

PILLARS OF DEVELOPMENT

ENERGY

This sector includes the generation and transmission of electricity, the market for renewable energy sources and energy efficiency. In 2021, Serbia supplemented the regulatory framework following the EU's Third Energy Package, and de jure liberalized the electricity market. In this regard, the year 2022 did not bring any regulatory novelties. However, the actual changes were dramatic. Due to the energy crisis in the world and economic sanctions, which interrupted the regular supply channels, Serbia faced significant challenges in ensuring a steady supply of all types of energy. In addition, the price shock due to the reduced supply of energy products and supply uncertainty was extremely strong, significantly increasing inflation and instability of the domestic market. The initial market liberalization hit the hurdle of increased costs for households and the economy, which is why the government introduced price controls.

Despite liberalization, the state-owned companies - Elektromreža Srbije, Elektroprivreda Srbije and EPS Distribucija - remain dominant players in this sector. However, the issue of their ownership transformation was relegated to the background. Instead, the point of their efficiency and ability to meet domestic demand came to the fore, which will be challenging to do without restructuring, changing business policy and improving management.

Coal remains the dominant source of electricity production – more than 60% of the annual output comes from coal-fired power plants. Coal mines are in relatively poor condition and need serious modernization to meet demand. Some of the largest thermal power plants will have to be phased out or overhauled. There is an increased import of coal to maintain production in thermal power plants. The transition to a “green” economy has been postponed for some time. There was a slight increase in the price of electricity, far below the prices at which this energy is imported. We do not know how it will be possible to avoid a new price increase, where sensitive customers must be protected.

In the case of renewable energy sources, a new legal framework and a package of incentive measures for producing electricity from these sources have been adopted, which foresees a competitive procedure for awarding incentives. That indicates prioritizing the sustainable production of electricity from renewable energy sources, which is

extremely important in the long term to avoid paying high fees for CO2 emissions that will rise in the European Union in the coming years.

A new regulation was also adopted in the area of energy efficiency. The Directorate for Financing and Encouraging Energy Efficiency was established, the purpose of which is given by the very name of the institution, and new regulations were adopted that regulate the financing of measures to improve energy efficiency and the use of funds for the implementation of energy efficiency measures. As a result, many local governments have begun implementing projects on contracting energy performance in the field of public lighting. In contrast, the issue of public and private sector cooperation in public facilities remains open. Particular emphasis is placed on the energy efficiency of new buildings in public ownership.

The Council of Foreign Investors has given ten recommendations for improving this area's situation. For example, in the case of electricity production, it is proposed to abandon price regulation despite the energy crisis; in the case of energy efficiency, the adoption of a functional contract for public-private partnership, while in the case of renewable energy sources, clarification of the incentive system is requested. As a result, the Council of Foreign Investors highly rated the progress in 2022 with an index of 2.50.

TELECOMMUNICATIONS

Business in 2022 was marked by the global crisis caused by the third year of the COVID-19 pandemic and the European political and economic situation due to the current events in Ukraine. Because of this, there has been an increase in business costs and a worsening of the conditions for carrying out activities globally and in Serbia particularly. Nevertheless, despite these aggravating circumstances, electronic communications operators continued to improve the quality of their networks and the services they provide to their users. That is especially significant due to the rapid development of “online” trade services and remote work.

However, in 2022 there was still a postponement in organizing the radio frequency spectrum auction for the implementation and development of 5G networks in the Republic of Serbia. The Council of Foreign Investors expresses the expectation that the preparations for the maintenance, as well as the auction itself for the allocation of the right to use the radio frequency from the radio frequency bands 700 MHz, 900 MHz, 2100 MHz, 2600 MHz and 3500 MHz,

