GREEN TRANSITION

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Adria Legal Group

2024.

The energy sector powers everything around us. Today's civilization consumes more energy in a single second than some ancient civilizations used over centuries.

Historically, changes in the energy sector have come gradually. However, we are now witnessing a dramatic acceleration, bringing us to a point where a complete transition from fossil fuels to renewable energy sources is expected within just a few decades.

Geographically, we are situated in Europe, and politically, socially, and culturally, most countries in the Adriatic region aspire to join the European Union. This context positions us well for the energy transition, though it also exposes us to significant risks.

Unpredictable events, such as the war in Ukraine, present challenges on our path to energy transition. Nonetheless, there is no alternative but to move forward, aligning with EU regulations. Accelerating the development of energy policies that conform to EU energy regulations and the National Energy and Climate Plan is essential.

Investor confidence is also critical. Without a clear and robust strategy, we risk damaging the investment environment, potentially delaying or preventing funding for new energy production facilities. Therefore, any changes to the current state-owned structure of the sector must carefully consider financial and security risks.

It is equally important to protect vulnerable groups and address the needs of the wider population across the energy sector. Decision-makers must focus on creating targeted, well-designed measures rather than enacting superficial policies that artificially lower energy prices for all consumers.

Here is a brief overview of the energy sector in the Adriatic region, spanning from Slovenia to Macedonia. Adria Legal Group is prepared to assist you in achieving your goals in this region. We offer the expertise and resources needed to provide a tailored approach, enabling you to conduct successful investments in each country where Adria Legal Group operates.

SLOVENIA

LEGAL **FRAMEWORK:**

The field of renewable energy sources (RES) in the Republic of Slovenia is regulated by several laws, namely the Electricity Supply Act (ZOEE), the Renewable Energy Sources Act (ZSROVE), the Act on the Introduction of Devices for the Production of Electricity from Renewable Energy Sources (ZUNPEOVE), the Energy Act (EZ-2), as well as a series of subordinate regulations that implement the provisions of the aforementioned laws.

Factual Situation:

Solar and wind power plants are becoming an increasingly important part of the overall electricity production in Slovenia. In 2023, Slovenia achieved and slightly exceeded its target of a 25% share of RES in gross final energy consumption, reaching a 25.3% share. This result was driven by a combination of factors, including favorable weather conditions for hydropower plants and significant investments in solar energy, where substantial progress was made.

INCENTIVES

In Slovenia, there are several incentive systems to support RES. These measures are designed to promote the use of renewable energy, increase energy efficiency, and reduce greenhouse gas emissions. If the production costs of electricity from RES exceed the prices that can be achieved for such energy on the market, producers can be granted support for this energy in accordance with the provisions of the ZSROVE, which specifies the conditions that production devices must meet. A prerequisite for obtaining support is successful application in a public call published by the Energy Agency (based on the decision of selection, the investor receives a declaration and a decision on the allocation of support after the construction of the device). According to ZSROVE, support can be provided as guaranteed buyout or as operational support for ongoing operations. Below are the main measures and incentives:

Support Schemes for Electricity Production from RES:

a) Guaranteed Purchase of Electricity: Producers of electricity from renewable sources can enter into contracts for the guaranteed purchase of electricity at a fixed price.

b) Financial Grants and Co-Financing for Projects: The government provides subsidies for the construction of new plants that produce electricity from RES (incl. co-financing for individuals, businesses, and communities investing in technologies such as solar power plants, wind turbines).

Incentives for Energy Efficiency and the use of RES:

a) Non-Refundable Grants for Households and Businesses: Slovenia offers non-refundable grants to improve energy efficiency and the use of renewable energy (incl. subsidies for building insulation, replacing old heating systems with more efficient ones, etc.).

b) Eco Fund: The Slovenian Environmental Public Fund (Eco Fund) is the main source of financing for renewable energy and energy efficiency projects. It offers favorable loans and grants for individuals and businesses to undertake energy renovations or install renewable energy systems.

Tax Benefits and Reductions:

Reduced Value-Added Tax (VAT): a lower VAT rate is available for certain investments in RES.

Green Certificates Trading:

Green certificates: Slovenia has a green certificate trading system that certifies a certain amount of energy has been produced from renewable sources.

PROSUMERS

Until the adoption of the ZUNPEOVE, the ZSROVE already regulated the active consumer (prosumer) in the field of self-supply with electricity from RES. The right to self-supply is exercised by end consumers individually, in community self-supply, or through aggregation. With the adoption of the ZUNPEOVE, the field of active consumer is comprehensively regulated, not only in the field of electricity production from RES.

Granting of Grid Connection Rights

A solar power plant can be installed on the roof of a building or on a real estate property, where the owner of the estate or the building is also the owner of the solar power plant; or on a third party's building (a so-called solar roof lease). The key question in this respect is whether the solar power plant becomes part of the real estate property and loses its legal and physical autonomy, or it nevertheless retains the status of movable property. If the solar power plant becomes an integral part of the real estate property (the permanent functional connection between the parent object and its components is essential), it is the rule that the ownership right, any encumbrance on that real estate extend to the solar power plant (a building title can be the legal basis for the use of another's real estate property). However, in the Republic of Slovenia, the technical design of the installation of a solar power plant on a real estate property is in most cases such that the installation does not constitute an component of a real estate property. As regards the entitlement to use another's real estate property, a quasi-easement is relevant; the latter includes several entitlements to use another's real estate property (installation on another's real estate, access to the installation for the purpose of its maintenance, operation of the installation), for the benefit of a specific person. Therefore, a right to lease (with specified use) is also an appropriate contractual right within the law of obligations.

Instalation and procedure

The connection of a renewable energy device to the electricity grid in Slovenia is carried out according to a defined procedure, which differs depending on whether the device requires a building permit or is a simple self-supply production device. The connection process is carried out based on a unified application for obtaining consent, whereby self-supply production devices of end consumers with a connection power not exceeding 50 kW can be connected to the grid by submitting a simple connection application.

SOLAR **ENERGY**

In 2023, solar energy contributed approximately 18.8% to the total renewable electricity production in Slovenia, marking a significant increase compared to previous years. The country aims to further increase this share, primarily through growing investments in rooftop solar installations on residential and commercial buildings.

In Slovenia, the electricity market is regulated by the Energy Agency and follows rules that are part of the European energy market. Electricity is traded at various levels: from production to retail (production market - on this market, electricity producers sell their power; Wholesale market: this is where electricity is traded between different entities not directly involved in production or consumption; retail market: on this market, licensed electricity suppliers sell power to end users.

Consumers can choose from different providers and tariffs.) However, most electricity tariffs in Slovenia are market-driven, meaning prices can fluctuate based on market conditions.

EZ-2 in ZOEE regulate the production, transmission, distribution, and supply of electrical energy. They also include provisions related to the integration of energy storage solutions into the power system.

In Slovenia, an energy permit is required for the production of electricity from renewable sources in the following cases:
- for larger installations: if the power capacity of the plant exceeds certain thresholds (typically 1 MW for solar power plants and 0.5 MW for wind power plants), an energy permit is required;

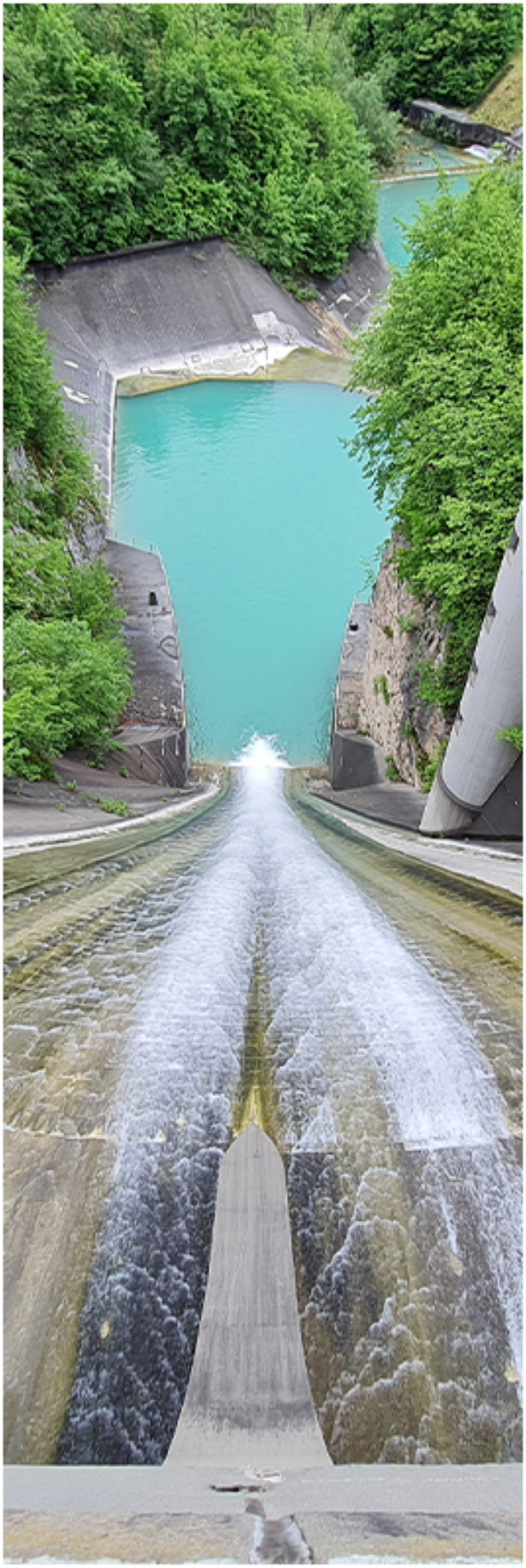
- construction of new plants: if you plan to build a new production plant using RES (e.g., solar panels, wind turbines, hydroelectric plants), you will need to obtain an energy permit.

- increasing capacity of existing plants: if you want to increase the capacity of an existing plant for renewable energy production, which could mean expanding capacity beyond a certain threshold, you will need a new energy permit;

- equipment replacement: in some cases, when replacing major production equipment, there may be a need to reprocess energy documentation and obtain a new permit.

The process of obtaining an energy permit involves preparing and submitting various documents, such as technical descriptions of the project, environmental impact assessments, and other relevant information.

Construction of new plants



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CROATIA

LEGAL **FRAMEWORK:**

The Republic of Croatia is increasingly utilizing renewable energy sources, particularly solar power, but challenges remain in aligning consumer needs and creating a more favorable legal framework for investors. Although recent years have seen a growing political will to streamline administrative processes, the existing legal framework still poses barriers to significant investment in renewables. Key legislation governing renewable energy development includes the Electricity Market Act (Official Gazette no. 111/2021, 83/2023; Croatian: "ZoTEE") and the Renewable Energy Sources and High-Efficiency Cogeneration Act (Official Gazette no. 138/2021, 83/2023; Croatian: "ZOIEiVUK"), along with several bylaws that provide a comprehensive regulatory structure to support the sector`s growth.

Renewable Energy Sources (RES)

Croatia has a diverse electricity production system that includes hydropower, geothermal, wind, solar, and nuclear energy. This diversity ensures a stable energy supply, unlike some European countries reliant on fewer sources. In 2023, Croatia produced approximately 16,800 GWh of electricity, with nearly 70% coming from renewables, primarily hydropower, wind, and solar. Geothermal energy is also gaining attention, as Croatia's geothermal gradient is 60% higher than the European average. The Croatian Hydrocarbon Agency has identified 75 areas suitable for geothermal exploitation, split between thermal energy and electricity production.

Incentive and Support Systems

ZOIEiVUK recognizes the following types of incentives for RES: (i) incentives through market premiums, and (ii) incentives through guaranteed purchase prices, which are both realized through a competitive bidding process conducted by energy market operator (Croatian: HROTE).

Market premium incentive system

Support instrument that grants the right to receive a market premium equal to the difference between the reference value of electricity and the reference market price, per unit of production, which aim is to encourage the construction of new production facilities and units that utilize renewable energy sources, as well as new high-efficiency cogeneration plants. It represents in fact a monetary amount paid by HROTE to a privileged electricity producer for the net delivered electricity from a production plant or production unit to the power grid, in accordance with the provisions of ZOIEiVUK.

Guaranteed purchase price

Support instrument paid by HROTE to a privileged electricity producer for the net delivered electricity from a production facility or production unit into the power grid, based on a power purchase agreement with a guaranteed purchase price and equals to the difference between the guaranteed purchase price defined by the electricity purchase agreement with the guaranteed purchase price and the market price of electricity, per unit of production.

SOLAR **ENERGY**

Currently most incentives are provided for solar power plants national and local public institutions (for example cities, counties, the Environmental Protection and Energy Efficiency Fund (Croatian: FZOEU)). Currently, only national incentives are provided by the FZOEU, which publishes a public call once a year. However, cities and municipalities are increasingly offering incentives (in terms of co-financing the costs of creating the main project and the procurement, installation, and integration of solar power plants for households) for their residents (family houses), covering over 90 percent of the incurred costs for households.

Installation, procedure, land use rights

According to Croatian construction laws, solar power systems and related structures up to 10 MW can be built without a permit but must comply with the main project. Developers must provide a main electrical engineering project, evidence of property ownership, and other relevant permits. Land use rights, either through ownership or lease, are essential.

Permit for an integrated solar power plant issues HEP-Distribution System Operator (Croatian: HEP-ODS) and requires a main electrical engineering project (detailing the system size, technical specifications, CO2 emission reductions, energy balance, and savings). To obtain installation and commissioning permits, necessary documentation includes proof of ownership, building permits, occupancy permits, a completion certificate, and electricity consumption records. The construction time varies based on documentation and system size; for example, a four-member household in continental Croatia typically needs a 6 kW system, while in coastal areas, a 4 kW system is often sufficient.

Grid Connection Procedures

Permits for grid connection in Croatia are obtained from the Croatian Transmission System Operator (HOPS), with fees set by the Croatian Energy Regulatory Agency (HERA). The process can take up to two years, though efforts are being made to shorten it. A challenge remains as HOPS does not guarantee the amount of electricity that will be integrated back into the grid, potentially leaving producers with surplus electricity and storage issues.

STORAGE

Electric energy can be stored by converting it into another form of energy. Licensed energy storage operators can participate in electricity markets and are financially responsible for deviations in the power system, though they can transfer this responsibility contractually. Energy storage activities can also be performed without a license if: a) the total capacity is up to 500 kW, or b) storage occurs during testing phase and up to 60 days after, pending license issuance.

There are two types of electricity markets:

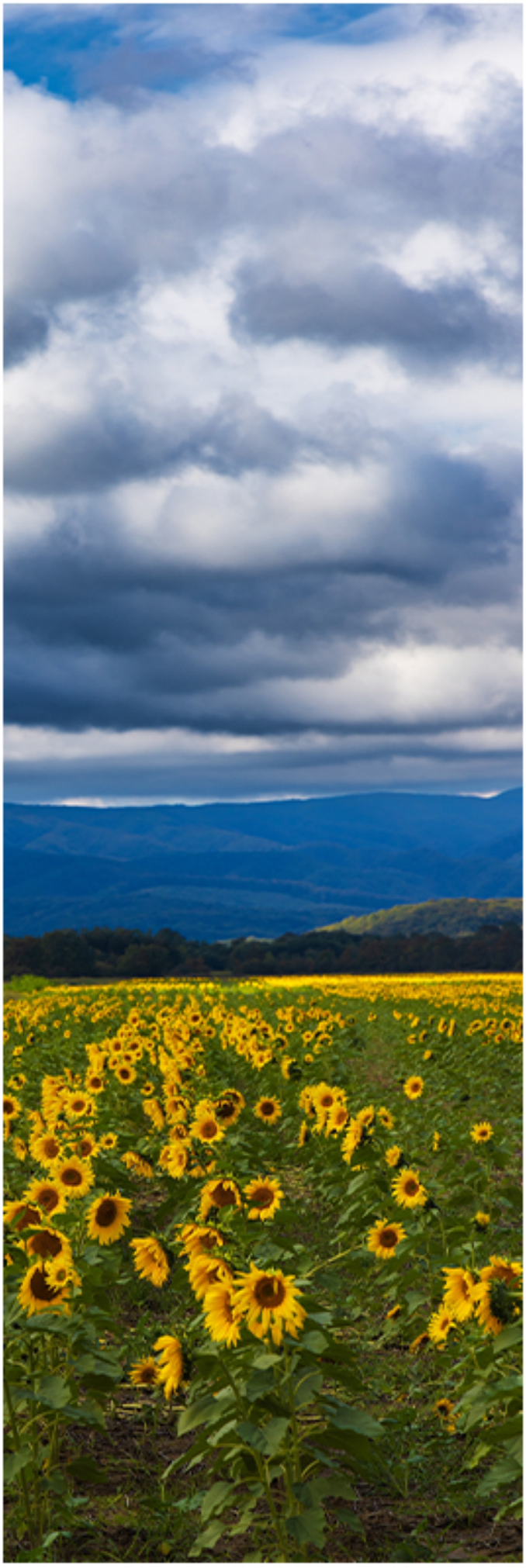
Bilateral market model (active mostly during the initial phase, before establishment of organized electricity market), which has been enhanced by the Electricity Market Organization Rules (hereinafter: "EMOR") with a model of balancing groups, wherein electricity trading is conducted through bilateral agreements.

Organized electricity market (Croatian: Hrvatska burza električne energije - CROPEX), includes a) producers, b) suppliers, c) traders, and d) end customers.

Producers, suppliers, and traders must obtain an energy license from HERA, sign an imbalance responsibility agreement with HOPS, and a market participation agreement with HROTE to qualify for CROPEX membership. HOPS procures electricity for system balancing, and each balancing group leader (producer, supplier, or trader) is responsible to HOPS for deviations from their contractual schedules.

As of this year, the Republic of Croatia has permitted the installation of agrisolar power plants on all agricultural lands with permanent crops registered in the ARKOD registry. Agrisolar systems combine energy production with food production on the same land, promoting agricultural development. With this move, Croatia joins 10 EU countries actively advancing agrisolar systems, efficiently linking the agriculture and energy sectors.

Agrosolar systems



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SERBIA

LEGAL **FRAMEWORK:**

Serbia is aligning its laws with EU and EC directives, particularly concerning the green transition. A major step in this process was the adoption of the Law on the Use of Renewable Energy Sources, which represents a significant advancement, as the renewable energy sector was previously under-regulated, with minimal provisions under the Energy Law.

Factual Situation:

Before the 2021 law, investments in RES were primarily focused on wind power plants. The new law has expanded interest to other types of RES, such as solar and biomass power plants.

According to 2023 data from the Energy Agency of the Republic of Serbia (AERS), total power production was 37,693 gigawatt hours. Thermal power plants contributed approximately 60% of the total production. The share of RES power plants is approximately 36% of the total production, with old hydropower plants (constructed by Elektroprivreda Srbije) contributing around 90% of this share, wind power making up 2.8%, and solar and other RES types contributing about 1.2%.
Serbia aims to achieve 49.6% RES in total power production by 2040, highlighting the importance of RES projects.

Incentives

The Law on Renewable Energy Sources (RES) outlines a comprehensive list of power plants using RES, including hydro, biomass, biogas, wind, solar, geothermal, biodegradable waste, landfill gas power plants, and other power plants utilizing RES. Potential investors in any of these listed power plants may be eligible for incentive measures. However, it's important to note that to qualify for incentives, the power plants must be new or reconstructed.
Two types of monetary incentives are available: Market Premium and Feed-in Tariff.

Market Premium

The market premium is the primary incentive for RES, whereby the guaranteed supplier (Elektroprivreda Srbije – EPS) pays the market premium (determined in euro cents per kilowatt hour) to the privileged producer in addition to the market price for each sold kilowatt hour.

Currently, only for wind power plants, a quota has been set at 400 megawatt-hours, with the maximum market premium established at 5.56 eurocents per kilowatt hour.

Participants whose bids are selected will gain the status of a temporary privileged producer. This status lasts for two years, during which time the temporary privileged producer must draft an environmental impact assessment (with some exceptions) and obtain a construction permit. Upon fulfilling these conditions, the validity period of the temporary privileged producer status is extended for an additional three years, during which the power plant must be constructed, and a usage permit obtained. The privileged producer is entitled to the market premium for a period of 15 years, starting from the date of the first payment.

If the selling price exceeds the amount of the market premium, the privileged producer is required to pay the positive difference to the guaranteed supplier (the difference between the selling price and the allocated market premium from the auctions).

Feed-In Tariff

A Feed-In Tariff (FiT) is a policy mechanism designed to encourage the adoption of renewable energy sources by providing a guaranteed purchase price for the electricity generated by renewable energy producers. Under this scheme, producers receive a fixed payment for each kilowatt-hour (kWh) of electricity they sell to the grid, typically over a long-term contract.

PROSUMERS

A significant innovation introduced by the Law on RES is the concept of the prosumer. This allows both households and companies to install solar power plants on their properties, connect them to the grid, and consume the electricity they generate. In the case of overproduction, prosumers can deliver the surplus energy to the grid and retrieve it when needed.

GRANTING OF GRID CONNECTION RIGHTS

Under the Energy Law, producers of electric energy from renewable energy sources (RES) have the right to access the grid. To exercise this right, producers must initiate an administrative procedure with the relevant transmission or distribution system operator, depending on the plant's capacity.

The connection request can only be submitted to the transmission/distribution system operator after obtaining a construction permit for the RES power plant.

LAND

The first step in the process of building a renewable energy source (RES) power plant is selecting a suitable location. A key innovation introduced by the Law on Spatial Planning and Construction benefits potential investors by allowing RES power plants to be constructed directly on agricultural land, without the need to change the land's designation from agricultural to constructional. Additionally, no special approval is required to build an RES power plant on agricultural land. However, to proceed with obtaining the necessary permits, the investor must either acquire ownership of the land parcel(s) or enter into a lease agreement with the landowner(s).

ENERGY PERMIT

Upon choosing the land for the power plant, and before obtaining the construction permit, an investor is obliged to obtain an energy permit for the future RES power plant. The Ministry is the competent state body authorized to issue energy permits upon the request of an investor. The energy permit is valid for three years and may be extended upon request of the holder but it is not transferrable.

In case an investor intends to construct a power plant with installed power up to 1 megawatt hour, it is relieved from this obligation. The same applies if the power plant is built through a private-public partnership or a concession.

BALANCING **RESPONSIBILITY**

Generally, the guaranteed supplier is responsible for taking on the balancing responsibility for renewable energy source (RES) producers. However, recent amendments to the Law on RES specify that while the guaranteed supplier assumes balancing responsibility for users of the market premium, these users are now required to pay the guaranteed supplier (i) a certain percentage of the allocated market premium for each produced megawatt hour, and (ii) the positive difference between the sold and produced electric energy, calculated based on the day-ahead market price.
Additionally, the guaranteed supplier will bear the balancing responsibility and costs for RES producers who are under the feed-in tariff system until the expiration of their incentive period.

Storage

Electric energy storage has been introduced into the energy system of the Republic of Serbia through recent amendments to the Energy Law. Notably, this activity does not require an energy license.
Under the Energy Law, an entity engaged in electric energy storage can provide storage services to other market participants and buy and sell electric energy.

Additionally, the Law on Renewable Energy Sources (RES) grants prosumers the right to store electric energy independently for their own needs. However, despite being established by the Law on RES, there are currently no such energy storage entities operating in the Republic of Serbia.

Sales

Producers of renewable energy sources (RES) may freely sell electric energy on the market and enter into bilateral power purchase agreements (PPAs). These agreements must include, in addition to the general clauses outlined in the Law on Torts and Contracts, specific provisions such as supply dynamics, methods of calculation and payment terms for the purchased electric energy, procedures for notifying the customer about price changes, conditions of electric energy supply, and methods for resolving disputes.

Energy Law

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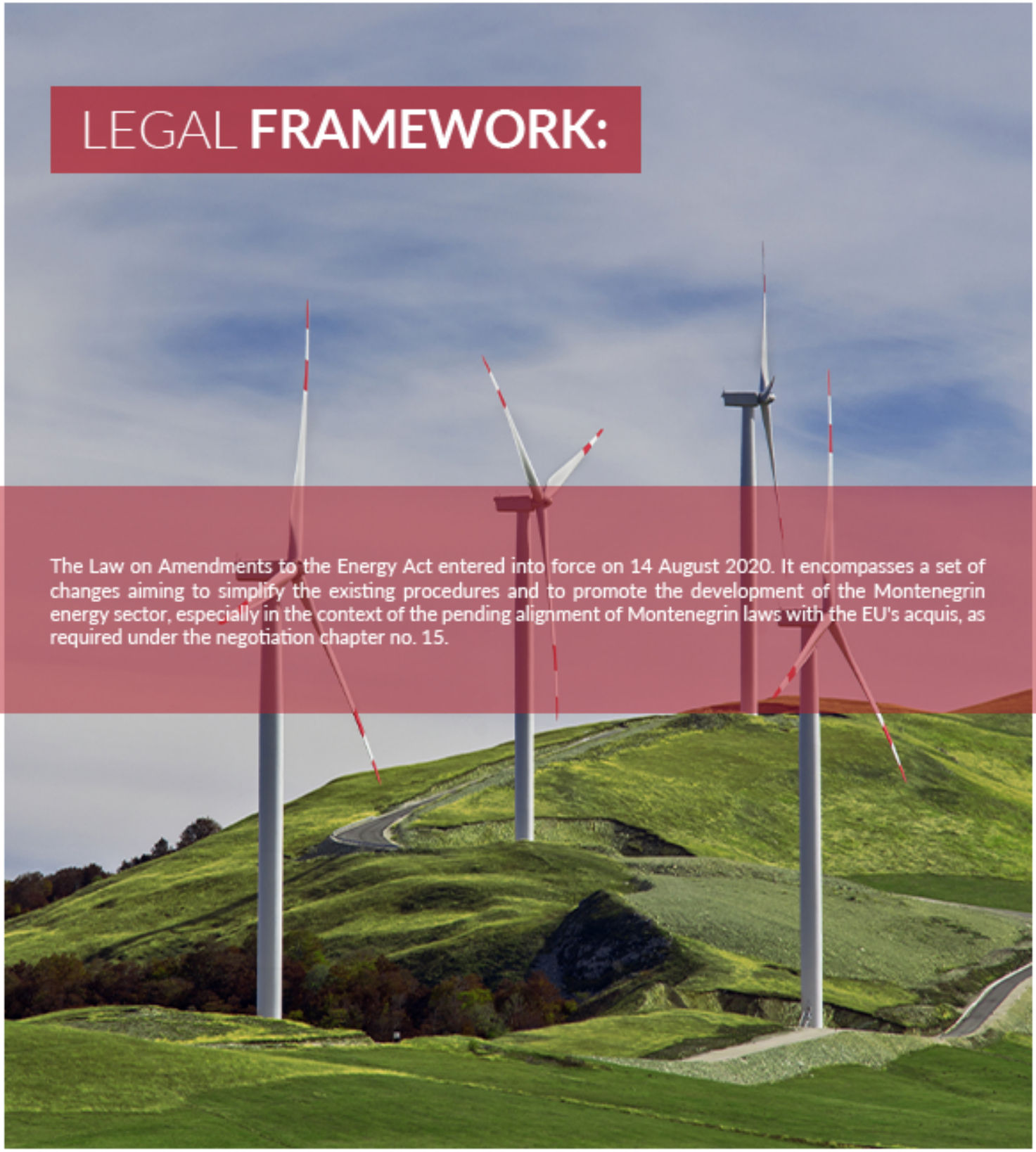
MONTENEGRO

LEGAL **FRAMEWORK:**



The Law on Amendments to the Energy Act entered into force on 14 August 2020. It encompasses a set of changes aiming to simplify the existing procedures and to promote the development of the Montenegrin energy sector, especially in the context of the pending alignment of Montenegrin laws with the EU's acquis, as required under the negotiation chapter no. 15.

FACTUAL **SITUATION**

Electrification process in Montengro has been dominantly based on hydropotential as a main renewable source of energy. In the recent past the development of renewable sources of energy intensified with the construction of the first wind power plants Krnovo with the capacity of 72 MW and Mozura with the capacity of 46 MW. In addition, it was announced that the construction of the wind power plant Gvozd with the capacity of 56 MW.

The first solar power Plant "Cevo" with a capacity of 6 MW has been opened in 2023. There are other projects for power plants, mostly solar but realization is very slow due complicate procedure. There are 100 investors waiting approval for the construction.

After reaching a target set at 33 % the Montenegro government in 2021 repealed the decree on incentive prices for electricity. Until Montenegro has been supporting renewable energy producers through feed-in tariffs. Montenegro plans to launch its first auctions for market premiums for the construction of renewable energy power plants in 2025.

The concept of "Prosumers" is a key part of promoting renewable energy and enhancing energy efficiency, as outlined in the Law on Energy. Prosumers, who are both consumers and producers of electricity, can install solar panels on their properties, maximizing the use of space while actively contributing to the production of green energy.

GRANTING OF GRID **CONNECTION RIGHTS**

Under the Energy Act, producers of electric energy from renewable energy sources (RES) have the right to access the grid. The changes seem to involve updates in regulations or policies related to how connections to electricity or gas transmission and distribution systems are managed. These adjustments focus on a few key points:

Replacement of Consent with a Connection Contract

The previous requirement for consent to connect to a transmission or distribution system has been replaced by a more formalized connection contract. This likely provides clearer terms, conditions, and obligations for both the system operator and the entity seeking connection.

New Rules for Connection Infrastructure

There are new provisions allowing entities to construct their own connection infrastructure at their own expense. This gives more flexibility and possibly accelerates the connection process by allowing the customer to take more responsibility in building the required infrastructure.

Temporary Connections

The introduction of rules regarding temporary connections to the electricity or gas systems allows for more adaptability. This could be useful for short-term projects, testing, or events that require energy or gas supplies for limited durations.

The electricity distribution system in Montenegro is overseen by CEDIS (Crnogorski Elektrodistributivni Sistem), which became an independent entity in June 2016 after separating from EPCG (Elektroprivreda Crne Gore), the previously vertically integrated energy company.

Land

The first step in the process of building a renewable energy source (RES) power plant is selecting a suitable location. As it was the case in Serbia it is possible to construct power on agricultural land, without the need to change the land's designation from agricultural to constructional. Additionally, no special approval is required to build an RES power plant on agricultural land. However, to proceed with obtaining the necessary permits, the investor must either acquire ownership of the land parcel(s) or enter into a lease agreement with the landowner(s).

7. Energy permit

Upon choosing the land for the power plant, and before obtaining the construction permit, an investor is obliged to obtain an energy permit for the future RES power plant. The Ministry is the competent state body authorized to issue energy permits upon the request of an investor. The energy permit is valid for three years and may be extended upon request of the holder but it is not transferrable.

The energy permit is issued for a period of 2 years, but this period can be extended at the request of the permit holder for up to one additional year. Therefore, the total duration can be up to 3 years, with the extension.

8. Balancing Responsibility

In Montenegro's energy market, balancing responsibilities refer to the obligations of market participants to maintain the equilibrium between electricity generation and consumption in real-time. This is critical for ensuring the stability and reliability of the electricity grid. The balancing mechanism is a key component of energy market operations and is typically managed by the Transmission System Operator (TSO), which in Montenegro is CGES (Crnogorski Elektroprenosni Sistem).
The Market Participants are Producers, Suppliers and Consumers. Imbalance Settlement are based on Balancing Service Providers which provides additional electricity or reduce consumption as needed to stabilize the grid and on Imbalance Charges in the case of deviation from forecast values which incur imbalance charges. This incentivizes accurate forecasting and planning to minimize grid disturbances.

The Transmission System Operator is responsible for balancing the entire national grid in real time. CGES monitors supply and demand on the grid and activates balancing services when necessary. CGES also operates in the balancing market, where energy is traded in near real-time to ensure grid stability. Participants offering balancing services are compensated based on market rules.
The balancing market functions as a last resort mechanism to correct any imbalances not resolved by market participants. In Montenegro, this is aligned with European energy regulations to enhance market efficiency. Prices in the balancing market can fluctuate significantly, reflecting the urgent need for additional power or demand reductions, making accurate forecasting crucial for participants.

9. Sales

Producers of renewable energy sources (RES) may freely sell electric energy on the market and enter into bilateral power purchase agreements (PPAs). These agreements must include, in addition to the general clauses outlined in the Law on Torts and Contracts, specific provisions such as supply dynamics, methods of calculation and payment terms for the purchased electric energy, procedures for notifying the customer about price changes, conditions of electric energy supply, and methods for resolving disputes.
Montenegro's energy market has undergone significant liberalization in line with European Union energy market regulations. This has included opening up the market to competition in generation and supply, and unbundling distribution from transmission.

Renewable Energy

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BOSNIA AND HERZEGOVINA

LEGAL **FRAMEWORK:**

For the development of power infrastructure facilities in BiH, such as power transmission lines, thermal power plants and other renewable energy sources (RES) facilities such as hydroelectric power plants, wind power plants, biomass power plants and solar power plants, it is necessary to carry out certain procedures and obtain a large number of permits and other administrative acts (approvals, consents, opinions) from various authorities in Bosnia and Herzegovina.
4 steps are important: 1) defining projects of public interest; 2) spatial planning; 3) procedure for obtaining permits; and 4) provision of land or land use rights.

The factual situation

The aim of the current laws is to promote and regulate the production of electricity and heating and cooling energy from renewable energy sources and efficient cogeneration (RES and EK), as well as the use of renewable energy sources (RES) in transport for consumption on the domestic market and increasing the share in total energy consumption , and ensuring the development of incentive measures, regulatory framework and technical infrastructure for RES and EC.

Bosnia and Herzegovina has a great technical potential of renewable energy sources, such as solar potential, which is 2,963.7 MW, followed by wind potential of 13,141.1 MW and hydro potential of 6,110 MW. This means that in addition to hydropower plants, whose cost-competitive potential is 2,510 MW, BiH also has a large cost-competitive solar and wind potential.
In the last seven years, more precisely from 2015 to 2022, the share of RES from hydropower plants has not changed significantly and was still over 95%, with a moderate increase coming from wind power plants and more recently from solar power plants.

Incentives

The Law on Electricity, in connection with incentive measures for producers of electricity from renewable energy sources, stipulates that a producer who produces electricity using RES and EK can achieve incentives for production in accordance with the regulations governing the field of renewable energy sources and efficient cogeneration.
Certain monetary incentives are available, with the two most commonly used being: Feed-in Tariffs and Feed-in Premiums.

FEED-IN **TARIFF**

A feed-in tariff is a tariff instrument that guarantees a fixed price for electricity produced from renewable energy sources and, as such, delivered to the electricity grid. With electricity buyers-producers, the state signs a contract on the basis of which it undertakes to pay a defined price in advance for each kilowatt-hour of electricity supplied to the network for a certain period of time (several years). The amount of the fee within the feed-in tariff can be determined in two ways: on an administrative basis or through specific tenders.

Recently, more and more resort is being made to a combination of different market instruments, whereby the so-called hybrid instruments. One example of a hybrid instrument is auctions (tenders) which, before the actual creation of the project, determine the capacity, production technology, and, sometimes, the location of the plant.

By applying this type of market, managers assume a significant role in determining the price per unit of electricity, which ultimately defines it based on: different offers, the price offered by the manager, as well as other criteria related to the plant itself. Given their flexibility, auctions have proven to be a very useful tool because, in this way, adjustments are made both to the buyer-producer and to the interest of the state. Comparing the feed-in tariff and auctions, it is possible to notice the difference only in terms of prices. In the case of the feed-in tariff, it is determined by the creators of the market policy itself, while in the case of auctions, the price is defined by competitive bidding between participants.

FEED-IN **PREMIUM**

One of the market-oriented incentive systems is, in fact, a premium system (feed-in premium) which functions in such a way that the buyer-producer of electricity sells the produced electricity directly to the market, and receives an additional amount of the premium for the predetermined price of the electricity sold.

Since in this case the market policy is much more transparent, compared to feed-in tariffs, it is applied for the gradual integration of renewable energy sources. The effectiveness of premiums depends on the degree of exposure to risks in the market, and, in this sense, they can be fixed and variable (defining the highest and lowest value of the premium in certain time intervals). Producers, which are "characterized" by a variable premium, are less exposed to market risks than producers with a fixed premium.

Prosumer means an electricity consumer who produces electricity from RES and EC for part of his needs from his own energy plant. According to the new legal solutions, the end customer has the right to connect a power plant that uses renewable energy sources to the internal electrical installations of his facility for his own consumption.
The end customer acquires the status of a prosumer by connecting the power plant to the internal electrical installations of its facility and by regulating contractual relations with the competent distribution system operator and supplier, and has rights and obligations from the law and the law governing the field of electricity.

Depending on the technical characteristics and location of the facility, production energy facilities have the right to access the network upon fulfillment of certain conditions and steps.

To access the transmission network, the investor should go through the following steps:
1) Obtaining consent in principle for connection;
2) Obtaining conditions for connection;
3) Conclusion of the connection contract;
4) Obtaining approval for connection.

The connection conditions are a technical document that defines the minimum technical, structural and operational criteria that must be met for the connection of a production energy facility to the transmission network. After obtaining a construction permit and conditions for connection, the investor signs a Connection Agreement with "Elektroprenos BiH", which defines all technical, legal and economic conditions for connection to the transmission network, as well as all characteristics of the construction of the connection, future ownership relations as well as future working relations and maintenance of facilities between the investor and "Elektroprenos BiH".

Producers of renewable energy sources can freely sell electricity on the market and conclude bilateral contracts on the purchase of electricity.
Electricity trading is the activity of buying and selling electricity on the wholesale market, excluding sales to end customers.
The sale of electricity can be performed by an electric power entity on the basis of a permit issued by the Regulatory Commission or other regulatory commissions in Bosnia and Herzegovina.
The electricity trader is obliged to make relevant data related to the purchase and sale of electricity available to the competent regulatory commissions and competent authorities and bodies for the protection of market competition.

The first step in the process of building a power plant based on renewable energy sources (RES) is choosing a suitable location. However, in order to proceed with obtaining the necessary permits, the investor must either acquire ownership of the land plot or enter into a lease agreement with the land owner. The construction of power plants in BiH is not allowed on agricultural land, but the purpose of the land must be changed for special purposes. Some municipalities in the country have started making local decisions allowing the construction of power plants on certain agricultural lands.

An energy permit is an administrative act that authorizes the investor to build or reconstruct an electric power facility if it meets the legal requirements in the field of electric energy (eg stability of the energy system, environmental protection, energy efficiency, etc.). The procedure for issuing a license for the production of electricity is initiated at the request of the investor.

The storage of electricity was introduced in the new Law on Electricity by the latest amendments to the law.
The activity of energy storage can be carried out by an energy storage operator who has the appropriate license to perform the activity issued by a state authority.

Green Transition

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REPUBLIC OF NORTH MACEDONIA

LEGAL **FRAMEWORK:**

The Macedonian legal framework covering renewable energy sources consists of provisions under the Energy Law and by-laws arising from the Law, including a Decree on measures of support to the production of electricity from renewable energy sources.
The implementation of the Energy Law provisions regulating renewable energy sources indicated that certain legal solutions should be changed, and a draft Law on Renewable Energy Sources was published on the National Registry of regulations is still open for discussions, but has not been adopted yet.

Factual Situation:

According to the Energy Law, power plants that use renewable energy sources to produce electricity are: hydro power plants, wind power plants, photovoltaic power plants, biomass thermal power plants, biogas thermal power plants and geothermal power plants.

Following the data of the National Electricity Market Operator - MEMO, in June 2024, 28.095.837 KWh were produced from 175 preferential producers of electricity from renewable sources in the country.Whereas, 12,987,460 KWh were produced from 90 small hydropower plants, 1.937.091 KWh were produced from 79 photovoltaic power plants, 9.734.102 KWh were produced from two wind power plants and 3.437.184 KWh were produced from five biogas thermal power plants and biomass thermal power plants.The share of electricity produced by preferential producers of electricity from renewable sources is 7.83%.The total installed power from preferential electricity producers from renewable sources is 177.336 MW.

Incentives

In North Macedonia, the preferential tariff and the premium are available as measures of support for the production of electricity from renewable energy sources.

The Energy Law regulates the procedure for acquiring the status of preferential producer which is a producer of electricity from renewable sources that uses one of the support measures and incentives given by the Law. The preferential tariff is determined in euro cents per kilowatt hour for each sold kilowatt hour and is awarded to a preferential producer from wind power plant for a period of 20 years and photovoltaic power plant or a period of 15 years.
A preferential tariff is granted to a preferential producer for manufactured electricity from the following types of power plant technologies: hydro power plant, wind power plant, biomass thermoelectric power plant (thermoelectric power plant that as fuel uses biomass), and biogas thermoelectric power plant (thermoelectric power plant that as fuel uses biogas).

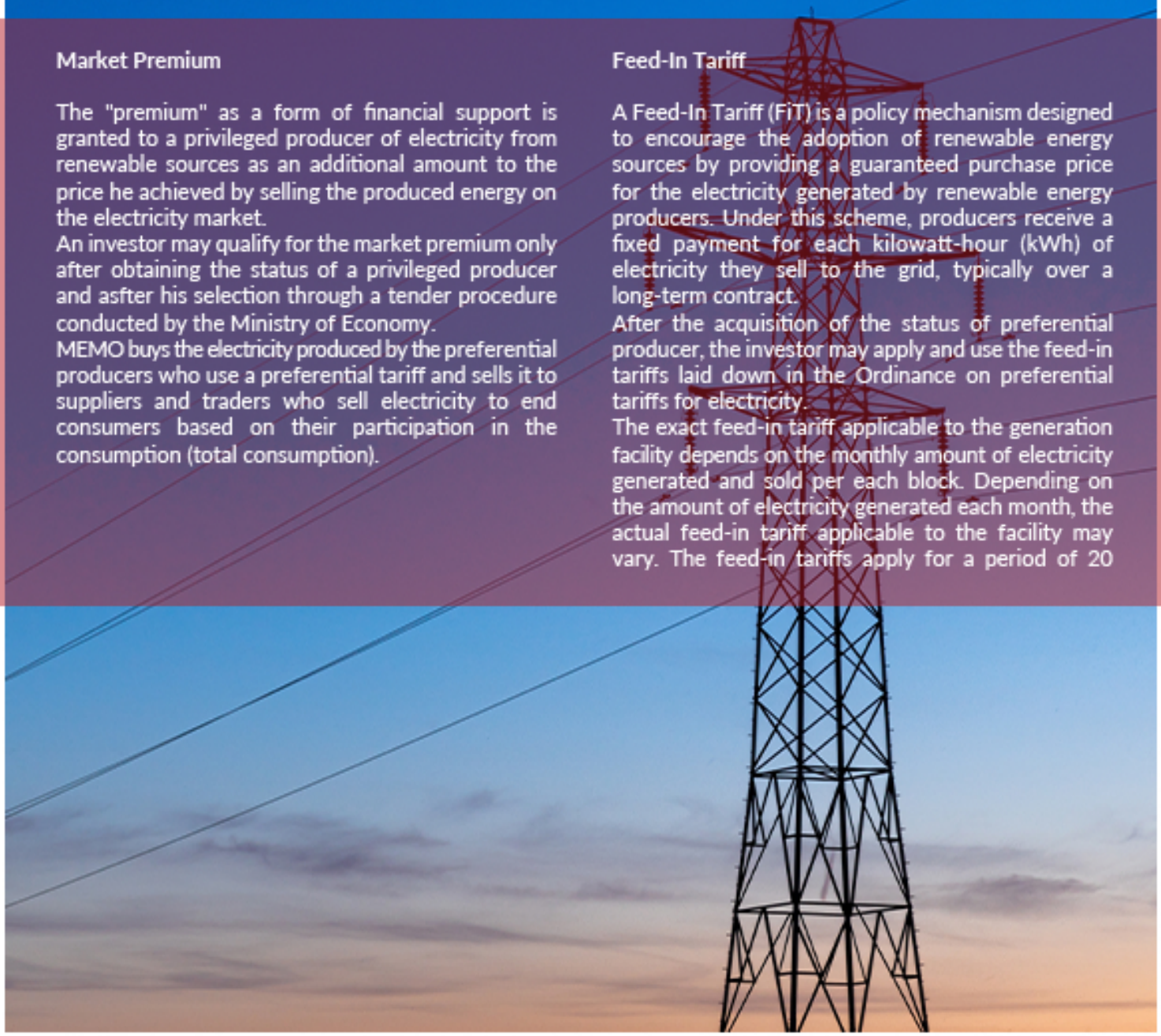
INCENTIVES

Market Premium

The "premium" as a form of financial support is granted to a privileged producer of electricity from renewable sources as an additional amount to the price he achieved by selling the produced energy on the electricity market.
An investor may qualify for the market premium only after obtaining the status of a privileged producer and asfter his selection through a tender procedure conducted by the Ministry of Economy.
MEMO buys the electricity produced by the preferential producers who use a preferential tariff and sells it to suppliers and traders who sell electricity to end consumers based on their participation in the consumption (total consumption).

Feed-In Tariff

A Feed-In Tariff (FiT) is a policy mechanism designed to encourage the adoption of renewable energy sources by providing a guaranteed purchase price for the electricity generated by renewable energy producers. Under this scheme, producers receive a fixed payment for each kilowatt-hour (kWh) of electricity they sell to the grid, typically over a long-term contract.
After the acquisition of the status of preferential producer, the investor may apply and use the feed-in tariffs laid down in the Ordinance on preferential tariffs for electricity.
The exact feed-in tariff applicable to the generation facility depends on the monthly amount of electricity generated and sold per each block. Depending on the amount of electricity generated each month, the actual feed-in tariff applicable to the facility may vary. The feed-in tariffs apply for a period of 20



Consumer-producer
e.g. Prosumers

Household, community of households owners of separate parts in a residential building or community of households owners of separate parts in a residential building who concluded a contract for performing management services with a manager of residential buildings, for the needs of the common parts in the residential building, small consumer, budget user and single user, can build a plant for the production of electricity from a renewable energy source, whereby the produced electricity uses for its own consumption, and the surplus of produced electricity is handed over to the electricity distribution network.

Granting of Grid Connection Rights

Producers of electric energy from renewable energy sources have the right to access the grid.

LAND

After selecting a suitable location for building a renewable energy source (RES) power plant, the investor must either acquire ownership of the land parcel(s) or enter into a lease agreement with the landowner(s) in order to obtain the necessary permits. The Law on agricultural land regulates that Agricultural land can be converted into construction land or used for non-agricultural purposes. Until the adoption of this draft, the procedure for concerting the agricultural land into construction land can be done by preparation and submission of an Urban Project outside the scope of the Urban Plan for adoption by the competent authority (Municipality of Ministry of transport) .

Energy permit

Upon choosing the land for the power plant, and before obtaining the construction permit, an investor is obliged to obtain an energy permit for the future RES power plant.
The requirements for the award of a license for electricity generation from renewable sources are determined by the Rulebook on the licenses for performance of energy activities.

Balancing Responsibility

The reliability of the operation of the power system is based on maintaining the frequency within certain limits of 50 Hz, so that at any moment there is a balance between the production and consumption of electricity. There are two ways in which electricity market participants can regulate their balancing responsibility by concluding a Balance Responsibility Agreement with TSO and forming a balance group or by approaching an existing Balance group.

Storage

The Energy Regulatory Commission, with a decision on March 18, approved the change in grid rules that allow electricity producing companies to build battery systems (storage) for power storage for balancing purposes.
Owners of photovoltaic plants will be able to install batteries with a capacity equal to the capacity of the power plant.

Sales

Producers of renewable energy sources (RES) may freely sell electric energy on the market and enter into bilateral power purchase agreements (PPAs).

Power purchase agreement with the electricity market operator
The electricity market operator (MEPSO) is obliged to purchase the entire electricity generated by the preferential electricity producers pursuant to an agreement, in accordance with the Energy Law, the Decision on the application of feed-in tariff issued by the Energy Regulatory Commission and the Electricity Market Rules. The investor should submit a request for signing a power purchase agreement to MEPSO. MEPSO is obliged to sign the power purchase agreement within thirty (30) days from the date of receipt of the request.

Balancing Responsibility

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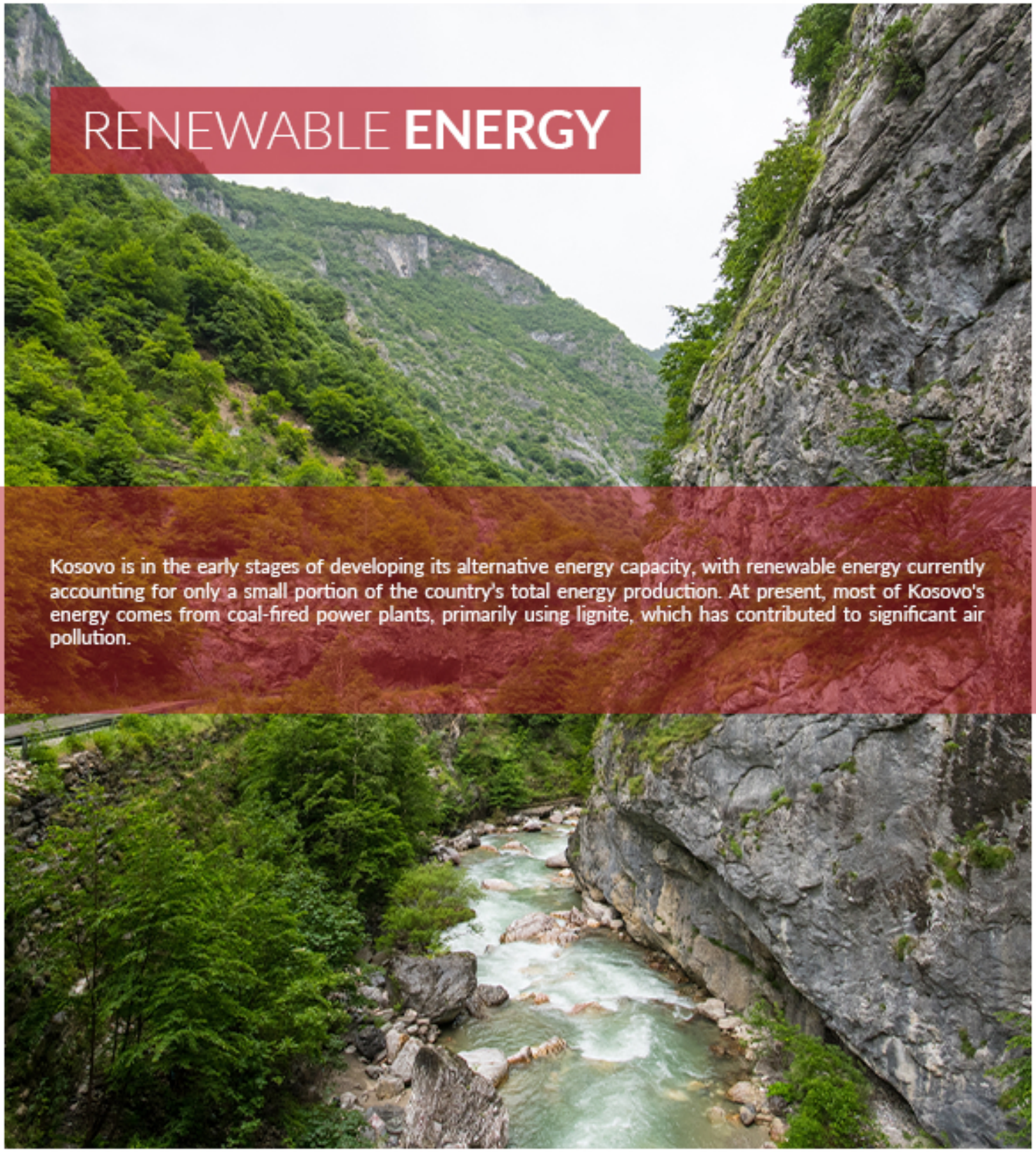
KOSOVO

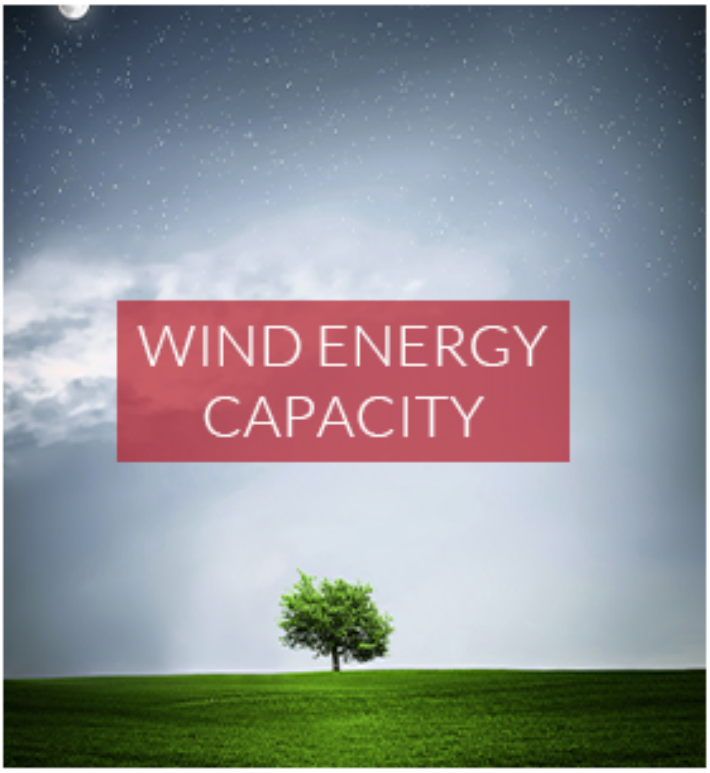
RENEWABLE **ENERGY**



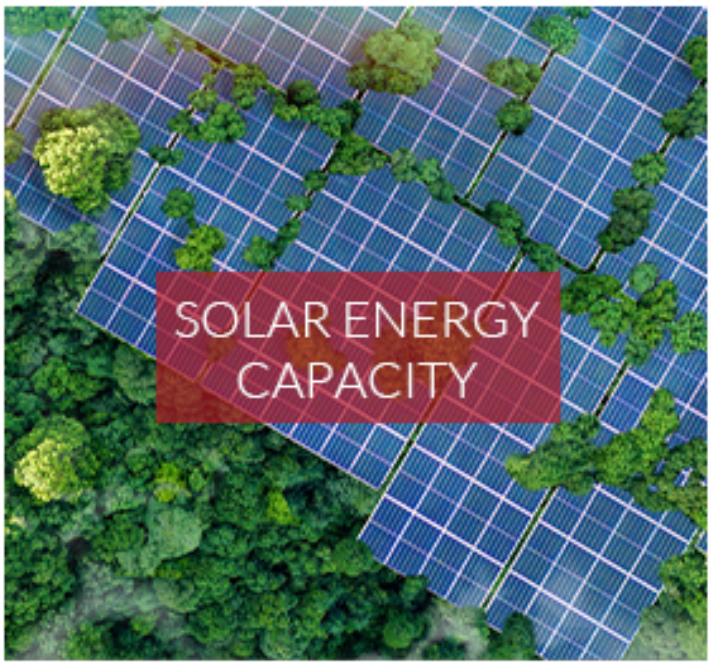
Kosovo is in the early stages of developing its alternative energy capacity, with renewable energy currently accounting for only a small portion of the country's total energy production. At present, most of Kosovo's energy comes from coal-fired power plants, primarily using lignite, which has contributed to significant air pollution.

In recent years, Kosovo has made progress in renewable energy, particularly in wind and solar power. Key projects include:

The largest renewable energy project in Kosovo is the wind park in Bajgore, with an installed capacity of 105 MW. This is one of the most important developments in the country's clean energy sector.



Despite Kosovo's considerable solar potential, the installed capacity in this field remains relatively low. There have been some investments in solar panels for individual households and small-scale solar parks. With approximately 240 sunny days per year and average solar irradiation between 3.5 to 4.5 kWh/m²/day, Kosovo has significant potential for solar energy, both for residential and commercial purposes.



Kosovo's energy strategy aims to significantly increase the share of renewable energy in the country's total energy mix in the coming years and reduce its reliance on coal.

Although the development of larger solar projects has been limited so far, Kosovo's sunny climate makes it an ideal location for expanding solar capacity. Current solar energy initiatives have primarily focused on small projects and the installation of solar panels for individual or industrial use.

OPPORTUNITIES FOR **FUTURE SOLAR EXPANSION**

Large Solar Parks

There is potential for developing larger solar parks, particularly in less economically active areas. Several such projects are in the planning stages but have yet to be fully implemented by private investors.

Solar Panels for Individual Consumers

Many businesses and households have begun installing solar panels to meet their energy needs. With favorable government policies and subsidies, this trend could accelerate.

Hybrid Projects

Combining solar energy with other renewable sources, such as wind or biomass, could create more sustainable and efficient energy systems.

Expanding Kosovo's solar capacity will require stronger state support, improved infrastructure for connecting renewable energy to the national grid, and increased investment from both the private sector and international partners.

For a greener Kosovo

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