

OSNIA AND HERZEGOVINA ENERGY SECURITY AND RESOURCES

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Energy is irreplaceable need of economy and citizens of any country. It represents the generator of development in technological, scientific, educational and economic sense.

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The energy sector in Bosnia and Herzegovina is organized on two lines (the Federation of Bosnia and Herzegovina and Republic of Srpska). These two entities are key players coordinated at the state-wide level by the Ministry of Foreign Trade and Economic Relations (MOFTER). Bosnia and Herzegovina has quite strong position in terms of energy availability and electricity production.. Deputy head of "Gazprom" Alexander Medvedev and the President of the Republic of Srpska Milorad Dodik signed a road map for the implementation of energy projects in the state of education in the framework of the project "South Stream", The signing of the roadmap involves an intergovernmental agreement between Russia and Bosnia and Herzegovina on cooperation in the construction and operation of the branch pipeline of gas and electric power generation. In the soon future, it is expected that these two parties will discuss the conditions of supply of natural gas in the Republic of Srpska, as well as the features of the construction and commissioning of the gas pipeline branch. Russian and Chinese partners are ready to invest in the local energy at the rate of one billion euros, that means that China also has got interest in energy resources of Bosnia and Herzegovina.

The role of energy sector is to support growth and development of economy in Bosnia and Herzegovina taking into account environmental protection. Bosnia and Herzegovina ratified the Energy Charter Treaty and the Protocol on Energy Efficiency and Related Environmental Aspects (PEEREA) in 2001. By ratifying the Protocol, countries commit themselves to formulate and implement policies for improving energy efficiency and reducing the negative environmental impact of the energy cycle. The guiding principle of the PEEREA is that contracting parties shall cooperate and, as appropriate, assist each other in developing and implementing energy efficiency policies, laws and regulations [4, p. 3].

Own Energy reserves and potentials

Balkans is the region quite rich in energy reserves, resources and potential. The importance of energy security, highlighted by the continued utilization of old energy sources and exploration for new ones, is a topic of great significance for this territory. Bosnia and Herzegovina has natural resources for generation and supply of energy. It imports gas, oil and petroleum products, as in untreated, so and in processed form. Natural gas arrives from Russian Federation through Ukraine, Hungary and Serbia. Coal industry is an important part energy sector and economy Bosnia and Herzegovina. It covers about half primary energy supply of the country.

The most important natural resources that are nowadays in use for energy production and supply are coal and biomass. Other possible renewable sources energy in Bosnia and Herzegovina include:

- small hydropower,
- geological reserves of crude oil,
- geothermal sources,
- wind energy,
- solar energy.

Although Bosnia and Herzegovina has an abundance of energy resources, its policies and strategies have not been sufficient for the long-term planning of energy use.

In fact, despite its energy potential, Bosnia and Herzegovina is far behind its neighbors when it comes to the development of the institutions and strategies in this area. [4, p. 24].

Bosnia and Herzegovina has abundant resources of two traditional energy sources: coal and water. Bosnia and Herzegovina has a large availability of coal and hydropower and therefore only a modest primary energy deficit of 26%. [11, p. 2-3]. Hydropower has great possibility for further development, as only one-third of its potential has been utilized. When it comes to the European countries, Bosnia is in the 8th place with its hydro-potential. However, at present small power plants are mostly being

built and used. Foreign companies are however looking into utilizing the water wealth of Bosnia for power generation. The prime example here is Canada's Reservoir Capital Corporation, which in October 2010 inquired with the Republic of Srpska entity government to build three power plants there [6, p. 17].

Imported Sources of Energy

Despite the presence of untapped energy resources in the country, Bosnia and Herzegovina is quite dependent on imported energy sources, particularly gas and oil. Gas is imported by Bosnia from Russia, through Ukraine, Hungary and Serbia. It is widely used in the cities, but it is also limited to those areas, while outside of them there is no infrastructure for gas supply. Although the country's gas infrastructure is not broadly developed, its dependency on imported energy was devastating for urban populations during the 2009 gas crisis.

At that time, Russia halted its gas export to Europe due to a dispute with Ukraine: Bosnia and Herzegovina was the only country in Europe which was left without gas reserves.. The reserves were borrowed from Hungary, Germany and Serbia, and alternative energy sources were used. For transporting the gas, BH Gas with Hungarian (Mol) and Serbian (Srbija Gas) counterparts signed an agreement, that will bring further development of the gas transport infrastructure. However, the overall chronically non-cooperative political situation in the country means that projects of this scale are not being done between both entities, and are thus limited to entity-level projects, connecting the Federation with Croatia and Republika Srpska with Serbia.

Bosnia's dependency on oil imports means that it is completely vulnerable to international energy fluctuation scenarios. Oil is imported from Croatia, Serbia, Montenegro and Hungary.

Regional Solutions to Energy Security Problems

The landmark 2005 Energy Community treaty was signed in 2005 between the EU and nine Southeastern European countries (including Bosnia and Herzegovina) - an act that indicated the

political commitment of the member countries and the donors. The treaty created the Energy Community of South East Europe (ECSEE), proposing the regional energy market and common policies for gas and electricity, which would be in line with the EU standards and in accordance with EU's Internal Energy Market. The ECSEE aims to equalize the energy supply and demand in the region and it also allows countries to borrow funds for the improvements in the energy sector, according to a report from the World Bank. Mining and hydropower infrastructure improvement projects are envisioned. This is the first time in history that all of these states and territories have signed a legally binding treaty and is a milestone in reconciliation after the wars of the 1990s. The Energy Community Treaty is consciously modelled on the European Steel and Coal Community that was the genesis for the European Union. [10, p. 1].

Bosnia and Herzegovina has various potential energy sources which need to be explored and utilized in order to avoid the dependency problem being perpetuated. More concentrated use of hydropower would be advantageous. Also, the energy potential of Bosnia and Herzegovina for development of renewable energy sources, including wind, solar, biomass and geothermal energy is the largest in the region, which might bring the country a position of economy leader in the region. [7, p. 14]. Although making use of new and renewable sources of energy is costly, it is advisable that these are considered as a long-term investment with profitable returns.

Planned construction of new generation capacities in Bosnia and Herzegovina

In the framework of the program *New Energetics in Europe* which is directed on expansion of the renewable sources energy use, Bosnia and Herzegovina can increase level investment in new and the most effective technology. In country there are experts with technical and engineering skills in area energy. [1, p. 41]

In accordance with future development plans, plans are to support generation from renewable and effective cogeneration that are not presently in place in Bosnia (wind energy, solar energy, biomass, etc.). Presently, the security of electricity supply is not an issue in Bosnia and Herzegovina because of available surplus in generation. But, on the other hand it is urgently needed to explore alternative sources as well as options for natural gas supply. Bosnia and Herzegovina is yet to establish its oil stocks. In addition, legislative framework must be strengthened through the adoption of the energy law at state level as well as the Energy Sector Development Strategy of Bosnia and Herzegovina. In institutional terms, Bosnia and Herzegovina is yet to establish a technical body - agency, institute and directorate – tasked with providing expert support services to the energy sector. [9, p. 8]

Energy security is, at the same time, an area where intra-state and regional cooperation is a must. As discussed above, Bosnia and Herzegovina has committed itself to supporting regional cooperation initiatives that seek to improve energy supply and security in the region.

On June 26, 2012 the Government Republic of Srpska in Bosnia and Herzegovina granted the South Stream national project status and announced its implementation as a strategic goal. The gas pipeline will bring gas to all the cities and municipalities in the Republic of Srpska. The South Stream gas pipeline project is aimed to increase the export of natural gas to Europe and to ensure a reliable supply. The offshore section of the pipeline, about 900 km, will run under the Black Sea from Russia to Bulgaria. the maximum depth – over two kilometers. The first gas supplies are scheduled for late 2015. The onshore section in Europe will be 1,455 kilometers long. [3, p. 2] The onshore section provides an opportunity for countries in Central and Southern Europe. This will make economical and political situation of Bosnia and Herzegovina will be highly improved. It will make more jobs created during construction and operation, direct investment in the

Republic of Srpska, and income will increase from gas transporting.

President of Republic of Srpska said that the contract also entails building gas power plants, with potentially enough generating capacity to make Republic of Srpska one of the most important power producers in the region. He added that the South Stream is a significant project which would solve the issue of energy sustainability for the whole region, so we can conclude that this contract he signed could be a key investment for the future development of this entity in Bosnia and Herzegovina. If this project is implemented it would represent a success for the political leadership of the Republic of Srpska entity, so it is important that representatives of the other entity - Federation of Bosnia and Herzegovina become more proactive in achieving cooperation with Gazprom and other companies in this sector. The Government of the Republic of Srpska within Bosnia and Herzegovina declared the South Stream as a national project and announced its implementation as the strategic goal. [2]

Development of the energy sector in Bosnia and Herzegovina is considered in terms of gradual market opening, introducing competition and setting energy prices to the economically sustainable level. Economic possibilities of Republic of Srpska and its citizens are also considered, because this has primary impact on possibilities of energy sector development.

The „ South Stream Project” between Russia and Bosnia and Herzegovina involves the construction of gas pipeline that will allow for the gasification of all cities and municipalities of Republic of Srpska. Since 2008, the "Zarubezhneft" has invested in the repair and reconstruction of refineries, "Brod" about 100 million euros. Projects in Balkan region are developing fast. These are the reconstruction of Brod refinery, «Modrica» oil refinery (motor lube plant), and «Petrol» fuel stations network in Bosnia and Herzegovina.„Zarubezhneft” In 2011-2015, plan jointly with VEB (“Vnesheconombank”), to invest over EUR 700 million in

reconstruction, modernization and construction of these facilities. For now, all the plans intended are fulfilled by „Zarubezhneft”.[8]

The lack of commitment on the part of Bosnian authorities to create long-term sustainable energy security strategies has been somewhat corrected by the EU initiative for regional cooperation in the energy market, policies and regulations. Cooperation with the states in the region is necessary for utilizing new sources of energy and stability in transport and supplies.

The institutions, policies and strategies of Bosnia and Herzegovina government in the area of energy security are weak and inefficient, however, critics argue. Greater cooperation within the state, at all levels, would be required in order for the country to achieve a measure of energy security. It is well understood that there is a need to work on common projects rather than to divide the cumulative energy potential according to the limited interests of the entities and their ruling politicians. [5, p. 3]

As has been noted, the energy sector in Bosnia has great potential. Yet in addition to the regulatory and legal framework, Bosnia and Herzegovina must work on further developing its existing renewable energy sources. This is especially the case with hydropower. New investments could conceivably be made in wind and solar power plants as well. All of these have long-term profitability if steps are taken to guarantee political cooperation and stability. Since the need for imported energy remains high, taking measures to avoid vulnerability and problems with shortages of supply – partly, through monitoring oil and gas strategic reserves – would be a wise course for Bosnia’s leadership throughout coming years and beyond. The energy sector development will bring to technological development, strengthening of domestic companies, investment increase and competitiveness increase in economy of Republic of Srpska and Bosnia and Herzegovina.

End-Notes:

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- [3] Gazprom Information Directorate, South Stream construction starts in Bulgaria, OAO Gazprom, 31. October, 2013.
- [4] In-Depth Review of Energy Efficiency Policies and Programmes: Bosnia and Herzegovina; Energy Charter Secretariat 2012. Brussels, Belgium.
- [5] Lana Pashich, Sources of Energy in Bosnia and Herzegovina, and Implications for Energy Security, *Balkananalysis.com publication, 09. May, 2011.*
- [6] Newspapers Glas Srpske, 13. March, 2013.
- [7] Newspapers *Glas Srpske*, 23. Sept., 2013.
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