



Europe's Critical Energy Choices

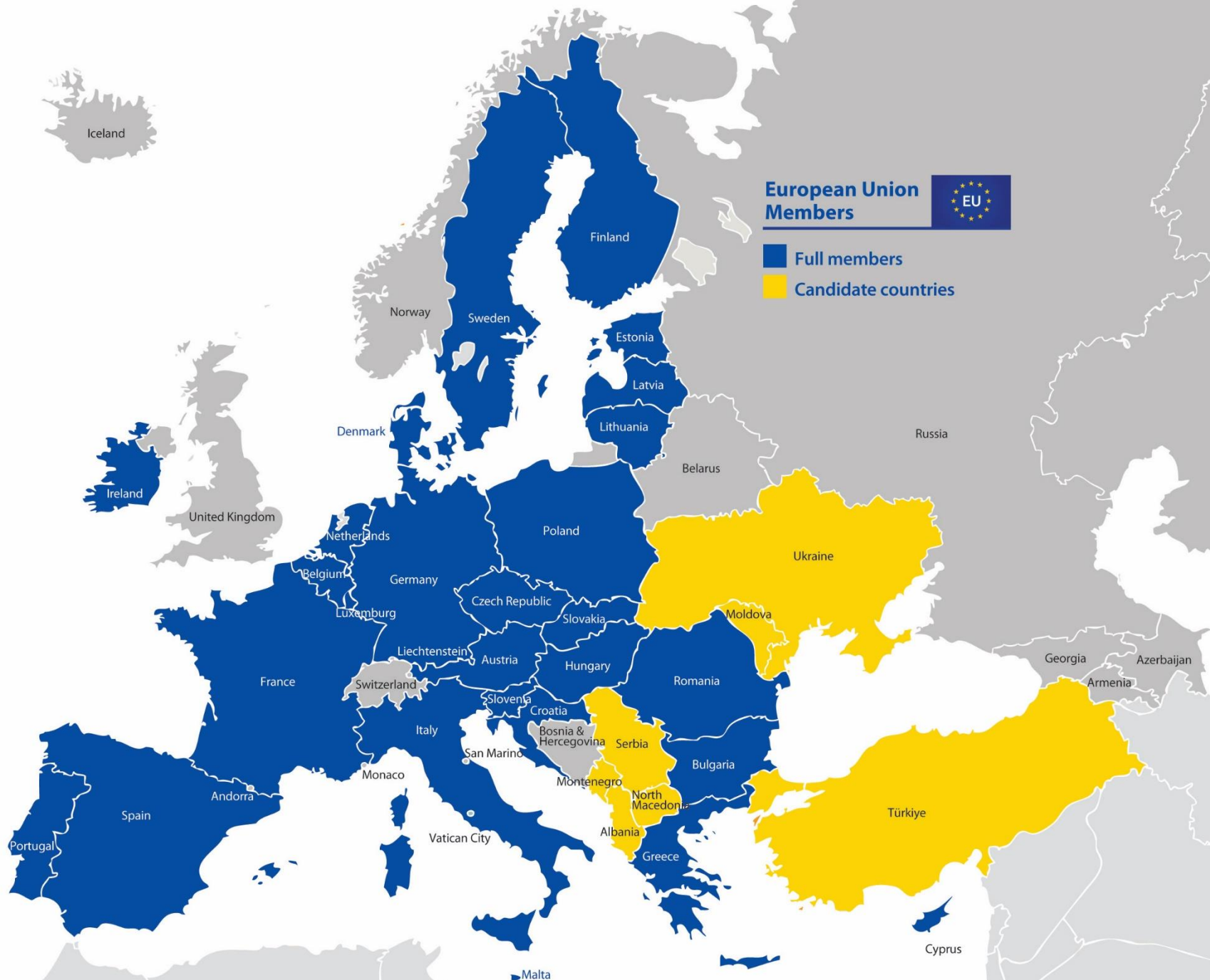
Serbia and WB in international challenges and threats

Is the current energy transition essential for energy security?

Mihailo Mihailović, Serbia

Athens, November 22, 2022

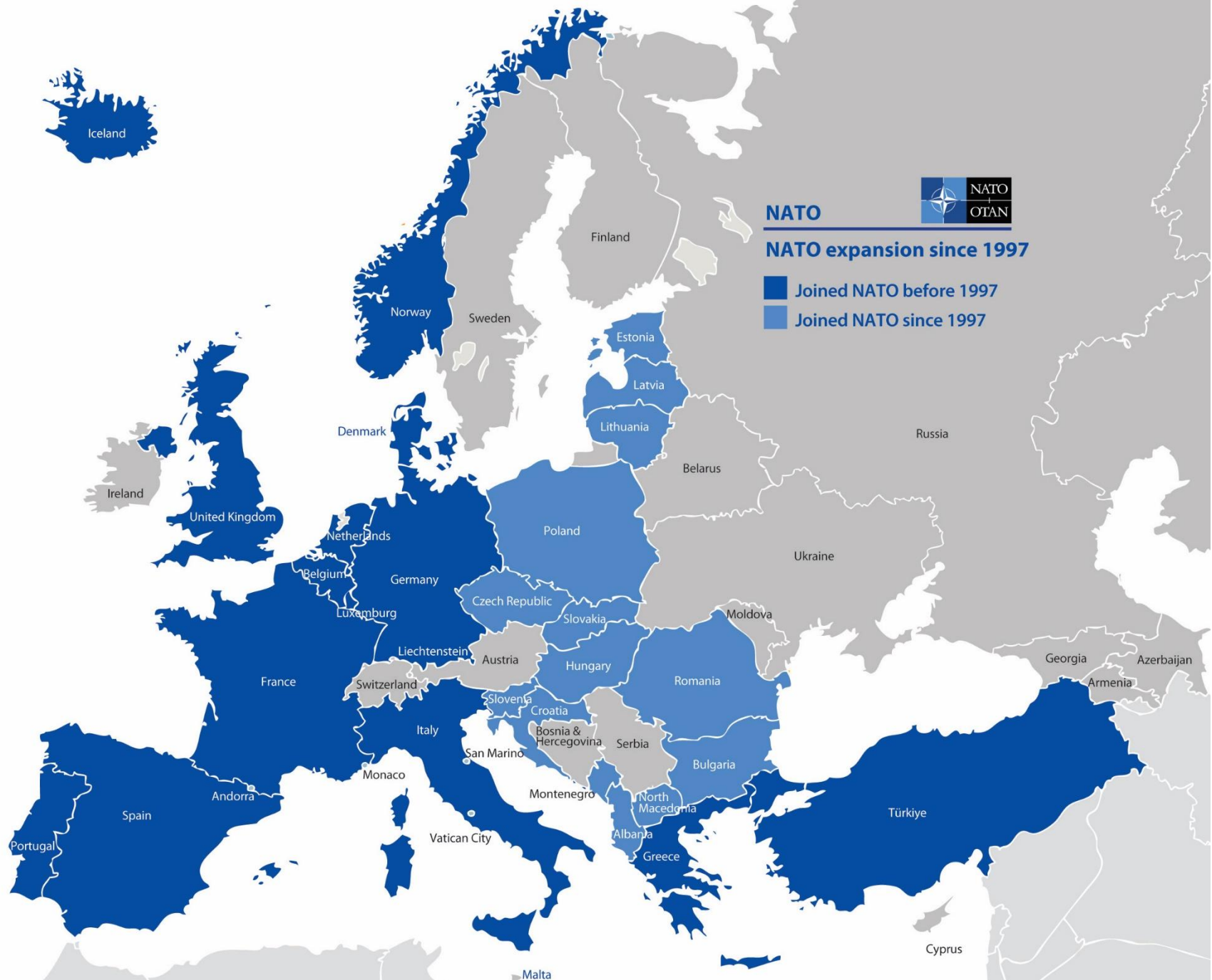




EU Enlargement

- Successive enlargement by **DIFERRENT RULES**, speed and timing
- Three political Orbits of Potential Candidates
 - Norway, Iceland, Switzerland
 - Western Balkan countries
 - Türkiye, Ukraine, Moldova
- The processes are burdened by political demands, pressures and threats
“You are either with us or against us”
- Serbia, continuously experiences **NEW RULES AND CONDITIONS** for accession
 - Hague Tribunal for former Yugoslavia
 - Recognizing Kosovo* and Metohia
 - Imposing sanctions to Russia
- There are a number of institutions, processes and initiatives that need to adapt potential candidates to **THE RULES** created by Brussels, and usually Berlin and Paris.
 - Berlin Process created by Angela Merkel
 - European Political Community (EPC) led by Emanuel Macron
 - Energy Community based in Vienna
 - Open Balkan, initiative by Albania, Serbia and North Macedonia
- The last non-paper proposal is for Serbia to allow Kosovo* to join the UN and to receive quick entry into the EU and significant financial aid – was rejected in Belgrade
- 80% of Serbian citizen do not want to join the EU if the condition is the surrender of Kosovo

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244



Global State of Play

- Yankee goes East, Bacushka goes West, both with nuclear arsenals
- A new cold war begins with a virtual division into several blocs – Multipolar world
- Since 1997, NATO has increased its membership with 14 new European countries
- **Great powers do not respect international law** and interpret it according to their own needs
- Globalism, protectionism and militarism against **sovereignty, identity, common interest**
- Provoked, proxy war in Ukraine did not start in 2022, but much earlier
- The war between the Western bloc and Russia is a war for hegemony and resources
- Currently, the biggest losers are Ukraine, Russia and Europe, while the winners are the USA and indirectly China
- The EU and the USA have imposed rigorous economic, political and cultural sanctions
- Of all the UN members, less than 50 countries have established sanctions, while the other 140 countries have abstained. Serbia is with the majority of the world community.

Besides of UN, EU, G7 some other emerging Institution and association are taking primacy:

- The BRICS - Represent the largest population and the largest GDP in the world
- SCO - Shanghai Cooperation Organisation - Samarkand declaration – September 16, 2022
- G20 - 17th Haeds of State and Government Summit – Indonesia, November 15, 2022

The relentless Western narrative that the West is noble while Russia and China are evil is single minded and extraordinary dangerous (Jeffry Sachs, economist, Columbia University)

Energy sovereignty

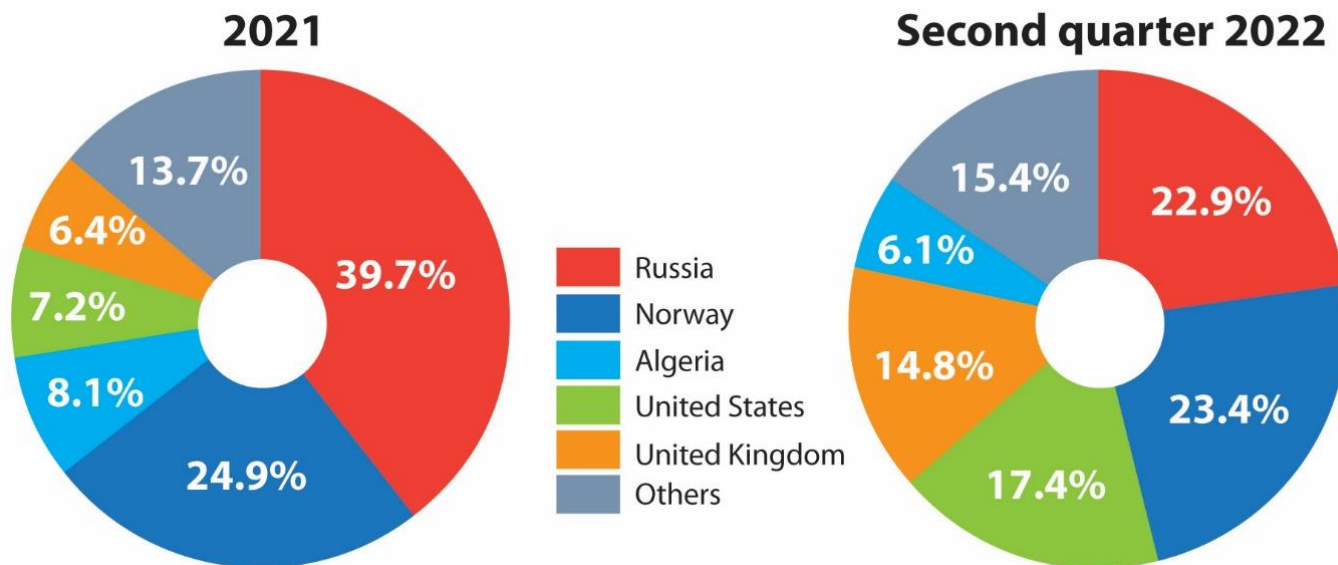
- The security of any country is largely measured by energy sovereignty, and the availability of its own food and water
- Energy insecurity and price volatility impacting Europe and the entire world
- Energy planners and political decision makers must provide a formula to provide:
 - Security of Supply
 - Affordability and energy price stability
 - Development of Green Agenda
- Germany and some EU countries insist on increasing efficiency and the rapid and faster implementation of RES sources as a permanent solution (Energiewende)
- Another idea is the balanced integration of RES sources into the existing systems with fossil fuels and the formation of the pathway Coal → Gas → Nuclear + RES
- Both ideas have their political and industrial lobbyists
- Serbia and some WB countries will follow a slower, controlled transition path due to their own natural resources (coal) and lower investment potential than developed countries
- A smooth transition to green energy over time is largely dependent on the continued availability of plentiful, cheap fossil fuel
- The average energy import dependency ratio for Serbia is 35% (EU 27 – 55%).

**Is the current energy transition essential for energy security?
In short term NO, in long terms YES!**

EU Security of Supply – Natural gas

- In 2020, the EU produced around 42 % of its own energy while 58 % was imported
- The EU use to be mainly depended on Russia for imports of crude oil, natural gas and solid fossil fuels, followed by Norway for crude oil and natural gas
- In 2020, EU’s share of energy imports from Russia were 29% in crude oil, 43% in natural gas and 54% in solid fossil fuels
- In late 2022, Russian natural gas still flows to Europe through Ukraine and TurkStream

EU Imports of natural gas by partner (%)



Source: Eurostat

- Russian piped gas supply assumed to reduce by 2/3 as of 2023 and cease in 2027
- Disrupted Russian supply will create a short-term supply deficit with difficult choices

Serbia Security of Supply – Natural Gas

- Currently, Serbia depends some 90 % on Russian Natural gas
- Turk stream 2 via Balkan stream (13bcm/y) is the key for energy security for Serbia & Hungary
- New Interconnector Niš - Sofia (1,8bcm/y) will be finished at the end of 2023

Serbia consumes up to 3 bcm of Natural gas annually, and in winter on a daily basis, from 11.5 to 16 mcm

According to the new three-year agreement with Russia (May 2022) Serbia will pay for the first 2.2 bcm according to the oil formula \$420/1,000 m³. The remaining 800 mcm will be paid at the price of \$800/1,000m³

Average retail Price for households and small customers is 2, 85 €c/KWh (no tax and levies)

Currently Serbia has deposited 380 mil. m³ in Hungary, 286 mil. m³ in the Serbian gas storage Banatski Dvor, and 214 mil. m³ in the Russian part of the same storage. These quantities will be enough for a two-month supply.



Serbia Security of Supply - Crude Oil

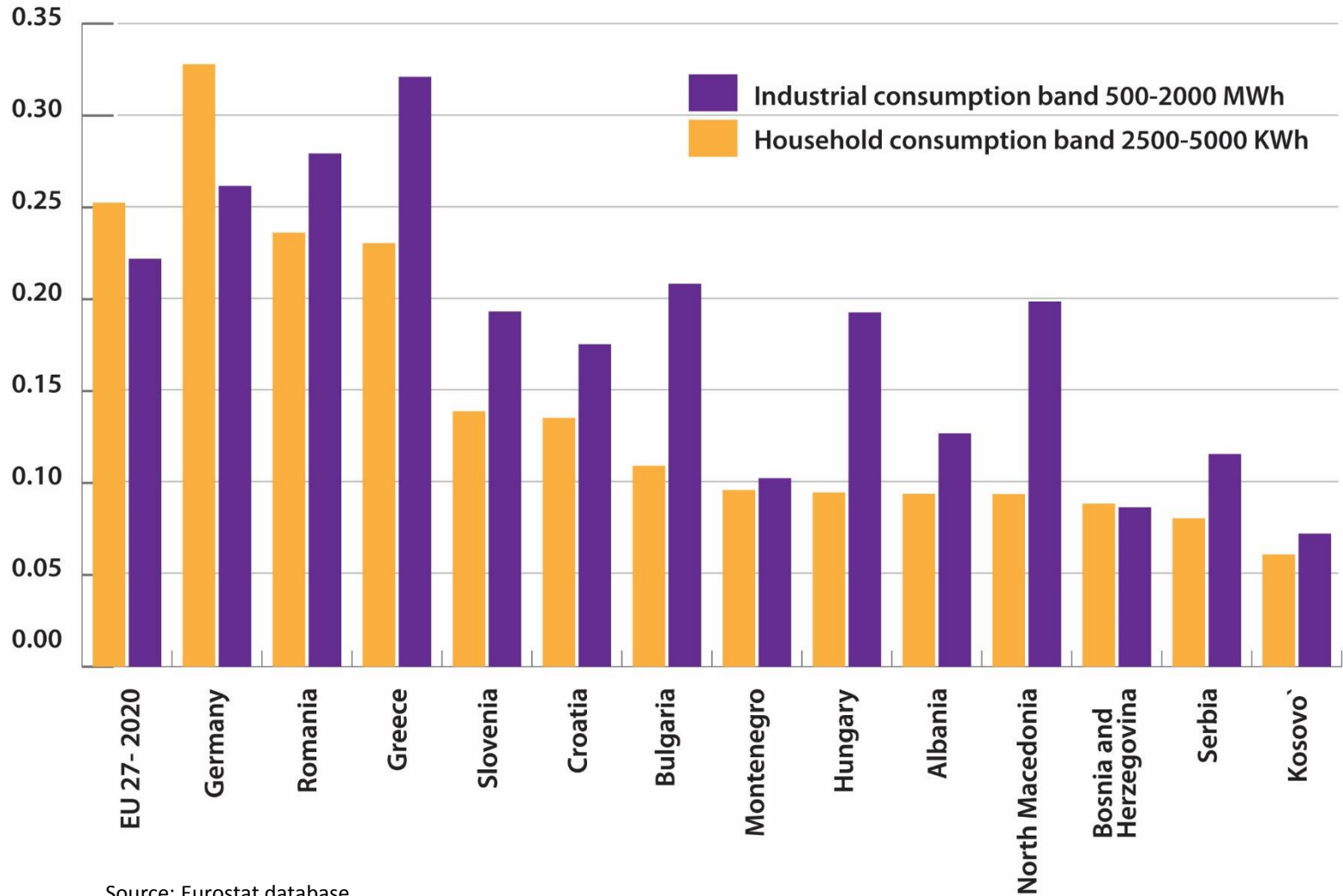
- Serbia imports about 80-85% of crude oil mainly from Iraq, Russia, Kazakhstan, Norway
- The main oil company NIS is dominantly owned by Gazprom (since 2008)
- In line with EU sanctions, from December 05, 2022 Serbia can not use the one-and-only oil pipeline trough Croatia (JANAF) to import Russian crude oil.
- These sanctions have some derogation and delayed deadlines, for countries like Bulgaria, Croatia, Czech Republic, Slovakia and Hungary
- Possible risk of closing that pipeline of oil of any origin, as the main oil company and refinery in Serbia is majority Russian owned.
- The same oil pipeline was closed to Serbia in 1991. during political conflicts with Croatia
- Serbia has reserves of 75 days of crude oil and petrol derivates
- Under the Serbian Government decree, Serbia limited its retail prices of basic petroleum products. Prices are updated once a week.



**“Serbia does not impose sanctions on Russia, it should not benefit from the derogation”
New Political Rule by some EU diplomats**

Energy Affordability

Consumer electricity prices, I semester 2022 in EUR/KWh



Source: Eurostat database

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Green Agenda - Serbia and neighbors

- In the Energy Community the production of electricity from coal was reduced in 2021 by 13% compared to the previous year and CO2 emissions fell by 11% at the same time
- RES keep growing with newly installed 979 MW in solar and 611 MW in wind generation
- There are new 33178 prosumers with installed 934 MW (2022) for self-consumption
- In the transition period, a large investment will be needed for Western Balkan to achieve a fundamental transformation of the energy sector that will encompass the entire economy and the daily life of every citizen. Like a Marshall Plan.
- A transition is needed to achieve regional energy independence, a reformed energy market, better connectivity and solidarity
- At the conference Norway - Western Balkans, it was estimated that funds up to €32 bil. are needed for Serbia alone



11/22/2022

Mihailo Mihailović, Serbia

Serbia on the way to successful energy transition

When the rules are known, we can be champions!



Novak Djoković

Women's Volleyball National Team - World Champion

Thank you for your attention