



EUROPE

BOSNIA AND HERZEGOVINA

The energy sector of Bosnia and Herzegovina (BiH) is in a demanding process of transformation from being a traditional, predominantly fossil fuels sector to a renewable energy sector. This, together with the implementation of energy efficiency measures, like involving customers in electricity generation, individually or through energy communities; digital monitoring; and management and optimisation systems, can be a powerful flywheel of the BiH economy. A stable policy and investor environment are essential for mobilising necessary energy transition investments. By signing the Sofia Declaration on the Green Agenda for the Western Balkans in November 2021, BiH further reaffirmed its strong commitment to align with the European Union's ambitious energy transition goals to achieve climate neutrality by 2050. However, the main challenge lies in establishing a comprehensive legal and institutional framework and a good investor environment for integrated energy and climate change management. Currently, related areas of the Energy Union are treated separately within the existing framework in Bosnia and Herzegovina. Establishing a legal framework for energy and climate, decarbonisation strategies at all levels and an appropriately effective institutional framework for implementation should be a priority in the coming period.

With the Council of Ministers adopting the Clean Energy Package and the Decarbonisation Roadmap in November 2021, the Energy Community confirms its readiness to join the European Union and other international partners in achieving net-zero greenhouse gas emissions by 2050. With this decision, Bosnia and Herzegovina has become obliged to transpose and implement EU requirements on integrated energy union management and climate action in the framework of the implementation of the Energy Community Treaty.

Despite the difficult working conditions caused by the COVID 19 pandemic, at the beginning of 2021, BiH intensified its activities related to the development of the National Energy and Climate Plan of Bosnia and Herzegovina (NECP). The plan should contain clear definitions of targets for renewable energy sources, reducing final energy consumption, primary energy supply, and greenhouse gas emissions from the energy sector. In addition, the plan should prescribe appropriate policies and measures to enable the achievement of established goals and targets. On the other hand, the desired scenario for developing the process of decarbonisation of the energy sector should be based on the macroeconomic criteria, and optionally include additional environmental and social criteria.

Integrated energy and climate management imply the implementation of policies and measures of interdependent elements of the energy sector, primarily related to the five fundamental dimensions of the Energy Union, namely: decarbonisation (reduction of greenhouse gas emissions and renewable energy sources), energy efficiency, security of supply, internal market energy, research, development and competitiveness.

Given such ambitions, increasing the share of renewable energies in the overall energy mix remains the top Action Priority in Bosnia and Herzegovina. Although official energy balance for 2020 is still not published, it is expected that BiH will achieve its 2020 target of 40% renewable energy source (RES) in total final energy consumption. Currently, within the NECP process, a new 2030. RES targets (both overall and sectoral) are under development. Market design and support mechanisms are needed for the implementation of this Action priority. Bosnia and Herzegovina focused on support scheme reform and transition towards market-based mechanisms and drafted a legal framework for a market-based support scheme, the adoption of which is expected in 2022. Transposition of provisions related to the sustainability of biofuels as well as the establishment of an electronic system for guarantees of origin is also a priority. In that aspect, BiH recently joined the Energy Community regional initiative to establish an electronic system for guarantees of origin.

In 2021 Bosnia and Herzegovina reported a significant increase in the share of renewable energy compared to previous years and reached its sectorial target for the share of renewable energy in heating and cooling. Additional efforts are needed to increase the use of renewable energy in the electricity and transport sectors (Energy Community 2021 Implementation Report).

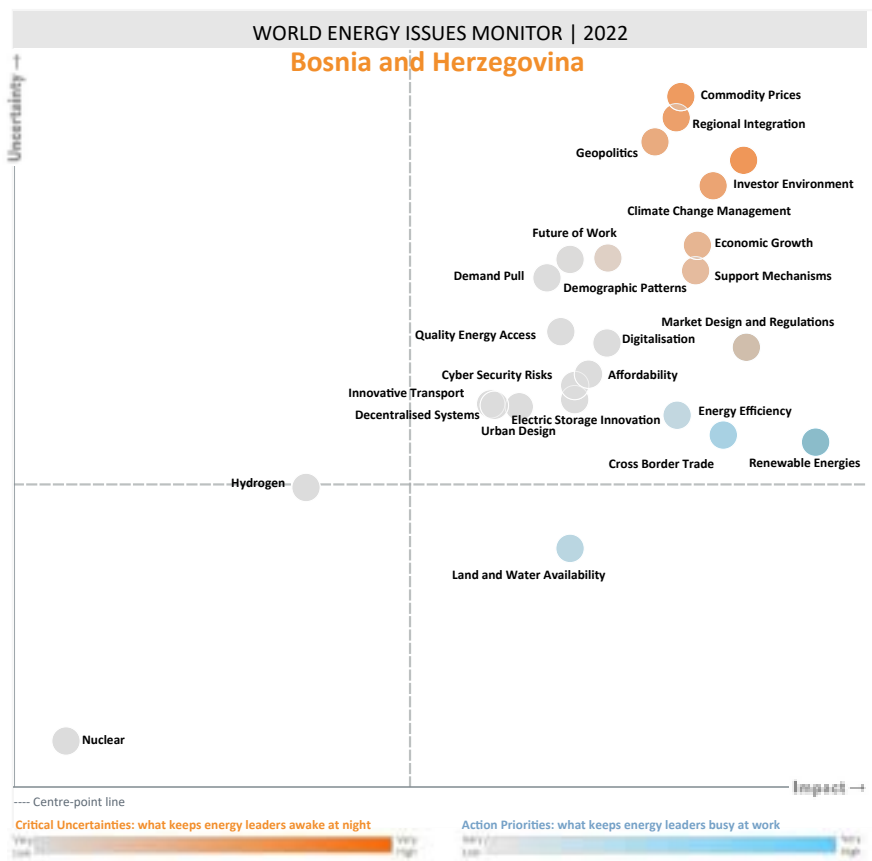
Regional integration is the top critical uncertainty that could affect the energy transition. According to the Energy Community 2021 Implementation Report, Cross-border transmission capacity is allocated through the Coordinated Auction Office in South East Europe (SEE CAO) (with Croatia and Montenegro), or bilateral auctions (with Serbia). Cross-border cooperation agreements are in place for the exchange of balancing, ancillary services and security arrangements. Market coupling depends on the establishment of a day-ahead market.

Improving Energy Efficiency is also seen as a key priority for Bosnia and Herzegovina where much progress can and needs to be made. For BiH, buildings are responsible for 40% of total final energy consumption (Eurostat, BiH energy balance for 2019, 2021. edition). In that aspect, in the final draft of the Building Renovation Strategy of Bosnia and Herzegovina has been prepared (expected to be adopted during 2022), which considers three levels of renovation of buildings with defined annual renovation rates and average renovation depth. Renovation scenarios of buildings were also the subject of an economic impact analysis, the results of which were incorporated into the selection of the optimal scenario, which determines the main energy efficiency goals, during the development of the NECP.

BiH becomes one of the first countries in Western Balkans to adopt the updated Nationally Determined Contributions (NDCs) with the plan to cut greenhouse gas (GHG) emissions for 33.2% by 2030, and almost 66% by 2050, compared to 1990 levels.

Comparing to the initial NDC which was submitted in 2015, the revised NDC increases emission reduction goals by 50% till 2030, with the focus on key country sectors: power, district heating, buildings, industry, transport, forestry, agriculture, waste.

NDC covers the period from 2020 to 2030, with projections up to 2050 and provides a description of planned activities to reduce greenhouse gas emissions and mitigate climate change and includes a description of activities undertaken to adapt to the inevitable climate change. Adaptation to climate change in BiH is also one of the priorities. The NDC includes available data on losses and damages caused by climate change and provides a description of activities undertaken to adapt to climate change.



WORLD ENERGY COUNCIL

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