

# SERBIA AND CURRENT TRENDS IN ENERGY SECURITY

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*Abstract:* In the study, the position of Serbia was analyzed in relation to contemporary trends in energy security. In the introductory part, the author presented an overview of the most important postulates of modern international energy security. Then, he described some tendencies in this area with a special overview of the challenges and threats that could lead to energy insecurity in the near future. In a special part of the study, the author devoted attention to the European Union's Common Energy Policy, its origins and evolution, and plans for the future. By linking this issue with the question of the positioning of Serbia towards the modern energy security, the author gave concrete explanations in the concluding part of the study regarding the obligations that Serbia derives from the status of the candidate country for accession to the European Union, especially with regard to the obligations arising from the harmonization of the domestic legislation with *acquis communautaire*.

*Key words:* Energy security system, trends and challenges, EU Common Energy Policy, European Union *acquis*, Serbia.

## INTRODUCTION INTO ENERGY SECURITY

Today, energy is not only a source of social wealth, the base for technology development and a reason for political competition but also a key factor in changing global security environment. Considering the importance of energy for the development of a global society, it is obvious why energy sources play a strategic role in international relations and why they have a special place in the predictions of preserving national security. As is known, the distribution of energy resources is very uneven. Depending on whether they rely on import, export or transit of energy, countries in different ways determine the significance of energy

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security. The security doctrines, however, often refer to several dimensions of energy security.<sup>2</sup> The first essential dimension refers to the availability of energy resources (goods and services), which are of importance for meeting the needs of their consumers. This dimension assumes the existence of a regulated energy market in which common interests between the producers, consumers, exporters, importers and transit states determine the value chain as a precondition for energy security. The second important dimension of energy security includes reliability in terms of performance of energy services. In other words, the reliability of energy supplies assumes diversification of energy sources, i.e. their production, transport and distribution watching the global value chain. It also assumes an increase in alternative energy transmission systems; improve energy infrastructure and the development of communication networks. The third dimension of energy security includes the availability of energy sources. However, availability as an element of energy security is not just a question of whether energy prices are low or high in relation to the national income. Volatility is a central issue affecting energy security, and therefore, the regulation of energy prices is one of the preconditions for increased energy security. Modern understanding of energy security involves other significant dimensions such as sustainability in terms of environmental protection. Promoting energy security without including sustainability can lead to wider use of dirty technologies which in the medium or long term can lead to catastrophic climate changes on the Earth. Therefore, the inclusion of sustainability in terms of environmental protection is of primordial importance for energy security.<sup>3</sup> All of these different dimensions of energy security are anticipated in the international practice in different ways and to varying degrees. In fact, each country depending on its natural predisposition has different priorities of its energy security policies. Thus, in international energy reality, there is a clear difference between the interests of energy importing countries and the demands of energy exporting countries. The countries that produce and export energy resources strive to ensure long-term stable demand, primarily due to the high exploitation costs, construction and maintenance of transport networks. On the other hand, the countries that

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<sup>2</sup> Jonathan Elkind, "Energy Security: Call for a broader Agenda", in: Carlos Pascual, Jonathan Elkind (eds.), *Energy Security, Economics, Politics, Strategies and Implications*, Brooking Institutions Press, Washington, 2010, pp. 121, etc.

<sup>3</sup> This attitude as one of the primary principles of energy security was promoted by Rio declaration about the environment and sustainable development adopted 1992 at UN conference in Rio de Janeiro. In the Rio declaration, it is clearly stated that the structure and dynamics of human activities must obligatorily be adjusted to the structure and dynamics of the environment so that the satisfaction of modern people's needs does not endanger the right and possibility of future generations to have good living conditions. See: "Agenda 21, the United Nations Conference on Environment and Development", UNCED, Rio de Janeiro, Brazil, 3 to 14 June 1992.

depend on imports, they want to ensure reliable supply sources of energy at the best possible prices. Hence, the perception of energy security policies varies from state to state, but generally covers “adequate, affordable and secure access to energy resources and services”.<sup>4</sup> If any of these elements of energy security is not present, then the national interest may be compromised. In this regard, the determination of what constitutes the national interest in relation to energy security may include generally the common interest of energy exporters and energy importers with a steady international environment, free from natural disasters, terrorism and the exorbitant prices of transit through third countries.<sup>5</sup>

### TRENDS IN ENERGY SECURITY SYSTEM OF THE 21ST CENTURY

The current global energy system shows great changes, but also the difficulties that should be overcome in the coming period in an optimal way. The first visible change is manifested in the instability of prices, which in perspective can grow leading to further energy insecurity. In this regard, some of the exporter states have a disproportionate role in supplying the global marketplace with energy. Their geo-economic interests often turn into geopolitical. In other words, in contemporary international relations, the geopolitics of energy relations has replaced or absorbed the traditional geopolitics, which in the past was based on a balance of military and political power.<sup>6</sup> Hence, the action plans of exporting countries are often reduced to the interests which partly rely on the conditionality export price of energy which *per se*, creates an imbalance that practically affects the energy security system of the importing countries. This situation certainly deserves attention since nowadays countries richest in energy compete with politically and economically powerful countries. Thus, the United States and the state members of the EU represent the two major global energy consumers.<sup>7</sup> Although they have similar needs, their practical perspectives on energy imports are different. The United States is overly focused on oil and the Middle East suppliers. The state

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<sup>4</sup> This definition was adopted by International Energy Agency. See: Benjamin K. Sovacool, *Routledge Handbook of Energy Security*, Taylor & Francis, New York, 2011, pp. 1, etc.

<sup>5</sup> Robert W. Orttung, Jeronim Perovic, *Energy Security*, in: Myriam Dunn Cavelty, Victor Mauer (ed.), *The Routledge Handbook of Security Studies*, Routledge, 2009, p. 212

<sup>6</sup> Dimitri Trenin, “Geopolitika energije u odnosima Rusija-EU”, u: *Cevovodi, politika i moć, (Geopolitics of energy in Russia-EU relations, in: Pipelines, Politics and Power)*, Center for European Reform, London, transl., European Movement in Serbia, Belgrade, 2009, pp. 15, etc.

<sup>7</sup> Carlos Pascual, Evie Zambetakis, “The Geopolitics of Energy, From Security to Survival”, in: Carlos Pascual, Jonathan Elkind (eds.), *Energy Security, Economics, Politics, Strategies and Implications*, Brooking Institutions Press, Washington, 2010, pp. 9, etc.

members of the European Union are highly reliant on imported gas from Russia, making Russia a very important factor in the EU's energy policies.<sup>8</sup> One of the most important world players or the most important countries of influence on the oil market are Iran, Venezuela and Russia. All three countries use their natural energy wealth to strengthen their regional influence. In addition to these geopolitical influences, it should be noted another significant fact. With the rapid economic growth, demographic trends and globalization, growing demand for energy is mainly located in developing countries. In the last decades, there is a noticeable redistribution between exporting countries and importing countries. The redistribution of power in the energy sector came as a result of the dynamic development of modern international relations, so the countries like Azerbaijan, Kazakhstan, and Uzbekistan, Nigeria, Sudan, Angola, Brazil, Colombia and Ecuador (in addition to the previously mentioned countries), have become important factors in exports of energy products while on the other hand India and China have become the largest importing countries that claimed the most energy in the world market.<sup>9</sup> With regard to the situation set forth, it is no wonder the less wealthy countries and countries without fully oil and gas reserves are increasingly turning to alternative and renewable energy sources such as biofuel, solar energy, wind energy, biomass and geothermal energy as well as nuclear energy. Using the new energy sources is no longer just a possibility, but an imperative which underlines the critical role of state governments to define the objectives and policies which will shape energy trends in wanted direction.

## POSSIBLE CHALLENGES AND THREATS IN THE FUTURE

With regard to the recent energy situation in the world, there may be many security challenges and threats in the future. For these threats and challenges, the world must be adequately prepared. First of all, energy consumers will have to prepare their societies for mounting prices of conventional energy as well as the

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<sup>8</sup> Prior to the Ukrainian crisis, according to the estimates of the European Commission, about 46 percent of imported gas comes from Russia, accounting for 29 percent of total gas consumption in the EU. The same stands for oil in amounts of 32 imported and 26 percent consumed in total. These data clearly show to what extent the security of energy supply of the EU depends on Russia. See: Sergey S. Seliverstov "European Union energy security: The Russian perspective", in: Marina van Geenhuizen, William Nuttall, David V. Gibson, Elin Oftedal (eds.), *Energy and Innovation: Structural Change and Policy Implications*, Purdue University Press, 2010, p. 135.

<sup>9</sup> The International Energy Agency predicts that between now and 2030 the developing world will account for 87% of the growth in global energy demand. Also, the International Energy Agency predicts that in 2035 China will become world's largest energy consumer. See: *World Energy Outlook*, International Energy Agency, 2011.

forthcoming global warming.<sup>10</sup> These challenges will call for greater energy efficiency and reliance on new energy sources. Although greater energy efficiency will reproduce the consumption growth rate or even the absolute demand, a massive increase in investment in technological innovations will be necessary. In the future, countries should focus on technological challenges that need answers in order to convert current energy usage patterns into sustainable practice. Today there are numerous technological challenges. Proper understanding of these challenges requires a consideration of the fragility of international oil and gas markets and also an analysis of the connections among energy security, climate change and energy proliferation. With respect to these challenges, it is also necessary to come up with appropriate energy policies that will encourage greater energy efficiency, the exchange of energy technology and use of alternatives for the current energy system, which is primarily based on hydrocarbons or fossil fuels: coal, oil and gas.<sup>11</sup> These three non-renewable fossil fuels will soon hit the maximum level of its peak production and one of the acceptable energy solutions within the energy policies of countries could be controlled proliferation and use of renewable energy. This solution comes as a result of a disproportionate rise in the prices of conventional energy sources and the need for economic growth and diversification of the market.<sup>12</sup> However, this pure economic logic in international practice is frequently disregarded with the concern of states to preserve their own sovereignty which in turn leads to the application of the traditional geopolitical methods in energy relations with other countries. This approach, which is linked solely to the national interest does not take into account the international energy security and numerous examples from the latest international practices (for example, the hybrid war in Ukraine, the conflicts with ISIL in Iraq and Syria,

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<sup>10</sup> The UN Intergovernmental Panel on Climate Change (IPCC) has documented that the use of fossil fuels is the principal cause of increases in atmospheric concentrations of greenhouse gases, which in turn are driving up the mean temperature of the planet. A changing global climate is already resulting in significant loss of glaciers and shrinkage of polar icepacks. It will lead to severe flooding in some places and drought in others, which will devastate many countries' food production, encourage the spread of various illnesses, and cause hundreds of thousands of deaths each year, particularly for those living in the developing world. Consequently, to address climate change, energy strategies and climate change policies need to be closely coordinated. See: "Climate Change 2013: The Physical Science Basis", Intergovernmental Panel on Climate Change, Available at Internet: <http://www.ipcc.ch/report/ar5/wg1/>

<sup>11</sup> According to the International Energy Agency, three non-renewable fossil fuels account 80.9% of primary energy supply in the world. That situation will be similar in 2030 when they will still account for 80%.

<sup>12</sup> In this sense, nuclear energy as more cleaner, secure and affordable power may play an important role in the transition to a low-carbon economy and reduces external supply dependency.

difficulties in the energy dialogue between Russia and the EU, the “orange revolutions” in North Africa and the Middle East, territorial tensions and energy shortages in South East Asia, etc.).<sup>13</sup>

Given that there is no universally accepted prognosis about the possible “wars for energy resources”, it is clear that there are many challenges and threats that may jeopardize energy security in the world. The state in control of the energy source might decide to interrupt supply or raise energy prices beyond acceptable levels (for the sake of political or economic blackmail). Other sources of concern include the destruction or damaging of energy production facilities (due to war or sabotage) as well as cessation or halting of transport (as a consequence of unrest). A similar situation can happen when the start of the civil war in energy-producing countries where insurgents can exploit their energy sources to fund conflict. In this situation, the importing countries may try to secure physical control over sources of energy supply.<sup>14</sup> However, the best option for countries that cannot afford the political, economic and military costs of this option is an alliance with countries that export energy.<sup>15</sup> In these situations, both countries have the interest to secure supply and demand. Based on these facts, it can be concluded that the world’s energy system nowadays is at a crossroads. Current global trends in energy supply and consumption are patently environmentally, economically, socially unsustainable. If the world continues to rely on fossil fuels and continues to consume them at ever-increasing rates, well before running out of reserves, countries will pay more and more for their energy, which will trigger an economic collapse, social unrest and conflict. Such a future could also trigger catastrophic climate change that would also bring about the same negative results. Therefore, something has to change. First, the countries need to change ways to obtain their energy services and to reduce their reliance on non-renewable fossil fuels and to

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<sup>13</sup> That this fact is true, indicate the latest developments around Europe’s energy crisis. Thus, in order to satisfy European gap in terms of demand and supply of energy, it was proposed three gas pipeline projects. Nabucco project should start from the Caspian Sea region, the South Stream should begin from Russia and TAP from Azerbaijan. Of these projects, only the TAP project could be really implemented. The Nabucco pipeline has been suspended for financial reasons, and the realization of South Stream is interrupted due to non-compliance of the project with the internal rules of the EU energy market. See: Jakov Milatović, Peter Sanfey, “The Western Balkans and EU energy security”, European Bank for Reconstruction and Development, 8 January 2015. Available at Internet: <http://www.ebrd.com/news/2015/the-western-balkans-and-eu-energy-security-.html>

<sup>14</sup> All of the above cases would be contrary to the international legal order, or by themselves are not excluded in the international practice, if we recall the recent events in the Middle East, Africa and Eastern Europe.

<sup>15</sup> For instance, the United States and China might join forces in developing energy sources which do not harm the environment and reduce their dependence on oil. See: *Energy Security*, in: Paul Robinson, *Dictionary of International Security*, Polity, 2008, p. 69.

avoid catastrophic climate change. And second, countries must open the door to a new and more secure energy future by adopting the *Green New Deal* that would promote a “low carbon future”.

## COMMON ENERGY POLICY OF THE EUROPEAN UNION

Energy cooperation is the central point of European integration, starting from the establishment of the European Coal and Steel Community, European Atomic Energy Community and the European Economic Community. Although the Treaty of establishing the European Economic Community in 1958 has not entered a common policy in the energy sector, with the creation of EU internal market, there has been a gradual implementation of its fundamental determinants. The EU Common Energy Policy was first formally proposed by the Commission in its “First Guidelines for a Community Energy Policy” in 1968.<sup>16</sup> However, some serious progress in terms of creating a common energy policy was not up to the first oil crisis in 1973.<sup>17</sup> With the adoption of the Maastricht Treaty, the European Parliament included a Common Energy Policy to the issues related to the internal market.<sup>18</sup> By concluding the Treaty of Amsterdam in 1999, a Common Energy Policy was involved in the EU list of activities.<sup>19</sup> The idea of the internal EU energy market was launched in the late eighties of the 20<sup>th</sup> century. The specific institutional progress towards the establishment of a common EU energy market occurred during 1996 and 1998, with the adoption of the *First Energy Package*, which concerned the first electricity and gas market directives.<sup>20</sup> Since then, the European Commission has focused its efforts

<sup>16</sup> “First Guidelines for a Community Energy Policy”, COM, 1968, p. 1040, *Supplement to EC Bulletin* 12/1968.

<sup>17</sup> Jean-Arnold Vinois, “The Way towards an Energy Policy for Europe”, *Vierteljahrshefte zur Wirtschaftsforschung*, 2007, no. 76, pp. 17, etc.

<sup>18</sup> With the Maastricht Treaty of 1992, three European Communities were integrated into the European Union (the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community). See: “The Treaty of Maastricht on European Union”, *Official Journal* C 191, 29.07.1992.

<sup>19</sup> With the Amsterdam Treaty of 1999, the Treaty on the European Union and the Treaties establishing the European Communities have been amended. See: “Treaty of Amsterdam amending the Treaty on European Union, the Treaties establishing the European Communities and certain related acts – Consolidated version of the Treaty establishing the European Community”, *Official Journal* C 340, 10.1.1997; Werner Weinelfeld, Wolfgang Wessels, *Evropa od A do Š (Taschenbuch der europäischen integration)*, Konrad Adenauer Foundation, Belgrade, 2003, p. 222.

<sup>20</sup> “Directive 96/92/EC of the European Parliament and of the Council of 19 December 1996 concerning common rules for the internal market in electricity”, *Official Journal* L 27, 30/01/1997, pp. 20-29; “Directive 98/30/EC of the European Parliament and of the Council

on the deregulation of the electricity and gas markets. These efforts reached a peak in 2003 with the adoption of the *Second energy package*, which included directives whose aims was to open markets for gas and electricity to all customers by 2007.<sup>21</sup> However, due to the overlap of interest between the most important EU member states in the energy sector, adopted directives did not have any major impact in the international practice, which is why the European Commission proposed the adoption of the *Third energy package* in the late 2000s, which was aimed at further institutionalization of the EU energy market. This proposal aimed at achieving the 2020 Strategy by which the European Union should achieve sustainable and secure energy supplies. Finally, the European Union adopted in November 2009 the *Third Energy Package*, which foresees taking measures on the internal level in order to establish an integrated EU energy market.<sup>22</sup> Unfortunately, this legal tangle did not fully achieve the envisaged goals.<sup>23</sup> Further efforts to establish a common energy market have led to the adoption of the Green Paper on energy supply security. This

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of 22 June 1998 concerning common rules for the internal market in natural gas”, *Official Journal* L 204, 21/07/1998, pp. 1-12.

<sup>21</sup> “Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity and repealing Directive 96/92/EC - Statements made with regard to decommissioning and waste management activities”, *Official Journal* L 176, 15.7.2003, p. 37–56; “Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC”, *Official Journal* L 176, 15.7.2003, p. 57–78.

<sup>22</sup> “Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC”, *Official Journal* L 211, 14.8.2009, pp. 55–93; “Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC”, *Official Journal* L 211, 14.8.2009, pp. 94-136; “Regulation (EC) No 714/2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003”, *Official Journal* L 211, 14.8.2009, pp. 15-36; “Regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005”, *Official Journal* L 211, 14.8.2009, pp. 36-54; “Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators”, *Official Journal* L 211, 14.8.2009, pp. 1-14; “Third Energy Package”, *Official Journal* L 211, Vol. 52, Brussels, 2009.

<sup>23</sup> The Third Energy Package should provide increased competitiveness of the internal market. Given the actual concentration in the EU energy market, its competitive authorities have proposed in this regard unbundling ownership, independent system operator and independent transmission operators. *In concreto*, this measures means the additional liberalization of the EU energy market which should *inter alia*, include acceleration of the investments in EU energy sector for enhancing cross-border trade, access to diversified



act consisted of a proposal that the EU at the strategic level has to provide “sustainable, competitive, and secure energy”.<sup>24</sup> The said proposal became the basis for the new Green Paper on the European strategy for sustainable, competitive and secure energy published in March 2006. This act points the growth of the EU dependence on energy imports and repeats the estimation that in the next few decades import will reach 70 percent of total energy needs.<sup>25</sup> Given the importance of defining a Common Energy Policy, soon after the publishing of aforementioned Green Paper, the European Union adopted the *Strategy 20/20/20* with three ambitious goals: reducing greenhouse gas emissions by 20 percent, increasing the share of renewable energy to 20 percent and reducing the total energy consumption in the EU by 20 percent.<sup>26</sup> The EU energy market further evolution has been accompanied by the adoption of the so-called *Energy and Climate Package* which provides specific measures to achieve the above- mentioned goals of the European Union Strategy 20/20/20. A special Action plan adopted by the Commission in 2006 included measures which are related to improvement of energy performance, buildings and services, energy production and distribution, reduction of the impact of transport on energy consumption, financial incentives and benefits for investments, consolidation of rational energy consumption behaviour and energy efficiency.<sup>27</sup> In the continuation of its activities, the EU released a package of measures in 2008, which should contribute to the primary energy sustainability and competitiveness and security of supply in the period between the 2020 and 2050.<sup>28</sup> In April 2009, the European Commission adopted a new Directive 2009/28/EC on

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sources of energy, and separation of production and supply from the transmission of energy sources networks. Russia expressed clear disapproval with the restrictions for its access to the EU energy market. Especially problematic for Russia is a provision that prohibits the same legal entity to be both the supplier and owner of transport infrastructure. In Russia’s opinion, it prevents the investor to recover the investment. This prevents the Russian *Gazprom* to buy a strategic distribution network without government approval of the member states in the EU. See: Andrew Monaghan, “Russia–EU Relations: an Emerging Energy Security Dilemma”, *Pro et Contra*, Vol. 10, Issue 2–3, Carnegie Moscow Centre, Moscow, 2006, pp. 4, etc.

<sup>24</sup> “Toward a European Strategy for Security of Energy Supply”, Green Paper, Commission of the European Communities, Brussels, 2000, pp. 21, etc. This document points to the fact that, if current trends continue, the EU dependence on imported energy will, for the next twenty to thirty years, grow up to 70 percent, as opposed to 50 percent as recorded in 2000.

<sup>25</sup> “A European Strategy for Sustainable, Competitive and Secure Energy”, Green Paper, Commission of the European Communities, Brussels, 2006.

<sup>26</sup> “An Energy Policy for Europe”, European Commission, 2007. Available at Internet: <http://ec.europa>

<sup>27</sup> “Action Plan for Energy Efficiency: Realising the Potential”, European Commission, 2006. Available at Internet: [http://eurlex.europa.eu/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!DocNumber&lg=en&type\\_doc=COMfinal&an\\_doc=2006&nu\\_doc=545](http://eurlex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=COMfinal&an_doc=2006&nu_doc=545)

<sup>28</sup> “Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan”, Communication from the Commission to the European parliament, the Council, the European

renewable energy which introduced significant changes compared to the previous Directive 2001/77/EC on electricity production from renewable energy sources, which provided guidance for member states to achieve 22 percent of electricity from renewable sources by 2010. The new Directive 2009/28/EC, extends the common policy objectives in the fields of electricity, heating and transport and imposes an obligation on the member states to make their own national renewable energy action plans. In June 2005, the European Commission adopted a Green Paper on Energy efficiency. The new Directive 2006/32/EC on energy end-use efficiency and energy services was a significant shift since the country became mandatory to adopt and develop specific national action plans for energy efficiency. In June 2011, the European Commission proposed a new directive aimed to increase the efficiency of energy use in all stages of the energy chain.

Although since the early 1990s onwards, the European Commission underlined the feasibility of harmonizing energy supply policy to the supranational level, the single EU energy market is not formed. The EU member states have asymmetric energy positions, although there is guaranteed access to the energy markets.<sup>29</sup> Starting from the fact that the EU member states used diversified energy sources and transit routes, the European Union were required to achieve “organizational compromises” of which were created rules on competition and secure energy sources supply.<sup>30</sup> The European Union works closely with its key energy suppliers,

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Economic and Social Committee and the Committee of the Regions, Brussels, 13.11.2008, COM(2008) 781 final.

<sup>29</sup> According to the Article 194 of the EU Treaty of Lisbon (which Treaty merged two legal regimes established by the Treaty on European Union of 1992 and the Treaty on European Union), the energy policy will ensure the functioning of energy markets and security of supply of the Union as well as it will improve energy efficiency and provide energy savings. In addition, the energy policy will encourage the development of new and renewable forms of energy as well as the connection of energy networks. To achieve these objectives, Article 194 of the Treaty envisaged a legislative process that will, after consulting the Economic and Social Committee and the Committee of Regions, allow the Parliament and the Council together to make decisions in the energy field. However, the Treaty of Lisbon stipulates that member states retain the right of determining terms for exploiting their energy resources, to choose between different energy sources and choice of the general structure of energy supply. Thus, the main aspects of energy supply policy remain under the jurisdiction of member states. See: Eda Kusku, “Enforceability of a Common Energy Supply Security Policy in the EU: An Inter-governmentalist Assessment”, *Caucasian Review of International Affairs*, 2010, Vol. 4 (2), p. 154; “Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community”, *Official Journal C 306/1*, 17.12.2007.

<sup>30</sup> Under the “security energy sources supply” the European Union implies the provision of a long-term fulfilment of basic energy requirements under economically acceptable conditions and by using various and stable, externally available resources. See: Ana Jović Lazić, Marko Nikolić, The Importance of Energy Security in the relations of the European Union and Russia“, in: Miroslav Antevski, Dobrica Vesić (eds.), *Energy Security in Europe*, IMPP, Belgrade, 2013, p. 66.

as well as key transit countries to ensure a continuous supply of the required energy. The energy security policy of the European Union is associated with policies in the field of competition, traffic and ecology. These ties are important for development and functioning of the EU member states because the European Union has developed plans and promotes investment in networks and new energy technologies. In this respect, energy solidarity is very important among the EU members. This is proved by recent events between Russia and Ukraine, where the EU Member States in a way were blocked in gas deliveries.<sup>31</sup> However, the energy crisis in the EU has been largely overcome with the solidarity of other countries suppliers (such as Norway, Algeria and Libya).<sup>32</sup> While it is possible that the planned objectives of the EU Strategy

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<sup>31</sup> Due to the interference of the United States and its European allies in the political changes in Ukraine, and because of their direct influence on Ukraine's political leadership to condition the settlement of Ukrainian debts on the delivery of Russian gas, Russia urgently decided to suspend gas supplies through Ukraine from the end of 2019. This decision caused countermeasures against Russia, starting from the introduction of economic sanctions to taking concrete legal measures. Thus, the United States passed a law sanctioning firms that operate with Russian energy companies. For its part, the European Union has brought a number of measures that prevent the strategic expansion of Russia in the common energy market. In this regard, the European Union conditioned the signing of the Agreement on the construction of the *North Stream 2* gas pipeline with full respect of European legislation in this field. First of all, this refers to the principle of "separation" or the transfer of operational management to a "third party" in order to avoid conflict of interest and to promote competition. According to the latest plan of the European Commission, the leading Russian energy company *Gazprom* which was otherwise entrusted with the realization of this project, would be conditioned to share with other EU companies the capacity of *North Stream 2* on the basis of regular and transparent tenders in order to prevent its monopolistic position on the market. By this decision, the European Commission seeks to ensure that *Gazprom* cannot decide to terminate the delivery of Russian gas for financial or political reasons. See: Biljana Mitrinović, „Evropa sa Rusima pregovara iza leđa Amerikanaca“ (*Europe with the Russians is negotiating behind the back of the Americans*), *Politika*, Belgrade, 16.09.2017, p. 3.

<sup>32</sup> Mariam Dekanozishvili, *Towards Common European Energy Policy*, University of South Carolina, Columbia, 2014, p. 69. The author concluded that: "However, the relative weight of the energy security issues in the EU's energy domain has gained a new momentum as a result of the Russia-Ukrainian crises in 2006 and later in 2009, as well as heightened vulnerability in relation to rising energy dependence. The upgrade of the security of supply directive from 2004 by the regulation on measures safeguarding the security of the gas supply in 2010 attests to the increased importance of energy security. The regulation is based on Article 194 of the Lisbon Treaty and places the security of the gas supply in the context of an integrated and interconnected internal market and the spirit of solidarity. This was the first time that the Lisbon Treaty article served as a legal basis for EU legislation in the energy field. Being directly applicable, the regulation aims to ensure that member states and gas market participants take effective action well in advance to prevent and mitigate the potential disruptions to gas supplies through the new rules".

20/20/20 to a greater extent will be achieved by 2020, the whole EU Strategy is considered to be inadequate in the long term.<sup>33</sup> Therefore, the objectives of the Strategy that evolved over time entered in the Communication adopted by the European Commission in 2010, which emphasised some new important goals such as achieving energy efficient Europe, building a truly pan-European integrated energy market, empowering consumers and achieving the highest level of safety and security, extending Europe's leadership in energy technology and innovation and strengthening the external dimension of the EU energy market.<sup>34</sup>

In the perspective, the EU member states will face a number of challenges regarding the future development of their energy relations such as the increasing globalization of energy markets, the development of energy prices, continued reform of their internal energy markets, the importance of reducing greenhouse gas emissions and finding sustainable ways to produce energy. Having in mind the importance of energy and climate effects of energy use, the European Commission adopted in 2012 the "Energy roadmap 2050" where it declares that a secure, competitive and decarbonised energy system in 2050 is possible.<sup>35</sup> First of all, the "Energy roadmap to 2050" predicts long-term goals primarily reducing greenhouse gas emissions by 80-95% when compared to 1990 levels by 2050. Then, this instrument shows the transition of the energy system in ways that would be compatible with this greenhouse gas reductions target while also increasing competitiveness and security of supply. In order to achieve the intended objectives of these guidelines, significant investments need to be made in new low-carbon technologies, renewable energy, energy efficiency and grid infrastructure. In view of the fact that investments must be made, in the following period of 60 years, it will be necessary to adopt such policies that will promote a good business atmosphere necessary for their realization. Hence, the "Energy roadmap to 2050" should be taken into consideration as an important guideline of state behaviour, because the rebuilding European Union energy system for a low-carbon future is not just a task of the energy policy of one member state of the EU, but the strategic goal of all its member states.<sup>36</sup> In other, this finding is in favour of the European

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<sup>33</sup> According to recent official data, the European Union is on track to achieve the targets for 2020 and decrease greenhouse gas emissions by 18% between 1990-2012. The share of renewable energy increased from 8.5% in 2005 to 14.1% in 2012. Also, it is expected that the energy efficiency increase by 18-19%. This is only slightly less than the target of 20%. The goal is attainable if member states apply all the standards of the EU legislation.

<sup>34</sup> "Energy 2020, a Strategy for Competitive, Sustainable and Secure Energy", European Commission, Publications Office of the European Union, Luxembourg, 2010.

<sup>35</sup> "Energy roadmap 2050", European Commission, Publications Office of the European Union, Luxembourg, 2012.

<sup>36</sup> On 16 February 2016, the European Commission unveiled a package of energy security measures to equip the European Union for global energy transition to address possible energy

Commission proposals listed in the Communication addressed to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank concerning the Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy.<sup>37</sup>

## SERBIA'S POSITION IN RELATION TO THE EU COMMON ENERGY POLICY

The current efforts of the European Union in the field of energy are focused on the adoption and implementation of integrated European infrastructure packages in order to establish a Common Energy Policy aimed at reducing consumption, strengthening the integration of the European energy market, increasing technological progress, and ensuring the assessment of greater energy security. Serbia has committed itself to contribute to the activities of the European Union in this area by signing the Treaty of establishment the Energy Community, which entered into force on 1 July 2006.<sup>38</sup> The main tasks of the Energy Community are creating a stable regulatory and market framework in Southeast Europe and the European Union in order to attract investments in the electricity and natural gas. Also, its obligation is to participate in the creation of a single legal framework for

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supply interruptions. Security of supply is one of the five interlinked and mutually dependent dimensions of the Energy Union. Key drivers of energy security are the completion of the internal market and more efficient energy consumption, but the EU's energy security is also closely linked with the energy policy choices of its neighbours. The European Commission package bring measures which include moderating energy demand, increasing energy production in Europe (including from renewable sources), further developing a well-functioning and fully integrated internal energy market, as well as diversification of energy sources, suppliers and routes. See: Press Release Database of European Commission, Available at Internet: [http://europa.eu/rapid/press-release\\_IP-16-307\\_en.htm](http://europa.eu/rapid/press-release_IP-16-307_en.htm)

<sup>37</sup> In the above-mentioned Communication, the European Commission has elaborated the objectives of the 'Energy Roadmap to 2050', giving more emphasis on achieving the goals of a resilient Energy Union with an ambitious climate policy at its core. Commission's vision of the Energy Union is based on wide energy system where energy flows freely across borders, based on competition and the best possible use of resources, and with effective regulation of energy markets at EU level. The Energy Union should be based on genuine solidarity and trust, and secure, sustainable, competitive and affordable energy. See: "A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy", European Commission, COM/2015/080 final

<sup>38</sup> "The Law on Ratification of the Treaty on Establishing the Energy Community between the European Union and the Republic of Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Montenegro, Romania, Serbia and the United Nations Interim Mission in Kosovo in accordance with the Resolution 1244 of the United Nations Security Council", *Official Gazette of the Republic of Serbia*, Belgrade, No. 62/2006.

trade in electricity and gas in Southeast Europe and the EU. In this regard, the special duty of the Energy Community is to take care of improving the security of supply in the region,<sup>39</sup> including improving energy efficiency and exploitation of renewable energy sources, improving the environment and developing of a competitive energy market.<sup>40</sup>

After obtaining the candidate status for the EU membership, Serbia has been given the opportunity to participate in the meetings of the European Union for the adoption of the reference scenario in the energy field as an observer. In the framework of the 11th meeting of the Ministerial Council of the Energy Community in Belgrade in 2013, it was adopted, *inter alia*, the list of projects of interest for the Energy Community - a total of 35 projects, including 13 from Serbia with an invitation to the parties to take the necessary measures to encourage their timely and effective implementation. At the same time, the Ministerial Council made the decision extended the importance of the Treaty of establishment the Energy Community for the next period to 2026<sup>th</sup>. The next Ministerial Council Meeting was held in September 2014 in Kiev, under the framework of the Ukrainian Chairmanship of the Energy Community. At this meeting were adopted guidelines for the project trans-European energy infrastructure, with the aim of its better implementation and effective realization. It was noted that a key obstacle to investment are the untimely and inconsistent implementation of European legal standards. To overcome this situation, the Council has recommended the strengthening of technical assistance to contracting parties, especially on the implementation of the directives of the *Third Energy Package*. Pursuant to the

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<sup>39</sup> Especially interesting is Part III of the Treaty, which regulates the issue of "security of supply". Article 29 of the Treaty stipulates the duty of the contracting parties within one year from the date of entry into force of this Treaty (i.e. from 1 July 2006), to adopt reports of the security of supply. The Treaty regulates the content of the reports so that the reports contain facts that describe the diversification of supply, technological security, and geographic origin of imported fuels. It is the obligation of the contracting parties to submit reports to the Secretariat. Also, the Treaty confirms the principle of transparency of the report that is; the reports must be available to all parties. Reports are updated every two years. "Security of supply" is confirmed by the provisions of Article 35 of the Treaty, which regulates the possibility that the Energy Community adopt "measures to foster development in the areas of renewable energy and energy efficiency". This should take into account the benefits of such measures not only in terms of security of supply, but also in terms of environmental protection, "social cohesion and regional development". See: Duško Dimitrijević, Dragoljub Todić, „Energetska bezbednost u međunarodnom pravu životne sredine” (*Energy Security in International Environmental Law*), *Teme*, Niš, 2012, Vol. 32, No. 2, p. 716.

<sup>40</sup> Energy Agency of the Republic of Serbia in accordance with its powers determined by law, from its establishment to the end of 2012 worked intensively on adopting or approving acts for implementing the EU administrative provisions, fulfilling the obligations that Serbia assumed by the Treaty establishing the Energy Community.

recommendations of the Council, and in accordance with the current process of European integration, the Republic of Serbia in late December of the same year passed the Energy Law, which provides the application of the *Third Energy Package* of the European Union, thus greatly improving environment for investments in the energy sector. Through the Energy Law, Serbia applies the *Third Energy Package* of the European Union from 1 January 2015 in the fields of renewable energy, electric power and gas sector.<sup>41</sup> In this way, Serbia became the first country in the region that has implemented all the European Union regulations in this area. The regulatory framework of the energy sector of the Republic of Serbia is determined, above all, by the political attitude that its future is closely connected to strengthening relations with the European Union. In addition to this factor, it should not ignore the factor of interdependence of national energetic systems as key determinants of developing the existing and establishing new relationships in the field of energetic. The legal formulation of these factors is possible through intensive harmonization, i.e. unification of legal rules in the given sector. By signing the Treaty on Establishing the Energy Community, a legal framework for the full implementation of these goals has been created. Of course, one should not lose sight of the fact that Serbia is moderately prepared in the field of energy policy. As stated in the report of the European Commission for 2015, Serbia has made progress towards the establishment of the internal energy market. Apparently, in the forthcoming period Serbia should take measures to strengthen the independence and increase administrative capacity and to improve alignment with the European Union *acquis*. First of all, it refers to the field of renewable energy, then to energy efficiency, the development of a competitive gas market, and the achievement of cost-reflective electricity tariffs with participation in the region's electricity Coordinated Auction Office in line with its Energy Community obligations.<sup>42</sup>

## SERBIA'S APPROACH TO ENERGY SECURITY

Serbia's approach to energy security was initially specified in 2005, in the *Energy Development Strategy until 2015*.<sup>43</sup> According to the Energy Development Strategy, among other things, the main priorities of energy development were formulated, namely: the technological modernization of energy sources, rational use of quality energy, renewable energy sources and new energy technologies, as well as the construction of new energy objects.

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<sup>41</sup> "The Law on Energy", *Official Gazette of the Republic of Serbia*, No. 145/2014.

<sup>42</sup> "Serbia 2015 Report", European Commission, Brussels, 10 November 2015, SWD (2015) 211 final, 2015, pp. 41, etc.

<sup>43</sup> "Energy Development Strategy of the Republic of Serbia until 2015", *Official Gazette of the Republic of Serbia*, No. 44/2005

In addition to these priorities, the Energy Development Strategy of the Republic of Serbia anticipated increase in safe, high-quality and reliable supply of energy and energy sources, ensuring the development of energy infrastructure and introduction of new technologies, providing conditions for the improvement of energy efficiency, creating conditions for stimulating the use of renewable energy sources, and improving environmental protection. This Strategy particularly emphasized that the production of energy is in direct dependence on renewable energy sources. Renewable sources are concerned primarily with biomass, the hydro potential of small flows of water (facilities up to 10 MW), geothermal energy, wind energy and solar radiation. Promotion of the use of renewable energy sources was important for the greater energy security, i.e. to the reduction of Serbia's *dependence on foreign energy imports*, energy costs and environmental pollution.<sup>44</sup>

In order to align with the practice of the European Union on the basis of Article 20 of the Energy Community Treaty, Serbia accepted the commitment to apply directives in the field of renewable energy sources and that: Directive 2001/77/EC for the promotion of electricity from renewable energy sources and the Directive 2003/30/EC on the promotion of biofuels or other fuels produced from renewable energy sources for transport.<sup>45</sup> Since 2009 the said Directives have been gradually replaced and in January 2012 they were repealed by a new Directive 2009/28/EC of the European Parliament and Council, on the promotion of the use of energy from renewable sources.<sup>46</sup> In line with the Directive 2009/28/EC binding targets were set for the state members of the EU in order to provide that, in 2020, renewable energy sources participate with 20% in the gross final energy at the level of the European Union. In accordance with the Directive 2009/28/EC and the

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<sup>44</sup> "National Sustainable Development Strategy", *Official Gazette of the Republic of Serbia*, No. 57/2008. In National Sustainable Development Strategy, development goals were defined through the following activities: extensive research on a potential of sustainable energy sources; determining the technology for which the introduction of incentive measures and mechanisms is justified; adoption of regulations (tax deductions, incentive prices, etc.) for stimulating the use of renewable energy sources; increasing the scope of use of renewable energy sources; education and awareness raising as an incentive for the inclusion in the production and the use of energy form renewable sources", *Official Journal* L 283, 27.10.2001, pp. 33–40; "Directive 2003/30/EC of the European Parliament and of the Council of 8 May 2003 on the promotion of the use of biofuels and other renewable fuels for transport", *Official Journal* L 123, 17.06.2003, pp. 42–46.

<sup>45</sup> "Directive 2001/77/EC of the European Parliament and of the Council of 27 September 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market

<sup>46</sup> "Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC", *Official Journal* L 140, 05.06.2009, pp. 16-62.



Decision of the Council of Ministers of the Energy Community of 18 October 2012,<sup>47</sup> a very ambitious binding target was set for Serbia, amounting to 27% of renewable energy sources in its gross final energy consumption in 2020. The same Decision defined that Serbia should prepare the national renewable energy Action plan in compliance with the adopted Decision 2009/548/EC. According to this Decision, each state party to the Energy Community Treaty is bound to bring laws, regulations and administrative provisions which will be in compliance with the Directive 2009/28/EC. until 1 January 2014. Serbia adopted the Action plan in June 2013.<sup>48</sup> Relying on Energy Law, this Action plan has developed national goals and the plan of utilization of renewable sources of Serbia until 2020. Targets are set on the basis of energy needs, economic capabilities and commitments of Serbia undertaken in the ratified international agreements. Given the limited availability of fossil energy sources, under this Action Plan, Serbia took the obligation to provide a safe, quality and reliable supply of energy and energy carriers and to reduce the energy dependence.

In early December 2015, the National Assembly of Serbia has adopted the *Energy Strategy of the Republic of Serbia until 2025 with projections to 2030*.<sup>49</sup> In a new Energy Strategy, Serbia has provided the strategic development that will be based on the establishing a balance between production of energy from available sources, energy consumption with a market and socially sustainable character, and a more efficient production and the use of a “cleaner” energy from renewable energy sources. In line with this will be the sustainable energy system with a more efficient production of energy from renewable sources, and with planned and cost-effective placement. Finally, Serbia’s strategic approach to energy security in that way will be the road to reducing environmental threats and economic costs. According to the provisions of the new Energy Strategy, Serbia should ensure the achievement of the following priorities:

- energy security by reduction of the import dependence, provision of energy oil and natural gas reserves and the construction of new electrical power capacities;
- development of the national energy market in the framework of EU energy market into which Serbia has been integrated by the signing of the Treaty of

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<sup>47</sup> “Ministerial Council Decision D2012/04/MC-EnC on the Implementation of Directive 2009/28/EC in the Energy Community”, Energy Community, Ref: 10th MC/18/10/2012-Annex, 18/09.07.2012.

<sup>48</sup> “National Renewable Energy Action Plan of the Republic of Serbia”, Ministry of Energy, Development and Environmental Protection, Belgrade, 2013. Available at Internet: <https://www.energy-community.org/pls/portal/docs/2144185.PDF>

<sup>49</sup> “Energy Strategy of the Republic of Serbia until 2025 with projections to 2030”, *Official Gazette of the Republic of Serbia*, No. 101/2015.

establishment the Energy Community, which contributes to the economic development, the stability of the country, and the construction of modern electric power and gas infrastructure;

- establishment of a sustainable energy system, through the implementation of energy efficiency measures, the use of renewable energy sources and the implementation of standards for the protection of the environment and the reduction of harmful impact on the climate; construction of electrical power systems and system for district heating;
- the share of energy from renewable sources in gross final energy consumption of 27%;
- the opening of new surface coal mines;
- the reduction of dependence on imported oil;
- the construction of gas infrastructure for natural gas production, with a more efficient use of energy with a wide range of application; more production of energy from renewable energy sources, in order to preserve the environment.

Based on the statistics of “green” energy system of Serbia, the renewable energy potential is mostly used in the hydro flows, while the rest of the renewable energy sources are still in the development stage. The introduction of the principle of a “cleaner” and a more economical energy sources production develops and sets to use a more efficient equipment and technology, encourages the projects of a wide range of application, from the small households that are connected to the distribution network up to industrial-scale capacities. Strategic national goals include using all available renewable energy sources in the production of electricity, in heating stations, in the final consumption, as well as in transport. The Energy Strategy emphasizes that sustainable energy, among other things, is to be accomplished by creating the economy, doing business and financial conditions for increasing the share of energy from renewable energy sources.

The energy potential of renewable energy sources in Serbia is significant and estimates suggest over 4 million tons of oil equivalent (ten) per year, which corresponds, according to expert estimates, almost half of the annual energy needs of the country. This potential is particularly large compared to some European countries which lack renewable energy sources. In some types of renewable energy sources, however, Serbia has the potential of lagging behind certain EU member states (for example, in the field of wind energy). The greatest potential in Serbia is considered biomass. The potential of biomass is estimated at about 2.7 million tons of oil equivalent, or 63% of the total potential; 0.6 million tons of unused hydropower is estimated at 14%; 0.2 million tons in geothermal sources is estimated at 4.5%; 0.2 million tons in wind energy is estimated at 4.5% and 0.6 million tons in the solar radiation is estimated at 14%. A small part of this potential, however, is used. In Serbia, most of the energy comes from coal in addition to oil and natural gas. Coal is the dominant raw material in the production

of electricity.<sup>50</sup> In addition to coal, for the production of electricity is used natural gas whose price due to fluctuations in the global gas market is constantly growing. For heating, the households in Serbia use wood more. Of the existing renewable energy sources, Serbia uses in optimal manner only the hydro potential and biomass. According to the EU regulations, in the production and consumption of energy from renewable sources are also calculated large hydropower plants, but in the field of environmental protection they are not considered as “clean” plants because of the harmful effects of the dams on the environment. In this context, the exclusion of large hydroelectric power plants from the share of energy from renewable sources indicates that the total potential of these sources in Serbia is quite modest. While the potential of renewable energy sources is relatively easy to calculate by collecting data on the forest areas, the amount of plant mass and potential of rivers, the challenge is to determine the level of utilization of renewable energy from biomass as an energy source that is used not only in industry but also in households. In this sense, the challenge is the existence of “black market” of biomass, illegal logging, and use of private forests for personal needs, which would all have to be included in the calculation in order to obtain relevant data on the use of energy from renewable sources. Otherwise, the determination of the share of renewable energy in energy consumption is crucial for the implementation of the objectives which the member states of the Energy Community adopted on the basis of the aforementioned EU directives. In this connection, it should be reiterated that Serbia undertook to 2020 to increase the share of renewable energy in total energy consumption to 27%.<sup>51</sup> Also, it should be mentioned that Serbia since the adoption of the mentioned strategic

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<sup>50</sup> Geological reserves of lignite in respect of all types of geological reserves of coal in Serbia amounts 97%. Of the approximately 8.8 billion tons of coal, 4.5 billion is in Kosovo-Metohija basin, while the other 4 billion tons in central Serbia, in Kostolac and Kolubara. See: “Srbija: Energetski resursi i energetska bezbednost Srbije” (*Serbia: Energy resources and energy security of Serbia*), Serbia Energy Business Magazine, 30 March 2015. Available at Internet: <http://serbia-energy.eu/sr/srbija-energetski-resursi-i-energetska-bezbednost-srbije/>

<sup>51</sup> In order to achieve the above mentioned objectives, the Government of Serbia adopted the “National Renewable Energy Action Plan”, which was presented in 2013. According to the Action Plan it would be required for that purpose to build 1,092 megawatts of new capacity for the production of electricity. This will need an investment of EUR 2 billion over the next seven years. The Action Plan envisages that for realization of the objectives it needs operation plants with 500 MW of electricity production from wind, 438 MW of mini hydro power plants, 100 MW of biomass power plant, 30 MW of biogas, 10 MW of landfill gas and solar energy, 3 MW of power plants that processed waste and 1 MW from plants that operate on geothermal energy. In addition, the Action Plan stipulates that Serbia needs to increase renewable energy sources by 2020 in the power sector to 37%, in the sector of energy for heating and cooling at 30%, and in the transport sector through the use of biofuels to 10%. See: “National Renewable Energy Action Plan of the Republic of Serbia”, op. cit.

documents on the energy policy made significant steps in the development of the market of sustainable energy sources. The sustainable energy sector is one of the priorities of the Serbian government policy. It includes sustainable development and improvement of environmental protection and rational use of natural resources.<sup>52</sup> A particularly important invention was the government regulations at the end of 2009 which introduced incentives for energy production from renewable energy sources - a regulation on conditions for acquiring the status of a privileged producer of electricity from renewable sources and regulation introducing guaranteed purchase prices (feed-in tariffs) for both electricity produced and guaranteed redemption period of 12 years. However, in the way of greater use of renewable energy, there are many obstacles and challenges.

The procedures for investment are quite long and complex, internal regulations are insufficient, and the international and EU standards are only partially defined. A particular challenge is the price of electricity in Serbia, which is not formed in full accordance with market laws. Hence, the price of energy from renewable sources would not be competitive because of the preferential price of electricity. Even more, without additional investment incentives, it would not have been possible to produce electricity from renewable energy sources because its price would be much more expensive than electricity produced from fossil fuels. In this sense, the new Energy Law with which Serbia has accepted the *Third Energy Package* is a big step forward because it makes concrete incentives for investors in renewable energy. At the same time, the Energy Law simplifies procedures for investment and gives privileged status for producers of energy from biomass, water, wind, solar and geothermal energy. In this way, Serbia liberalizes the domestic energy market and opens the door for foreign capital investment in the energy sector. In addition, Serbia diversifies its energy needs in a sensitive way that it eliminates the existing monopoly in terms of supply of conventional types of energy.<sup>53</sup> Finally, in this way, Serbia strengthens its own energy security.<sup>54</sup>

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<sup>52</sup> Dragoljub Todić, Duško Dimitrijević, "Priority goals in international co-operation of the Republic of Serbia in the field of environment and sustainable development", *International Environmental Agreements: Politics, Law and Economics*, Springer, 2013, pp. 2-25

<sup>53</sup> Alan Riley, "The Western Balkans and EU Energy Security: Protecting Europe's Flank", 2014. Available at Internet: <http://www.statecraft.org.uk/research/western-balkans-and-eu-energy-security>

<sup>54</sup> While it is quite clear that there are geopolitical and geoeconomic interests that determine the attitude of the United States and its Western allies towards Russian energy domination in Europe, there is, however, no economically rational explanation for the continued political lavatory in terms of securing Serbia's energy security in the long run. This is best manifested through uneven political attitudes that are made public from time to time. Let's just figure out one example here. On May 8<sup>th</sup>, 2015, Serbian Prime Minister Aleksandar Vučić declared that in order to ensure energy security, he was "ready to diversify the sources of gas for Serbia, which is very important for our American friends as well". In essence, the prime minister

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confirmed that the United States has been actively seeking ways for Serbia to become less dependent on Russia. Western governments are promoting two alternative ways for Serbia to import energy. The first is for Serbia to construct the infrastructure needed to connect to the Trans-Adriatic Pipeline. Scheduled to become operational in 2020 with an initial capacity of 10 billion cubic meters of natural gas per year, the pipeline will transport natural gas from Azerbaijan across Turkey and onward to Greece, Albania and Southern European markets. Serbia would likely need to build pipeline networks through either Macedonia or Montenegro in order to access the new pipeline. Another potential opportunity for Serbia is a planned liquefied natural gas terminal in Croatia. The project, which is only in the early stages of feasibility studies and is progressing slowly, would be constructed on island Krk in northern Croatia. In February, reports emerged that the United States had offered to help Serbia access natural gas from the new terminal. See: “Serbia’s Evolving Energy Policy”, Stratfor Media Center, *Image*, 2 June 2015. Available at Internet: <https://www.stratfor.com/image/serbias-evolving-energy-policy>; The mentioned political approach was changed during the Prime Minister visit Beijing in early 2017. On that occasion, Prime Minister stressed the necessity for Serbia to build a gas interconnector with Bulgaria to ensure the import of sufficient quantities of Russian gas by 2019, when is expected that Russia will close its gas pipeline through Ukraine. Due to limited gas capacity from Azerbaijan, it is unlikely that the aforementioned US plan for supplying Serbia and other Balkan countries could be feasible in practice. Therefore, Serbia is considering the possibilities of expanding its own capacities, i.e., expanding domestic gas production. In this respect, the fact that Serbia fulfills its current gas needs through imports within the range of 80% of the circle is very worrying. Due to energy dependence, Serbia is forced to find alternative options through which it will expand its energy capacities. In this sense, the construction of the *Turkish stream* should be an alternative that could provide supplies of Russian gas for the needs of Serbia and other countries of Southeast and Central Europe. Also, it is important to keep in mind that the increased demand for this energy product from Russia for a large number of European countries will most likely be met through the construction of the so-called: *North Stream 2*, whose construction is scheduled for 2019. See: Srećko Đukić, „Turski tok i srpska energetska budućnost“ (*Turkish stream and Serbian energy future*), *Nedeljne informativne novine*, Belgrade, 18.05.2017, pp. 8-11. On the geopolitical rivalry that has been taking place since the early 1990s in the Balkans between the great powers through the assurance of a monopoly on the construction of gas pipelines and oil corridors (*the South Stream, the Turkish Stream, NABUCCO, the Trans-Adriatic pipeline, AGRI, the East Ring, AMBO and CPOT*), See: Dušan Proroković, “The geographical position to the Energy security of continental Europe: one route for several strategic gas pipeline project“, *Serbian Science Today*, 2016, vol. I, No. 1, pp. 80-89.

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## SRBIJE I SAVREMENI TRENDovi U ENERGETSKOJ BEZBEDNOSTI

*Apstrakt:* U predmetnoj studiji analizirana je pozicija Srbije u odnosu na savremene trendove u energetske bezbednosti. U uvodnom delu, autor je izneo pregled najvažnijih postulata moderne međunarodne energetske bezbednosti. Potom je opisao određene tendencije u ovoj oblasti uz poseban osvrt na izazove i pretnje koje mogu dovesti do energetske nebezbednosti u bližoj budućnosti. U posebnom delu studije, autor je posvetio pažnju Zajedničkoj energetske politici Evropske unije, njenom poreklu i evoluciji, kao i planovima za budućnost. Povezujući ovo pitanje sa pitanjem pozicioniranja Srbije prema savremenoj energetske bezbednosti, autor je u zaključnom delu studije dao konkretna objašnjenja u vezi sa obavezama koje za Srbiju proizlaze iz statusa zemlje kandidata za pristupanje Evropskoj uniji, posebno u pogledu obaveza koje proizilaze iz usklađivanja domaćeg zakonodavstva sa pravom Evropske unije (*acquis communautaire*).

*Ključne reči:* Sistem energetske bezbednosti, trendovi i izazovi, Zajednička energetska politika EU, *acquis communautaire*, Srbija.