

# PILLARS OF DEVELOPMENT

## ENERGY

This sector includes electricity generation and transmission, the market for renewable energy sources and energy efficiency. In 2021, Serbia supplemented the regulatory framework under the EU's Third Energy Package, and de jure liberalised the electricity market. Despite liberalisation, Elektroprivreda Srbije (EPS), as a state-owned company, remains the dominant supplier with about 98% market share.

In the case of renewable energy sources, new regulations have been adopted to encourage the production and sale of renewable energy. Incentives are provided in the form of a market premium system and feed-in tariffs for small plants. Both systems will be implemented through auctions and relate to the price of electricity, taking on balance responsibility and the right to priority access to the grid.

In the area of energy efficiency, new regulations have also been adopted. Implementing projects on contracting energy supply in public lighting in a significant number of local governments has begun. In contrast, the issue of cooperation between the public and private sectors regarding public facilities remains open.

Energy supply contracting for households and small consumers continue to operate at regulated prices, which have been partially adjusted in the past but are still below market levels. EPS is the leading supplier of electricity, although there are about 60 registered wholesalers. The number of members on the SEEPEX electricity exchange increased from 18 to 25.

Coal remains the dominant source of electricity production - more than 70% of annual production comes from coal-fired power plants. Coal mines are in relatively poor condition and need serious modernisation to meet demand.

Concerning electricity supply and efficiency of its use, COVID-19 had an initially negative impact that was eliminated by the end of the year. Electricity generation is higher by 2 per cent in the first half of 2021, relating to the same period before the outbreak of the crisis in 2019. The average FIC progress index in 2021 was 1.75 compared to 1.6 in 2019.

The Foreign Investors Council gave seven recommendations for improving the regulatory framework in this area. In the production of electricity, it is proposed to abandon price regulation; in the case of energy efficiency, the adop-

tion of a functional contract for public-private partnership, and in the case of renewable energy sources, the specification of the incentive system.

## TELECOMMUNICATIONS

The COVID-19 pandemic harmed the business of electronic communications operators in the Republic of Serbia in 2021. Only in the second half of this year, a gradual return of activities to more regular flows is noticeable. In the meantime, electronic communications operators continued their business aimed at developing the process of comprehensive digital transformation of society in order to meet the needs of citizens and the economy for "online" services, i.e. remotely.

It is crucial for further developing the electronic communications market in the Republic of Serbia to improve the existing regulatory framework. Particularly to harmonise it with the needs of operators and users, along with harmonisation with the regulatory practice of the European Union. In this context, the Foreign Investors Council welcomes activity on the new Law on Electronic Communications. It also supports the joint construction of broadband communication infrastructure in rural areas of the Republic of Serbia.

One of the preconditions for accelerated digitalisation is constructing a 5G network in the Republic of Serbia. The Foreign Investors Council expects that the auction for allocating rights to use radio frequencies from the radio frequency bands 700 MHz, 900 MHz, 2100 MHz, 2600 MHz and 3500 MHz will be conducted quickly, transparently and efficiently. Within this framework, removing barriers to the efficient construction of base stations is the critical assumption. Barriers are related to the non-harmonized legal basis for the implementation of the environmental impact assessment procedure of each base station, as well as insufficiently specific provisions defining the "source of non-ionizing radiation of special interest".

It would be helpful to amend the Regulation establishing the list of projects for which an impact assessment is required (List I) and the list of projects for which an environmental impact assessment may be required (List II). Telecommunications facilities should be excluded entirely from List II. The Foreign Investors Council also expects a more active role of the Government in combating conspiracy theories and false news about 5G technology to prevent attacks and disrupt the critical telecommunications infrastructure necessary for the provision of essential electronic communications services.



