Energy Governance Risks in the Western Balkans and Turkey

Johns Hopkins School of Advanced International Studies
17 October 2016
Washington D.C.

Martin Vladimirov, Analyst, CSD
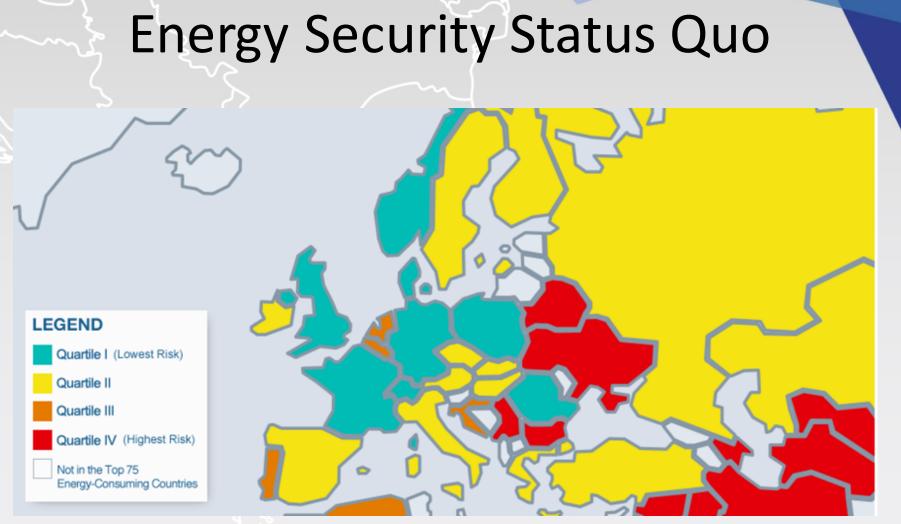
Energy Security Challenges for SEE

Energy Security Challenges for SEE

- Excessive dependence on energy imports
- Reliance on a limited number of energy suppliers
- High energy poverty levels
- Unsustainable energy intensity and demand
- Persistent Energy Governance and Corruption Risks

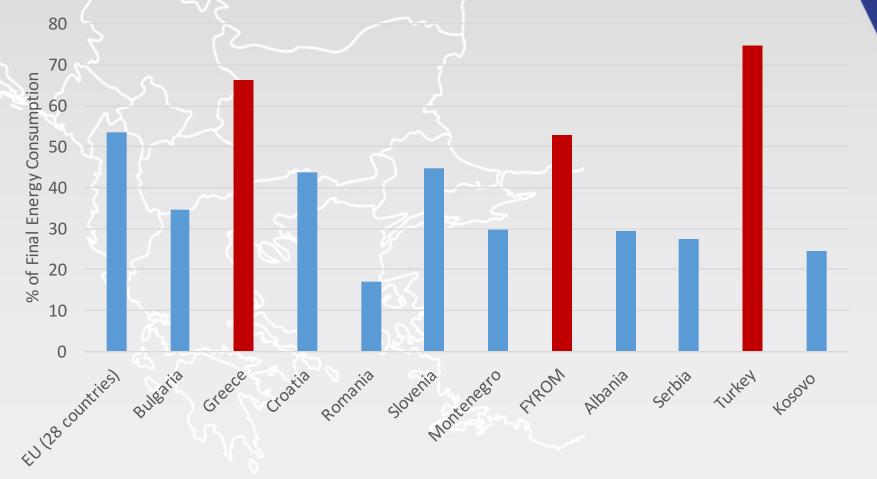# Energy Security Status Quo

Source: International Index of Energy Security Risks

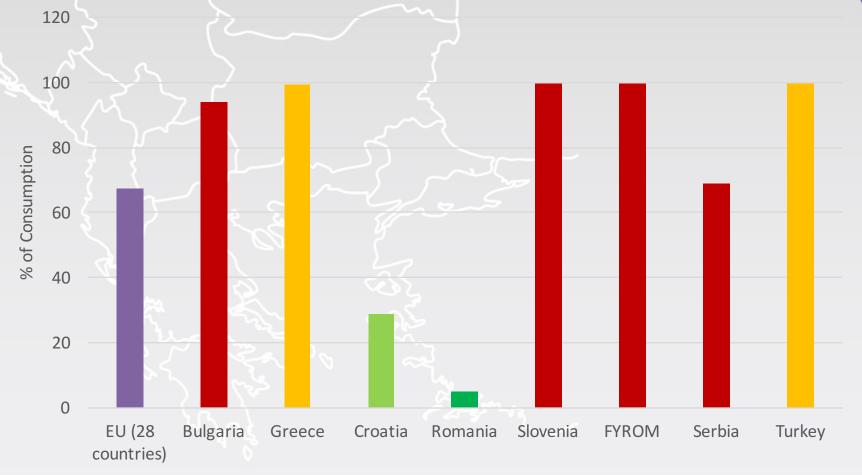# Overall Energy Dependence

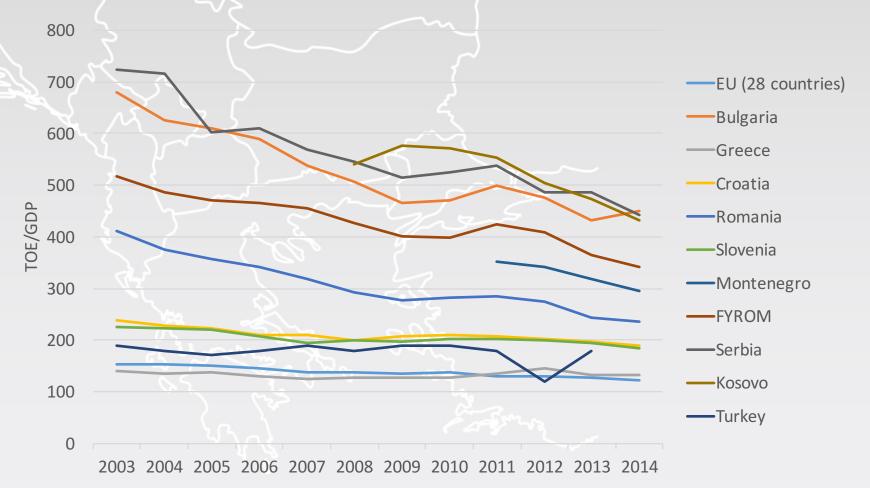Source: Eurostat

Excessive Natural Gas Dependence

Source: Eurostat

Low Energy Efficiency

Source: Eurostat

Governance Deficits and Corruption Risks

Stalled Energy Liberalisation

Energy Soft Measures Implementation

Measure	Albania	Bosnia and Herzegovina	Kosovo*	FYR of Macedonia	Montenegro	Serbia
Primary Law(s)	Accomplished	No progress	No progress	No progress	Significant progress	Accomplished
Complementary Legal Acts	Progress on track	Progress on track	Progress on track	Progress on track	Progress on track	Progress on track
Organised Day-ahead Market	Progress on track	No progress	No progress	No progress	Progress on track	Significant progress
National Balancing Market	Progress on track	Progress on track	Progress on track	No progress	Significant progress	Significant progress
Use of SEE CAO	Significant progress	Significant progress	Pending	Reverse development	Significant progress	Reverse development
Price Deregulation	Progress on track	No progress	No progress	Progress on track **	Progress on track	Significant progress
DSO Unbundling	No progress	No progress	Significant progress	No progress	No progress	Progress on track
TSO Unbundling	No progress	No progress	No progress	No progress	No progress	Progress on track
NRA Independence	Progress on track	No progress	Progress on track	Progress on track	Progress on track	Progress on track

** Except for eligibility

Reverse development | No progress | Pending
Progress on track | Significant progress | Accomplished

Source: European Energy Community

SELDI.net
Southeast European Leadership for Development and Integrity

CSD
A project implemented by a consortium led by the Center for the Study of Democracy

Power market prior to and after liberalisation

Bad Corporate Governance of SOEs

- Political meddling in the day-to-day operations of energy SOEs

- Non-transparent staffing procedures for CEOs and Board of Directors

- Prevalent Political affiliations and conflicts of interest

- Limited transparency and management accountability

Revolving Doors and Political Patronage

Company and Position	Political Relations
Iber Lepenc, Kosovo, chair of board of directors 2008-2010	Fatos Sahiti was advisor to the Minister of Trade, Lutfi Zharku. At the same time, he was also the brother of Lutfi Zharku's wife, who is currently minister of infrastructure
Iber Lepenc, Kosovo, board member	Albiona Maloku, is the sister of Vlora Dumoshi, who is the Chief of Staff of the Prime Minister of Kosovo
Iber Lepenc, Kosovo, board member	Ejup Visoka was the member of LDK Podujevë Branch Presidency since the establishment of LDK
Iber Lepenc, Kosovo, board member	Mehdi Jonuzi was the LDK candidate for mayor in Mitrovicë municipality in the last local elections of 2013
ELEM, Macedonia, chair of the board member	Dejan Boshkovski is a member of the ruling party VMRO-DPMNE
Elektroprivreda BiH, BiH	Member of the Executive Board of ruling party in BiH (SDA)
Elektroprivreda RS, BiH	Member of ruling party in Republic of Srpska(SNSD)
Elektroprivreda HZHZ, BiH	Member of ruling party in BiH (HDZ)
FERK, BiH	Close relative to the Co-president of ruling party in Federation of BiH who is also member of Council of Ministers in BiH (HDZ)
EPS, Serbia, CEO	Aleksandar Obradovic is a member of the ruling party (Serbian Progressive Party).
Srbijagas, Serbia, CEO	Dusan Bajatovic is a vice president of the second largest party in the Government (Socialist Party of Serbia).
EMS, Serbia, CEO	Nikola Petrovic is a close friend of the Prime Minister (he was the best man at PM's wedding, and PM is a godfather to his child)

Red Flags

- Low current, liquidity and quick ratio means payment trouble
- Large debt to assets ratio – high leverage and lack of long-term sustainability
- Negative return on assets and equity means a loss-making company
- Regulatory regimes subsidizing energy prices remove the SOEs incentives to invest
- Public procurement is marred with corrupt procedures and concentration of tender winners.
- Transparency and accountability are purposefully eroded in the governance of large energy infrastructure projects

Thank you !