montenegro to Pescara in Italy. Another marine energy cable will connect southern Albania and Italy by 2016.

“Ultimately we're envisioning a Balkans energy corridor that runs from the Black Sea all the way to Montenegro and Albania and then to the rest of Europe,” says Türk. “This means

connecting all of the countries of former Yugoslavia and their neighbours, countries than had in the past been connected and even, in the case of Yugoslavia, exported energy.“

Yet there are skeptics, too, who worry that the Western Balkans are signing away their best clean-energy sites before the game has really even started. “As much potential as there may be,” says Pippa Gallop of the watchdog NGO [Bankwatch](#), “these countries have not met their 2020 goals yet. If they relinquish their prime sites, which is what they’re doing, then it is up-in-the-air whether they will meet their targets.”

Moreover, says Gallop, there are lower environmental and social standards in the region, which should not be taken advantage of so that EU member states meet their renewables targets. And, lastly, the new cables could also be used for transmitting conventional energies, including coal, a scenario that Bankwatch says would be counterproductive.

“What Italy wants is cheap energy, not necessarily green energy,” said one expert associated with the project, who asked to remain anonymous. “This means coal, which can be produced quite cheaply in the region.”

But Gallop agrees that in the long run, once a more level playing field is in place, promoting better interconnection between mainland Europe’s energy grid and those of its periphery are crucial steps toward an integrated energy grid across Europe. This is in “everyone’s interest,” she says.