

***Main outcome of the Energy  
Community Study on Fossil Fuel  
Subsidies***

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# Presentation of the project

- Subject: Analysis of Direct subsidies to Coal/Lignite Electricity Production in the Energy Community Contracting Parties
- The project is a continuation of the research conducted in 2018
- 2018 project covered period 2015 -2017
- This one is covering period 2018 – 2019 using same approach and methodology

# Presentation of the project

- The World Trade Organization's (WTO) definition of subsidies was used as the basis for conducting research, identifying, calculating and describing the direct subsidies.
- WTO defines a subsidy as “any financial contribution by a government, or an agent of a government, that confers a benefit on its recipients”
- Direct subsidies are classified into three categories:
  - fiscal support-type subsidies;
  - public finance support subsidies; and
  - State Owned Enterprises (SOE) investment support subsidies

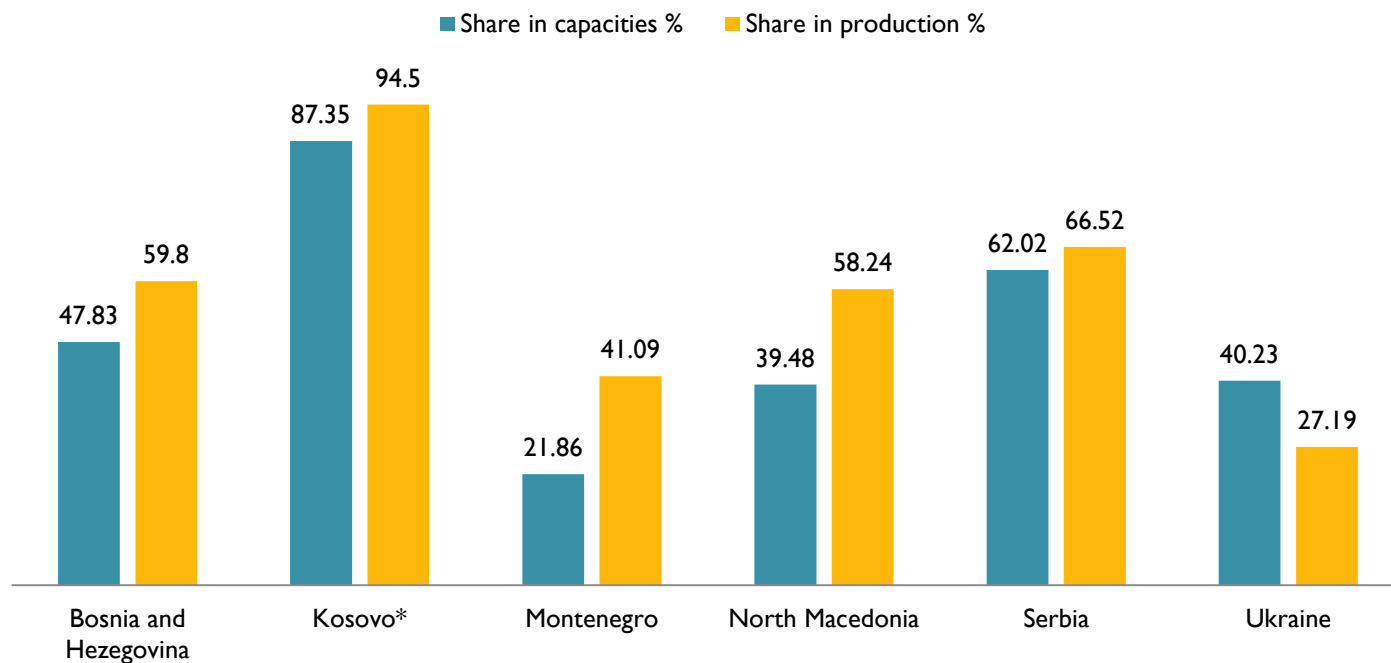
# Presentation of the project

- **Fiscal support-type** subsidies are directly linked to the budgets and take the form of direct budget transfers, deferred or reduced budget revenues or write-offs of arrears to the budgets
- **Public finance support** subsidies are not directly associated with the government budget, but constitute support provided to beneficiaries by institutions under control of governments or international financial institutions that take the form of state guarantees, loans and grants provided by such entities
- **SOE investment support** subsidies constitute assorted types of support extended by majority State-Owned Enterprises to beneficiaries in the coal-fired electricity generation sector in excess of market-oriented and economically rational behaviour and criteria, and take the form of equity investment, loans, advances, or forgiveness of arrears

# Presentation of the project

The study covers the six Contracting Parties that own and utilize capacities and resources for this type of energy production: Bosnia and Herzegovina, Kosovo\*, North Macedonia, Montenegro, Serbia and Ukraine

## Share of coal in a fuel mix for generation of electricity in 2019.



# Main outcome

- Contracting Parties are continuing to support coal electricity producers by direct subsidies in period 2018- 2019

in million  
EUR

Estimated direct subsidies

	2018	2019	Total 2018- 2019	Average 2018-2019	Average 2015- 2017
<b>Contracting Parties</b>					
Bosnia and Hezegovina	20,2	22,71	<b>42,91</b>	<b>21,46</b>	41,55
Kosovo*	6,11	6,59	<b>12,7</b>	<b>6,35</b>	22,26
Montenegro	0,73	0,41	<b>1,14</b>	<b>0,57</b>	0,96
North Macedonia	2,19	1,64	<b>3,83</b>	<b>1,92</b>	3,68
Serbia	47,4	41,36	<b>88,76</b>	<b>44,38</b>	99,78
Ukraine	275,44	476,08	<b>751,52</b>	<b>375,76</b>	246,19
<b>Total:</b>	<b>352,07</b>	<b>548,79</b>	<b>900,86</b>	<b>450,43</b>	<b>414,42</b>

# Main outcome

Direct subsidies are lower than in previous period (2015-2017) but the main reason are significantly lower interest rates and yields on financial markets which are playing main role in direct subsidies calculations.

Level of support (in million EUR) remain steady:

Contracting Parties	2015	2016	2017	2018	2019
Bosnia and Hezegovina	299,87	363,16	419,40	419	1073,75
Kosovo*	221,77	198,47	191,21	174,97	164,94
Montenegro	19,82	20,52	15,21	11,15	8,35
North Macedonia	94,31	83,57	72,83	62,09	51,34
Serbia	1562,96	1547,48	1511,25	1412,46	1324,64
Ukraine	610,51	718,39	806,69	802,69	1131,28
<b>Total:</b>	<b>2.809,24</b>	<b>2.931,59</b>	<b>3.016,59</b>	<b>2.882,36</b>	<b>3.754,30</b>

# Main outcome



## Bosnia and Herzegovina

Taxes and concession fees  
in arrears, government loans  
Loan Guarantees  
SOE Loans, advances and  
investments

Estimated amount of subsidies

in million EUR

Activity / instrument	2018	2019	2018-2019 average per year
<b>Fiscal support</b>	6,36	4,75	5,56
<b>Public finance support</b>	4,75	4,26	4,51
<b>SOE investment support</b>	9,08	13,69	11,39
<b>TOTAL:</b>	<b>20,20</b>	<b>22,71</b>	<b>21,45</b>



## Kosovo\*

Government Loans and  
Loan Guarantees

Estimated amount of subsidies

in million EUR, 2018-2019

Activity / instrument	2018	2019	2018-2019 average per year
<b>Fiscal support</b>	5,99	6,46	6,23
<b>Public finance support</b>	0,12	0,13	0,12
<b>SOE investment support</b>	0,00	0,00	0,00
<b>TOTAL:</b>	<b>6,11</b>	<b>6,59</b>	<b>6,35</b>



# Main outcome



## Montenegro

Taxes in arrears,  
Government Loan Guarantees

Amount of subsidies in million EUR, 2018-2019

Activity / instrument	2018	2019	2015-2017 average per year
Fiscal support	0,36	0,16	0,26
Public finance support	0,37	0,25	0,31
SOE investment support	0,00	0,00	0,00
<b>TOTAL:</b>	<b>0,73</b>	<b>0,41</b>	<b>0,57</b>



## North Macedonia

Government Loan Guarantees

Estimated amount of subsidies in million EUR,

Activity / instrument	2018	2019	2018-2019 average
Fiscal support	0,00	0,00	0,00
Public finance support	2,19	1,64	1,92
SOE investment support	0,00	0,00	0,00
<b>TOTAL:</b>	<b>2,19</b>	<b>1,64</b>	<b>1,92</b>

# Main outcome



## Serbia

Direct Budgetary support,  
Taxes in arrears,  
Government Loans and  
Guarantees  
SOE loans, electricity bills in  
arrears

Amount of subsidies in million EUR

Activity / instrument	2018	2019	2018-2019 average per year
<b>Fiscal support</b>	23,29	21,75	22,52
<b>Public finance support</b>	22,53	17,97	20,25
<b>SOE investment support</b>	1,58	1,65	1,62
<b>TOTAL:</b>	<b>47,40</b>	<b>41,36</b>	<b>44,38</b>



## Ukraine

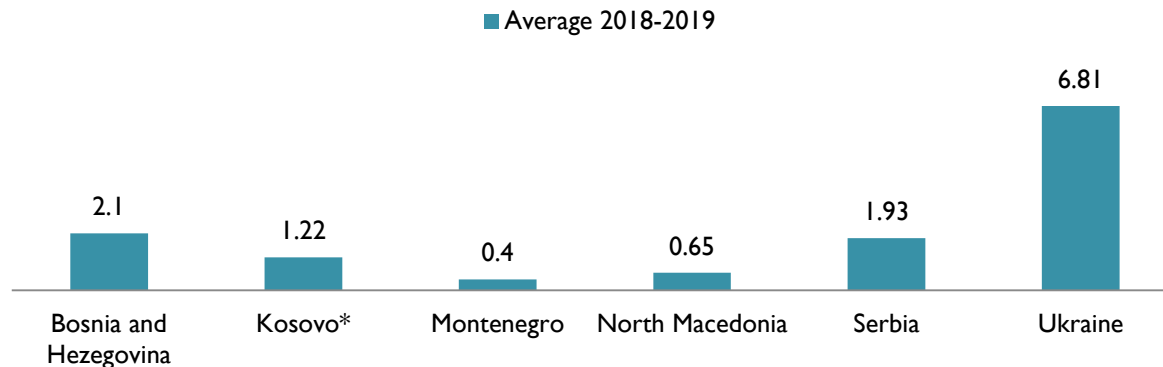
Direct Budgetary support,  
Taxes in arrears, Government  
Loans  
VAT exemptions  
SOE electricity bills in arrears

Estimated amount of subsidies In million EUR

Activity / instrument	2018	2019	2018-2019 average per year
<b>Fiscal support</b>	204,79	388,00	296,39
<b>Public finance support</b>	0,00	0,00	0,00
<b>SOE investment support</b>	70,64	88,08	79,36
<b>TOTAL</b>	<b>275,44</b>	<b>476,08</b>	<b>375,76</b>

# Main outcome

## Direct subsidies per 1 MWh



- Subsidies allow coal electricity producers to supply electricity to the market at prices that are below the real cost or at prices that allow producers to minimise their losses or generate profits by receiving subsidies.
- Subsidization of the coal sector and coal-based production distorts the electricity markets, sending wrong signals to potential investors and consumers alike.
- The Energy Community Contracting Parties have legal obligations regarding the prohibition of state aid that distorts or threatens to distort competition, which must be respected.



THANK YOU !!!

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