



REVIEW OF THE LAW ON THE USE OF RENEWABLE ENERGY SOURCES

A completely new Law on the Use of Renewable Energy Sources (hereinafter: RES Law) was enacted by the Serbian Parliament in April 2021. The RES Law sets the grounds for substantial reforms in the Serbian renewable energy (hereinafter: RES) sector and introduces a number of leading-edge solutions to the Serbian and regional electricity markets. The RES Law further aligns Serbian legislation with that of the EU, thus making a significant step towards fulfilling Serbia's commitments under the Energy Community Treaty.

Foremost novelties introduced by the RES Law are: (i) auctions for the allocation of the market premiums and feed-in tariffs (hereinafter: FiTs), (ii) support scheme in relation to balancing costs, (iii) legal regulation of prosumer status and the establishment of RES communities, (iv) introducing the strategic partner for the projects of public interest, and (v) introducing the incentive measures for production of biofuels, bioliquids and fuels from biomass.

TRANSITION TO MARKET PREMIUMS

The long-awaited transition from the FiT system to incentives based on market premiums has been envisaged for large-scale projects. Market premiums may be fixed, floating and have a CfD (contract for differences) component.

In principle, power plants using all RES are eligible for new incentives save for hydro power plants with the installed capacity exceeding 30 MW.

The authorized counterparty for market premium payments will be the guaranteed supplier (currently JP Elektroprivreda Srbije, Serbian national electricity company), with the possibility for the Government to appoint a different entity to fulfil this role.

Quotas for projects which may be awarded market-premium incentives will be set by the Government taking into account Serbian strategic documents in the field of energy, assumed international obligations, and available data on existing capacities, anticipated consumption of electricity and other relevant data for determining quotas.

Tight to market premiums shall be obtained through competitive auctions within the set quotas.

AUCTIONS

Auctions shall be contacted by the Ministry in charge of energy matters and may be universal or technology specific (e.g. specific/separate auctions for wind, solar, biomass, hydro power plant, etc.). Technology specific auctions may be announced by assessing the following criteria: (i) long-term potential of a certain new and innovative technology, (ii) fulfilment of the need for a diversification of RES, (iii) network limitations and the stability of the system, and (iv) costs of system integration.

Auctions may be organized for separate regions within the territory of the Republic of Serbia.

SMALL PROJECTS

Projects with installed capacities under 3 MW for wind and under 0.5 MW for other RES shall still be permitted to benefit from FiTs.

Such smaller projects shall be selected based on separate quotas and auction processes conducted in line with the auction mechanism set out above.

SUPPORT IN RELATION TO BALANCING COSTS

Guaranteed supplier shall assume balancing responsibility for producers from RES for imbalances which are within an allowed imbalance percentage to be set in secondary legislation. If the production of such producers deviates from the nominated production more than the allowed imbalance percentage, producers shall bear balancing costs by paying a fixed compensation for each kWh of their production deviating from the plan they report to the guaranteed supplier.

Such balancing support for RES producers shall remain until the establishment of a liquid organized intraday electricity market as determined by the Serbian Energy Agency.

LEGAL REGULATION OF PROSUMER STATUS AND THE ESTABLISHMENT OF ENERGY COMMUNITIES

Following the transposition of the EU Acquis, RES Law for the first time introduces the status of a prosumer in the Serbian RES regulatory framework. Pursuant to the RES Law, prosumer is defined as an end-buyer who has connected its own facility for generating electricity from RES to the internal installations, where the generated electricity is used for self-consumption, and the surplus generated electricity is delivered to the transmission system, distribution system or closed distribution system. The secondary legislation shall be adopted in the forthcoming period in order to set up the rules on connection prosumers to the grid. For now, RES Law stipulates that an operator of a transmission, distribution or closed distribution system shall receive, as a priority, electricity from the prosumer, except in the case when the safety of the system operation is jeopardized.

Even though past few years show the intention of establishing RES communities, the RES Law regulates for the first time the manner of establishing such communities at the regulatory level. Pursuant to the RES Law, RES community is a legal person established in line with the principle of open and voluntary participation of its members, in accordance with the RES Law, which is controlled by its members whose residence or registered office is in the vicinity of the location of renewable energy power plants which is owned or developed by this legal person. The aim of such introduction is the use of RES to meet the energy needs of members of the community in a sustainable manner that covers environmental, economic or social benefits for members, as well as for the local community and society.

STRATEGIC PARTNERSHIP

In line with the key principle of the RES Law underlining that use of energy from RES is in the public interest of the Republic of Serbia and of particular state significance, RES Law introduces the concept of a Strategic Partnership. Namely, the RES Law prescribes the possibility of launching a public tender for the construction of power plants that generates energy from RES through the selection of a strategic partner. The tender may be launched on the basis of a decision of the Government in the following cases: (i) if the incentive system has not provided sufficient generation capacities to achieve the binding national targets defined by the Integrated National Plan for the Climate and Energy, and (ii) when new generation capacities are necessary for achieving energy transition goals and fulfilling international obligations. It should be mentioned that projects developed through a Strategic

Partnership may be co-financed or state financed with different criteria for each finance structure.

For this type of RES facilities Government may determine that the construction of a RES facility shall be a project of importance for the Republic of Serbia in line with planning and construction regulation excluding the construction projects in protected areas.

BIOFUELS, BIOLIQUIDS AND FUELS FROM BIOMASS

Following the RES Law objectives of decreasing the use of fossil fuels as well as the dependence on fuel imports, the RES Law is defining the status of biofuels, bioliquids and fuels from biomass.

In the case that biofuels, bioliquids and fuels from biomass not produced from waste comply with sustainability criteria and achieve savings in greenhouse gas emissions, the energy generated from respective fuels may be: (i) measured as and considered as RES in the gross energy consumption used in all forms of transport (including measurements aiming obligations of fuel suppliers to achieve RES targets), and (ii) subject to incentives in line with RES Law.

The RES Law prescribes two types of incentives: (i) incentives for use of innovative technologies and new RES such as green hydrogen, and (ii) incentives for the production of biofuels.

Regarding the use of RES in the transport sector, the RES Law for the first time defines the use of electricity generated from RES in transport sector.

SECONDARY LEGISLATION

It should be noted that the details relating to the auction design and quotas for RES, as well as other details for novelties provided by the RES Law will be set out in the secondary legislation to the RES Law, which is expected to be adopted in the following months.

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