

Standard Summary Project Fiche – IPA centralised National and CBC programmes

Energy

1. Basic information

- 1.1 CRIS Number:** 2007/19300
- 1.2 Title:** Supporting the implementation of the Energy Community Treaty
- 1.3 Sector:** Socio economic Requirements/ Energy 02.15
- 1.4 Location:** Montenegro

Implementing arrangements:

1.5 Contracting Authority (EC)

The Contracting Authority is the EC Delegation in Montenegro

1.6 Implementing Agency

The Contracting Authority is the European Commission

1.7 Beneficiaries (including details of project manager):

Beneficiaries: Ministry of Economy (energy strategy and development of energy efficiency and renewable energy); Energy Regulatory Agency and EPCG (Transmission, System, and Market Operator)

Project managers: Mr Vujica Lazovic, Deputy Prime Minister for Economic Policy and Steering Committee Chairman for Energy Sector Reform

Mr Branimir, Minister of Economy, Minister of Economy

Mr Dragan Bojovic, Director of the Energy Regulatory Agency

Mr Srdja Kovacevic, Managing Director of the Electricity Utility EPCG

1.8 Overall cost

€1.5 million

1.9 EU contribution:

€1.5million

1.10 Final date for contracting:

Two years from the date of conclusion of the Financing Agreement

1.11 Final date for execution of contracts:

Four years from the date of conclusion of the Financing Agreement

1.12 Final date for disbursements:

Five years from the date of conclusion of the Financing Agreement

2. Overall Objective and Project Purpose

2.1 Overall Objective:

To develop and implement energy sector policies that will ensure the implementation of commitments under the Energy Community Treaty, including the implementation of the Regional Energy Market.

2.2 Project purpose:

The project has two specific aims. The first is to build the capacity of the two Montenegrin institutions (Ministry of Economy and the Energy Regulatory Agency), who are responsible for developing the energy market and for implementing the requirements of the Energy Community Treaty (which includes the improvement of energy efficiency and the promotion of renewable energy). And the second is to consolidate the restructuring and prepare for the privatisation of the electricity utility, ensuring both its financial viability and its socio-environmental sustainability.

2.3 Link with NPAA / EP/ SAA

The European Partnership with Montenegro indicates that the priorities in the energy sector comprise ratification and continued implementation of the commitments undertaken in the framework of the signed Energy Community Treaty, completion and implementation of the energy development strategy, and the energy efficiency strategy; strengthening the administrative capacity of the Ministry of Economy and of the Regulatory Agency, and ensuring law enforcement and transparency in the energy market.

The SAA stresses that cooperation in the energy sector shall focus on priority areas related to the Community *acquis*. It will be based on the Energy Community Treaty in South East Europe and will be developed with a view to the gradual integration of Montenegro into Europe's energy markets. Co-operation will include in particular the formulation and planning of energy policy priorities, promotion of energy saving, efficiency and renewable energy, and the formulation of framework conditions for the restructuring of energy companies. (For more details see annex 3.)

2.4 Link with MIPD

The MIPD highlights the main objective as the completion of the restructuring of the energy sector and the development of a regional energy market. The aim is improved energy

efficiency; wider use of renewable energy; independent energy transmission; functioning market regulator; and harmonisation with the Energy Community Treaty taking into account the potential social impact.

2.5 Link with National Development Plan

The Republic of Montenegro has not yet approved a National Development Plan.

2.6 Link with national/sectoral investment plans

The development of the power sector in Montenegro will be guided by the Energy Development Strategy through to 2025. The Strategy, which is now being fine tuned, includes a long term power balance, a strategy for power consumption and supply, and analysis of the effects of energy generation and supply on the environment. The Government has committed to adopt this Strategy by June 2007.

The detailed investment plans for the power sector (prepared under on-going CARDS technical assistance) envisages substantial investments in order to cope with long term under funding and a lack of maintenance, which built up throughout the 1990s. The total investments earmarked in the period 2007 – 2011 are €252 million, of which €71 million is allocated in transmission, €111 million to power distribution and €70 million for the refurbishment of existing hydro power plants.

Improving energy efficiency and the promotion of renewable energy are both dealt with in the Energy Development Strategy. Under CARDS funding, an Energy Efficiency Strategy and Action Plan was developed in 2005.

3. Description of project

3.1 Background and justification:

3.1.1 Institution / capacity building

(a) Implementation of the Energy Treaty

The main component of Montenegro's energy sector is the electric power system consisting of two hydroelectric and one thermal plant, and the corresponding transmission and distribution networks. They are all integrated in one electricity utility company, EPCG. It supplies approximately 280.000 customers. The thermal plant is in Pljevlja and is served by a coal mine that is a separate company.

Lack of investment, coupled with rapid demand growth, has resulted in a high dependence on imported energy. About 33% of the total electricity consumption in Montenegro was imported in 2005. This is projected to reach 41% in 2007. Transmission and distribution networks require significant investment, while customer service standards need to be established and maintained.

The entry into force of the Energy Community Treaty in July 2006 imposes significant obligations on Montenegro to comply with the EU Acquis in the energy field. Deadlines for

compliance are short and will require technical assistance and further support for capacity building to both the relevant institutions and the electricity utility.

The most important of these obligations are:

- The requirement to implement unbundling of the transmission and distribution system operators;
- The preparation and implementation of market opening;
- The development and adoption of cost reflective tariffs;
- The development and enforcement of cost reflective tariffs for third party access to transmission;
- The development and adoption of support schemes for the protection of vulnerable consumers.

In practice this means technical assistance support is needed to support Montenegro's participation in the regional energy market in two key areas. Firstly, for the institutions that are responsible for implementing the Treaty and developing the Regional Energy Market, i.e. the Ministry of Economy, and the independent Energy Regulatory Agency. And second, for the electricity utility (specifically for the Transmission, System and Market Operator).

Under the Energy Law of 2003, the Government (through the responsible line Ministry - i.e. the Ministry of Economy) is responsible for setting and implementing energy policy and strategy; preparing long-term and annual energy balances (energy planning); ensuring environmental protection (related to energy production and consumption) and for defining policy and strategy for the construction of new energy capacity; and the overhaul or reconstruction of existing energy capacity.

The independent Energy Regulatory Agency, which is accountable to the Parliament, is a key body that enacts the secondary legislation needed to establish, and operate the energy market. The Agency ensures compliance with primary and secondary legislation, requiring legal, economic and technical expertise. Experience throughout the region, and in the new EU Member States, suggests that continued technical assistance is required to help build regulatory capacity in order to enable them to properly fulfil their function, and thus comply with the Energy Community Treaty.

Likewise, establishing a fully functioning separate transmission system and market operator (TSMO) requires sustained support. For example, in neighbouring Serbia the (much larger TSMO, with a much deeper pool of expertise) has required two consecutive CARDS funded technical assistance projects covering a three year time span. In Montenegro, the preparation for a separate transmission system, and market operator is being supported by the 2005 CARDS programme, but this will require follow up technical assistance to enable the TSMO to operate in the (very different) environment of the Regional Energy Market, with an unbundled electricity sector. Preparation for privatisation could require additional support.

(b) Improving energy efficiency

Studies undertaken with CARDS funding have shown that there is a considerable potential both to improve energy efficiency, and to promote the wider use of renewable energy.

Energy consumption intensity (the ratio of energy use to unit of GDP produced, and thus an indicator of the efficiency with which energy is consumed in an economy) in 2004 in the EU was 0.16 (TPES/ GDP at PPP), and 0.18 in Croatia. Yet in Serbia and Montenegro (individual statistics after independence are not yet published), the energy intensity ratio was 0.79. This

means that nearly five times as much energy is used to produce a unit of GDP in Serbia and Montenegro. In other words, huge amounts of energy are used in low value added activity. Moreover, the data suggests that energy is being used very inefficiently.

Market barriers to improved energy efficiency are both high and persistent. Experience in EU Member States has shown that having the necessary institutional background to develop energy efficiency policies and strategies, and to then implement them, is a vital pre-requisite to improving energy efficiency. Previous technical assistance has delivered the strategy and an outline programme, but the institutions needed to implement the strategy are at an early stage in their development, and a strong political commitment to work on the demand and the supply side is needed.

3.1.2 Supporting the Energy Sector to implement the Energy Community Treaty

Implementing the Energy Community Treaty requires action from the Government level, through the responsible line Ministry, by regulators (drafting and implementing secondary legislation, and creating a level playing field) and from the energy industry itself. The institutional capacity building and strengthening activities noted above are aimed at strengthening the institutions (including the energy efficiency unit of the Ministry of Economy, an important aspect of both the Treaty and the EU energy Acquis). The restructuring and reform of the energy industry itself has been, as already noted, an important focus of previous CARDS funded assistance

Experience in other countries in the region has shown that supporting the TSMO is crucial to establishing the regional energy market. Having transparent access to the grid is fundamental to operating a functioning regional energy market.

Support will therefore be provided to the TSMO in order to build capacity in planning, to train operators in the management of the market, to develop the business functions (e.g. financial and human resource management) of which the TSMO had no previous experience under the vertically integrated regime.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)

3.2.1 Implementing the Energy Community Treaty

This project has an important cross border impact, since the Energy Community Treaty is intended to increase cross border (regional) energy trade by creating a single market in network energy covering the EU Member States and South Eastern Europe.

The institutions concerned with implementing the Treaty are already established (Ministry of Economy and Energy Regulatory Agency), but as in the case of the regulator, they are still in their infancy and much depends on the continuing political will of the beneficiary government to allow them to fulfil their mandate. The result of the capacity building activities is intended to be strengthened and fully sustainable institutions.

3.2.2 Improving energy efficiency and promoting renewable energy

Improving energy efficiency and promoting renewable energy has several catalytic effects: it has a job creation effect; it reduces pollution associated with the production and use of conventional energy; and (for energy efficiency investments) it contributes both to reduced energy costs for energy users, and more comfortable buildings and homes.

3.3 Results and measurable indicators:

Results and measurable indicators in relation with activity 1 (capacity/ institution building)

The roadmaps for the implementation of the Energy Community Treaty which were prepared by the Energy Community Secretariat in autumn 2006, and endorsed by the Energy Community Ministerial meeting in November 2006 set explicit deadlines for compliance with the Treaty's requirements. The results of the project should be the meeting of these criteria in line with the deadlines set out in the roadmaps.

The capacity building activities should also result in sustainable institutions developed in order to implement the Energy Community Treaty and improve energy efficiency. It is estimated that approximately 30 persons from EPCG, 10 from the Regulatory Agency and 6 from the Ministry of Economy will receive training through this programme.

Results and measurable indicators with activity 2 (support to the TSMO)

The results of this activity area are again related to the road map for the implementation of the Energy Community Treaty. This area of activity relates particularly to the opening of the wholesale market, the market structure, and to market integration, and in particular to cross border trade and transit. The results of the project should be adherence to deadlines set out in the roadmap for the implementation of the Energy Community Treaty.

(For more details see the log frame at annex1.)

3.4 Activities:

The project of support for the implementation of the Energy Community Treaty comprises the following sub-projects:

Activity 1 Capacity/ Institution Building - to provide further (consolidation and capacity strengthening) support to the Energy Regulatory Agency and Ministry of Economy, and capacity building support to the Energy Efficiency Unit.

Technical assistance will be provided to the Montenegro Energy Regulatory Agency to assist them in overseeing the creation of the regional electricity market. This assistance will relate to tariffs; interconnections; and approving technical codes and market rules and other aspects of the secondary legislation necessary both for the restructured energy system in Montenegro and to create a level playing field in the regional electricity market. The implementation of market opening for all non residential consumers will also require support, and technical assistance.

Support will also be provided to the Ministry of Economy to assist staff in relation to their responsibilities for policy and strategy development, and for the monitoring of progress on implementing of the Treaty.

Support will also be provided to the Energy Efficiency Unit of the Ministry of Economy, in order to build the implementation capacity needed to improve energy efficiency and promote renewable energy. This will include training and project development support, and the development of the legal framework for the promotion of energy efficiency and renewables.

It is not envisaged that direct support will be given to finance investment projects, but rather assistance will be given to the Energy Efficiency Unit to help them implement the energy efficiency strategy. This will focus on putting in place the legal basis for future energy efficiency activities (building codes, energy efficiency law and potential incentive programmes), and on building public awareness. The activity should also work with IFIs to develop concrete investment projects.

Activity 2 Providing further technical support to the Montenegrin Power Sector in implementing the Energy Community Treaty

This will provide technical assistance to the power sector in order to set up and run an electricity market (again, both in Montenegro, and regionally), with the emphasis on the operation of the transmission, system, and on the market operator within the unbundled electricity system.

Specialised technical assistance will also be provided to the electricity industry (and in particular to the transmission system and market operator) to support the restructuring of the power sector in line with the requirements of the energy Acquis./ Energy Community Treaty. Further assistance may also be given for privatisation / post-privatisation in the sector.

It is anticipated that the activities will be implemented through one service contracts.
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3.5 Conditionality and sequencing:

Activity 1:

This activity is conditional on adequate resourcing of the Energy Efficiency Unit, and a political will to improve energy efficiency.

Activity 2

Further progress in the reform of the market is conditional on continued political determination to implement the requirements of the Energy Community Treaty (and in particular the electricity market opening foreseen under the Treaty) and to establish the regional energy market.

3.6 Linked activities

This project follows up previous CARDS funded assistance for the reform and restructuring of the energy sector:

CARDS provided assistance to the Government to develop and implement an energy policy in accordance with the Energy Community Treaty for Montenegro and to improve energy efficiency. The restructuring of the Electricity Company, the financial viability of the electricity sector, the preparations for privatisation and facilitation of investments have also been supported as well as capacity building for the independent energy regulator. This project is linked to, and follows on from the following projects in particular:

- Energy Sector Reform (November 2002 – April 2005) which provided initial assistance in restructuring the sector, and included the preparation of a strategy and action plan for energy efficiency and renewable energy, and an initial privatisation strategy (dealing with the privatisation of the mine and thermal power plant.
- Technical Assistance to the Energy Regulatory Agency: 2006 – 2007 which provides technical assistance in the areas of market design and market model, tariffs, licenses and authorisations, and other aspects of secondary legislation necessary for the regulation of the energy sector.
- Further energy sector reform: 2006 – 2007 which provides assistance in the functional and legal unbundling of the sector, the finalisation of the National Energy Strategy, and the preparation for privatisation.
- The assistance given to the Energy Efficiency Unit of the Ministry of economy, and for the promotion of energy efficiency and renewable energy

The on-going CARDS programme has helped develop the above mentioned market design, tariff reform methodology, legal unbundling concept, privatisation strategy and energy action plan. The proposed operation shall assist in their implementation.

A €25 million multi-beneficiary Energy Efficiency Finance Facility is foreseen under the IPA Transition Assistance and Institution Building Component for 2007, which will be implemented with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and the Council of Europe Development Bank (CEB) in cooperation with Kreditanstalt für Wiederaufbau (KfW). It aims at providing assistance for promoting energy efficiency investments and renewable energy projects in the building and industry sectors in order to save energy and reduce CO₂ emissions;

The German government, is also providing significant support to the energy efficiency programme, through technical assistance and a revolving fund established through KfW in early 2007 to help SMEs access finance for energy efficiency projects. KfW, EIB and World Bank are important lenders to Hydropower Station Rehabilitation.

The World Bank has moreover helped the Electricity Utility to acquire and install a management information system.

3.7 Lessons learned

One of the principal lessons learned from past energy sector projects is the need for close consultation with multiple stakeholders to ensure that they develop ‘ownership’ of capacity building and reform projects.

In Montenegro, consensus amongst these stakeholders is particularly vital given the high capital intensity of investments required in the sector, and thus the difficulties involved in ensuring that such investments are properly prioritised and the corresponding economic and social benefits are realised.

Therefore, efforts should be re-inforced to develop local ownership and consensus among stakeholders, among else, through continued and stronger support to the high level steering committees established to guide the sector reforms and to the operating teams involved in their implementation.

In addition, environmental considerations have not always been properly integrated in the assessment of the significant potential that the country has for new hydropower development. This is given added emphasis by Montenegro’s decision to develop as an ‘ecological state’. For example, the Government and the electricity utility have spent huge efforts and time in promoting construction of large hydro-electric power plants on the Tara River which did not count on public and parliamentary support. Consequently, these plans had to be abandoned, which, in the absence of carefully studied alternatives, delayed new investments in the sector.

Future EU assistance should thus encourage the stakeholders to fully abide to their self imposed commitment to apply strict environmental standards and integrate public consultation in the development planning process.

4. Indicative Budget (amounts in million €)

Activities	TOTAL COST	SOURCES OF FUNDING										
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION				PRIVATE		
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *
Activity 1												
	10.8	0.8	100	0.8		0	0			0	0	0
Activity 2												
	0.7	0.7	100	0.7		0	0			0	0	0
TOTAL	1.5	1.5	100	1.5		0	0			0	0	0

* expressed in % of the Total Cost

5. Indicative Implementation Schedule (periods broken down per quarter)

Contract	Start of Tendering	Signature of contract	Project Completion
Contract	Q2 2008	Q3 2008	Q4 2009

6. Cross cutting issues

The mainstreaming of the cross cutting issues is addressed on two levels:

- 1) How the internal policies, structure or operating procedures of the beneficiary will conform with or promote the cross cutting issues set out.
- 2) How the project's outputs (e.g. laws, regulations, policies, action plans, etc.) will address the cross cutting issues set out below.

6.1 Equal Opportunity and Minorities

The project will take account of the need to for gender mainstreaming to be properly embedded in implementing energy policies and strategies.

Human resources policy accompanying the restructuring/privatisation process will ensure equal opportunities for women. Special attention will be paid to increase women's participation in the energy sector and extend their function beyond traditional roles (e.g., with appropriate training women can be involved in technical/management aspects of energy generation/distribution). Attention must be paid that delivery mechanism (place and time schedule) of training programmed.

6.2 Environment

The Energy Community Treaty includes the requirement that acquis on the environment is complied with. Technical assistance to be provided to the sector will include assistance in the area of developing plans for the implementation of the Environment Acquis based on the timetable set out in Annex II of the Treaty.

Moreover, Montenegro has embodied in its Constitution that it will become an 'ecological state', requiring from all participants in the development and reform process to adjust to increasingly strict environmental standards. This will be incorporated and observed in the programme. The decision of Montenegro to participate in the regional market calls for environmental improvements in the thermal power complex in Pljevlja and rigorous screening of future development projects through a participatory and well informed public process.

The requirements of EC Directive 97/11/EC regarding EIAs will be complied with.

Technical Assistance to be provided relating the improvement of energy efficiency and promotion of renewable energy will have a direct environmental benefit due to the reduction in energy production and use.

6.3 Minorities

Access to electricity for some minority groups, especially the Roma people and IDPs, can sometimes be problematic. An improved and more efficient distribution system will help to address those disadvantages. And under the Energy Community Treaty of 2006 (see 3.1 above) there is a commitment to develop and adopt a support system for the protection of vulnerable people alongside the introduction of cost reflective tariffs.

And the institutions within the energy sector have adopted equal opportunity human resource policies for all people regardless of ethnic origin.

ANNEXES

- 1 - Log frame in Standard Format
- 2 - Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3 - Reference to laws, regulations and strategic documents:
 - Reference list of relevant laws and regulations
 - Reference to AP /NPAA / EP / SAA
 - Reference to MIPD
 - Reference to National Development Plan
 - Reference to national / sectoral investment plans
- 4 - Details per EU funded contract

ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche	Programme name and number Supporting the implementation of the Energy Community Treaty	
ENERGY	Contracting period: 2 years from the date of conclusion of the Financing Agreement	Disbursement period: 5 years from the date of the conclusion of the Financing Agreement
	Total budget : €1.5 million	IPA budget: €1.5 million

Overall objective	Objectively verifiable indicators	Sources of Verification	
The overall objective is to ensure that the obligations in the Energy Community Treaty are met.	Specific requirements of the Energy Community Treaty and the EU Energy Acquis (with deadlines included in the Treaty).	Monitoring reports prepared by the Energy Community Secretariat (for the European Commission).	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>(a) Capacity/ Institution building, (Ministry of Economy, Energy Regulatory Office, and Energy Efficiency Unit) to meet the important obligations set by the Energy Community Treaty.</p> <p>TA to the Montenegrin power sector to implement the Energy Community Treaty: supporting the electricity industry (in particular the TSMO) to meet their obligations for market opening and unbundling.</p>	Actions and deadlines as set out in the 'roadmaps and action plans' for the implementation/ compliance with the Treaty Obligations adopted by the Energy Community Ministerial meeting of November 2006.	Detailed monitoring reports on the roadmaps and action plans prepared by the Energy Community Secretariat for the European Commission.	<p>Ministry of Economy, its Energy Efficiency Unit and the Energy Regulatory Agency are ready and willing to accept capacity building required to develop and implement a coherent energy policy in line with the commitments undertaken under the Energy Community Treaty.</p> <p>Electricity utility is ready and willing to accept capacity building required to meet its obligations under the Energy Community Treaty</p>

Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Activity 1: Capacity/ Institution building to help implement the energy community treaty</p> <ul style="list-style-type: none"> • Progress on tariff reform • Market rules implementation • Implementation of consumer protection measures <p>Activity 2: Further assistance to the Power Sector to implement the Energy Community Treaty</p> <ul style="list-style-type: none"> • Improved technical performance • Progress on implementing technical codes (grid code/ metering code) • Participation in cross border trade 	<ul style="list-style-type: none"> • Implementing secondary legislation within deadlines given in primary legislation • Approved tariffs for 2008/09 • Consumer protection measures in place • Implementing the measures foreseen in the Road Maps/ Action Plans. • Technical and financial performance indicators (benchmarks) compared to industry standards. • Grid code implementation • Developed plan for market transition. 	<p>Monitoring of the specific outputs and deliverables of the project and the monitoring reports to be prepared by the Energy Community Secretariat, as noted above.</p>	<p>Close dialogue and consultation process is established with all relevant stakeholders.</p> <p>The Energy Regulatory Agency is prepared to assert more forcibly its independent status</p> <p>Electricity utility is ready and willing to implement the unbundling and restructuring in line with the Energy Community Treaty commitments</p>
Activities	Means	Costs	Assumptions
<p>Activity 1: Capacity/ Institution building to help implement the energy community treaty</p> <p>Activity 2: Further assistance to the Power Sector to implement the Energy Community Treaty</p>	<p>One service contract, restricted procedure</p>	<p>€0.8 million</p> <p>€0.7 million</p>	<p>Effective high level steering committee and working level dialogue process is established with active participation of all key stakeholders</p>

ANNEX II: amounts (in million €) Contracted and disbursed by quarter for the project

Contracted	Q2 08	Q3 8	Q4 8	Q1 9	Q2 9	Q3 9	Q4 9	Q1 10	Q2 10	Q3 10	Q4 10
Activity 1	0.8										
Activity 2	0.7										
Cumulated	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Disbursed											
Activity 1		0.27	0.27	0	0.27	0	0	0.09			
Activity 2		0.18	0	0.18	0	0.18	0	0.06			
Cumulated	0	0.45	0.72	0.9	1.17	1.35	1.35	1.5	1.5	1.5	1.5

ANNEX 3 Reference to laws, regulations and strategic documents

The Energy Law adopted in 2003 regulates the following activities in the energy sector:

- 1) Generation, Transmission, Distribution and Supply of electricity in the market and/or as a Public Service;
- 2) organization and functioning of the electricity market
- 3) production and the market of coal for the needs of electricity generation
- 4) Transportation, Distribution, storage, wholesale and retail trade and supply of Petroleum Products and Gas

The Energy Law laid ground for establishment of the Energy Regulatory Agency and defined its powers, like the setting of tariff methodologies, approval of licenses, setting of unbundling rules, etc.

The draft SAA makes the following reference to the energy sector:

Article 109 Energy

Co-operation shall focus on priority areas related to the Community *acquis* in the field of energy. It will be based on the Energy Community Treaty in South East Europe, and it will be developed with a view to the gradual integration of Montenegro into Europe's energy markets. Co-operation may include in particular:

- the formulation and planning of energy policy, including modernisation of infrastructure, improvement and diversification of supply and improvement of access to the energy market, including facilitation of transit, transmission and distribution and restoration of electricity interconnections of regional importance with neighbouring countries;
- the promotion of energy saving, energy efficiency, renewable energy and studying the environmental impact of energy production and consumption;
- the formulation of framework conditions for restructuring of energy companies and co-operation between undertakings in this sector.

The European Partnership with Montenegro (2007/49/EC) makes the following reference to the energy sector:

Sectoral Policies, Energy

3.1 Short term priorities

Ratify and continue implementing the commitments undertaken in the framework of the signed Energy Community Treaty.

Complete and implement the energy development strategy, and the energy efficiency strategy; strengthen the administrative capacity of the Ministry of Economy in the field of energy.

Put in place a regulatory body and adopt appropriate legislation in the field of nuclear safety and radiation protection.

Ensure law enforcement and transparency in the energy market.

3.2 Mid term priorities

Adopt and implement a long term strategy for an environmentally sustainable energy policy.

Continue to implement regional and international commitments in this area in view of establishing a competitive regional energy market.

Become party to international nuclear safety conventions to which Euratom is already a Contracting Party

The MIPD reference to the energy sector

Socio-economic requirements

- *Main objectives and priorities:* Completion of the restructuring of the energy sector and ensuring its financial and social viability; and development of the regional energy market
- *Expected results are:* Improved energy efficiency; wider use of renewable energy; independent energy transmission; functioning market regulator; harmonisation with the Energy Community Treaty taking into account potential social impacts.
- *Programmes to be implemented:* Administrative capacity building to the Ministry of Economy; promotion of wider use of renewable energy sources and of energy efficiency measures, assistance to meet the obligations undertaken as part of the Energy Community Treaty, including support to address social issues that might arise; support to the Energy Regulatory Agency.

Link with National Development Plan (where applicable)

N/A (Currently under development)

Link with national/ sectoral investment plans

The development of the power sector in Montenegro is guided by the Energy Development Strategy until 2025, which is currently under finalisation. This Strategy includes a long term power balance, a strategy for power consumption and supply, and analysis of the effects of energy generation and supply on the environment. This Strategy must be approved by the Government of Montenegro in order to be adopted.

The detailed investment plans for the power sector (prepared under CARDS funded technical assistance in 2006-2007 for EPCG) foresee substantial investment in the sector: this is necessary to cope with a substantial backlog of underinvestment and lack of maintenance, which built up throughout the 1990s. Investment is particularly foreseen in both transmission (€11 million from 2007-2011) and in power distribution (€11 million from 2007-2011), although the refurbishment of existing hydro power plants is also foreseen to require significant investment (€70 million between 2007-2011).

Improving energy efficiency and the promotion of renewable energy are both dealt with in the Energy Development Strategy, and under CARDS funding an Energy Efficiency Strategy and Action Plan was developed in 2004.

ANNEX IV Details per EU funded contract

Technical assistance service contract

Based on previous experience and having in mind the size of the proposed programme, the technical assistance should be provided through one service contract. A high level Steering Committee for energy sector reform should be established to supervise the programme, coordinate the multiple beneficiaries and stakeholders involved, and provide guidance in the implementation of the technical assistance.

Experts to be engaged under the programme shall be professionals with a thorough knowledge and understanding of relevant EU legislation, systems and best practice as they relate to energy sector reform and regulatory issues. As know how transfer is at the centre of this contract, international experts need to be accomplished practitioners, proficient writers and capable of delivering inputs to stakeholder workshops with a pronounced ability to speak in public, convey messages by using modern communication technology including for example designing and delivering (MS or similar) power point presentations, appraise beneficiary staff, provide corresponding training on the job and design training programmes to close skill gaps observed

The Team Leader will be responsible for managing the whole consultant team, for advising the beneficiaries for maintaining the liaison with the counterpart teams and for managing and overseeing the specific tasks.

This expert should have the following profile:

- A university level degree and 10 years of relevant professional experience
- Strong communication and team coordination skills
- Good knowledge of the electricity utility business
- Experience in managing energy sector reform and regulatory projects
- Experience in implementation of energy efficiency projects
- Experience as project manager in similar complex technical assistance projects in transition countries

Profile of other short and medium term experts:

- Relevant university degree
- Minimum of 5 years professional experience in their respective field
- Relevant experience in at least one of the area and subjects covered under activities described in Section 3.4 of the fiche
- Good written and oral command of English