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Geopolitics begins at home: FOREIGN ACTORS' ROLE IN BOSNIA AND HERZEGOVINA'S ENERGY SECTOR

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** About the research project*

The Balkans in Europe Policy Advisory Group is conducting a comprehensive study on the geopolitics of the green energy transition in the Western Balkans. This study builds upon the findings of the background paper "Energy in the Western Balkans" (May 2023), and a Western Balkans regional survey whose fieldwork was conducted in March-April 2023. The main findings of this study are based on data collected through desk research and semi-structured interviews conducted between March and June 2023 with six energy, environment, and natural resource experts, as well as five representatives from relevant ministries and energy companies, and from the Energy Community. The town of Tuzla, where the biggest thermal power plant in BiH is located, has been selected as a case study. Marika Djolai is a Lecturer at the Department of Peace Studies and International Development at the University of Bradford. Corina Stratulat is Head of the European Politics and Institutions Programme at the European Policy Centre.

Policy recommendations

BiH needs to implement comprehensive legal frameworks that regulate every aspect of the energy transition process: renewables, energy storage in the form of battery storage, hydrogen and hydropower, carbon capture utilisation and storage (CCUS), carbon trading, a carbon tax, electric vehicles, energy distribution/transmission, energy efficiency, smart cities, micro-grids and gas-to-power projects, in line with EU and international standards.

BiH should receive both more pressure and financial support and expertise, from the European integration process to achieve alignment.

The engagement by foreign actors, particularly China, requires strong new screening and clearance mechanisms, punitive actions (e.g. fines on polluters and for breach of contracts) and coordination of legal frameworks at all levels of governance, alongside strategic diversification of finance and state-directed capital.

Support for civil society and the independent media is crucial. These actors play a vital role in keeping their governments accountable. They can also help to raise awareness among the general population about various challenges and people's own responsibilities (e.g. to reduce energy consumption, insulate their houses or use heat pumps), mobilising public support for reform.

Multi-layered investment in the education of the broader public about environmental, climate and energy issues should be supported by EU and BiH government funding and strategic planning until at least 2030. This should be combined with alternative and sustainable heating arrangements to mitigate the likely impact of the closure of thermal power plants (TPPs) in the country.

Abstract

The complicated administrative and legal frameworks that allow corruption and clientelism to flourish in Bosnia and Herzegovina (BiH) are obstacles to the country's energy sector moving towards net-zero by 2050. Further, this study suggests that foreign actors are more a symptom than the cause of BiH's slow energy transition. Their main motivation is not to exert political influence in BiH. Instead, they come to the country because of its abundance of natural resources, well-developed infrastructure, and production facilities, and to generate profits. They do not invest to take responsibility for sustainable natural resource management or energy production, but merely to secure concessions and quickly cash out before jumping to a new deal without delivering on their contractual obligations. BiH citizens in the meantime remain ill-informed and largely powerless.

Research Methodology

To shed light on the actions and influence of foreign investment in BiH's energy sector and transition, the authors relied on desk and field research. Data mining from scholarly analyses, newspaper articles, official documents and statements, and reports were complemented with information collected via interviews and meetings with relevant stakeholders.

Semi-structured interviews were conducted with six energy, environment, and natural resource experts, as well as five representatives from relevant ministries and energy companies. The town of Tuzla, where the biggest thermal power plant in BiH is located, has been selected as a case study. A one-day expert roundtable was organised on 30 May 2023 with seven local civil society representatives, journalists, activists and experts who exchanged views on the main questions of this research: How do foreign actors behave in BiH's energy sector? And what impact do they have on the country's green transition?

The authors also used results from a survey conducted for this project in the six Western Balkans countries between March and April 2023.

I. Bosnia and Herzegovina's energy milieu

Energy is a key economic sector in Bosnia and Herzegovina and a potential driving force for the country's economic growth. BiH's abundant hydropower resources and coal reserves¹ allow the country to produce great quantities of electricity, making electric power its top export.² BiH is the only net exporter of electricity in the Western Balkans, selling over 50% of the total produced to its neighbours Croatia and Serbia.³ Consequently, its energy sector remains highly attractive to foreign actors, particularly China, which explains their continuous engagement with the country. However, BiH's energy sector relies heavily on coal. BiH has the twenty-fifth largest coal reserves in the world (0.2% of the global share) and uses lignite as the primary fuel for energy production.

In 1995, after the Bosnian War, the energy system in BiH was divided between three shareholder companies (with the state/entities as a majority stakeholder). These companies were given the power to control the production and distribution of electricity. This division did not have a technical rationale but rather reflected the architecture of the ethno-political divisions within the country. As such, it led to significant energy production disparities between the three public enterprises: JP⁴ Elektroprivreda BiH (based in Sarajevo), MH⁵ Elektroprivreda Republike Srpske (based in Trebinje), and JP Elektroprivreda Hrvatske zajednice Herceg Bosne (based in Mostar).⁶

Reliance on coal for domestic heating and electricity production places BiH among the countries with the highest levels of air pollution in the world in relation to all three regulated pollutants: Sulphur dioxide (SO₂), dust and nitrogen oxides (NO_x).⁷ A recent Bankwatch report⁸ shows that in 2022, SO₂ emissions from BiH's coal units were eight times the norm, while dust emissions from the Gacko

1 The country does not have its own sources to extract natural gas and imports all its gas from Russia. However, gas accounts for only 3% of the total energy mix of the country, as natural gas is only used in a few cities for heating purposes. See [Bosnia and Herzegovina - Energy \(trade.gov\)](https://trade.gov.ba/en/bosnia-and-herzegovina-energy)

2 <https://oec.world/en/profile/country/bih>

3 [Bosnia and Herzegovina \(BiH\) Exports, Imports, and Trade Partners | OEC - The Observatory of Economic Complexity](https://oec.world/en/profile/country/bih)

4 Javno Pareduzeće - Public Company

5 Mješovit Holding - Mixed Holding (Mixed Holding Power Utility of Republic of Srpska Joint Stock Company Trebinje) <https://ers.ba/organizacionalni-chart/>

6 [Bosnia and Herzegovina - Energy \(trade.gov\)](https://trade.gov.ba/en/bosnia-and-herzegovina-energy)

7 https://www.complyorclose.org/wp-content/uploads/2023/06/2023_06_28_Comply-or-close.pdf

8 [2023_06_28_Comply-or-close.pdf \(complyorclose.org\)](https://www.complyorclose.org/wp-content/uploads/2023/06/2023_06_28_Comply-or-close.pdf)

TPP were twelve times the average.

Like all other countries in the Western Balkans, BiH is expected to transition from coal to renewable energy and adopt more environmentally sustainable practices as it moves toward EU integration. However, much like its neighbours, BiH over-relies on hydropower compared to wind and solar power⁹ and remains in the early stages of preparing to align with the EU's energy and climate policies. It also faces difficulties in agreeing on a country-wide gas pipeline that would connect BiH with the region and enable the supply of non-Russian gas.¹⁰

In its 2022 report on BiH, the European Commission urged the country to adopt legislation on renewable energy and energy efficiency, in line with the obligations stemming from the Energy Community Treaty (ECT) and the commitments assumed at the 2020 Sofia Summit on the Green Agenda for the Western Balkans. It also advised BiH to finalise and adopt the national energy and climate plan (NECP) 2021-2030.

In 2022, Republika Srpska (RS) adopted new laws on renewable energy sources and efficient energy co-generation, while the Federation of Bosnia and Herzegovina (FBiH) adopted new laws on electricity, energy and the regulation of energy activities (pending the approval of the entity's parliament). The draft NECP is currently being reviewed by the Energy Community,¹¹ while the International Renewable Energy Agency (Irena) recently presented Bosnia and Herzegovina's Renewable Readiness Assessment (RRA), which proposes a set of recommendations to accelerate the country's energy transition.¹² This foresees a reduction of greenhouse gas emissions by 41.21% from 1990 levels, a renewable energy share of 43.62%, the introduction of the European Union's Emissions Trading System model and an end to new coal power plant projects.

9 [The energy sector in Bosnia and Herzegovina - Bankwatch](#)

10 Federal Ministry of Energy, Mining and Industry interview (online, 07/06/2023)

11 <https://www.energetika.net/eu/novice/energy-policy/bih-forsees-necp-adoption-by-end-2023---official>

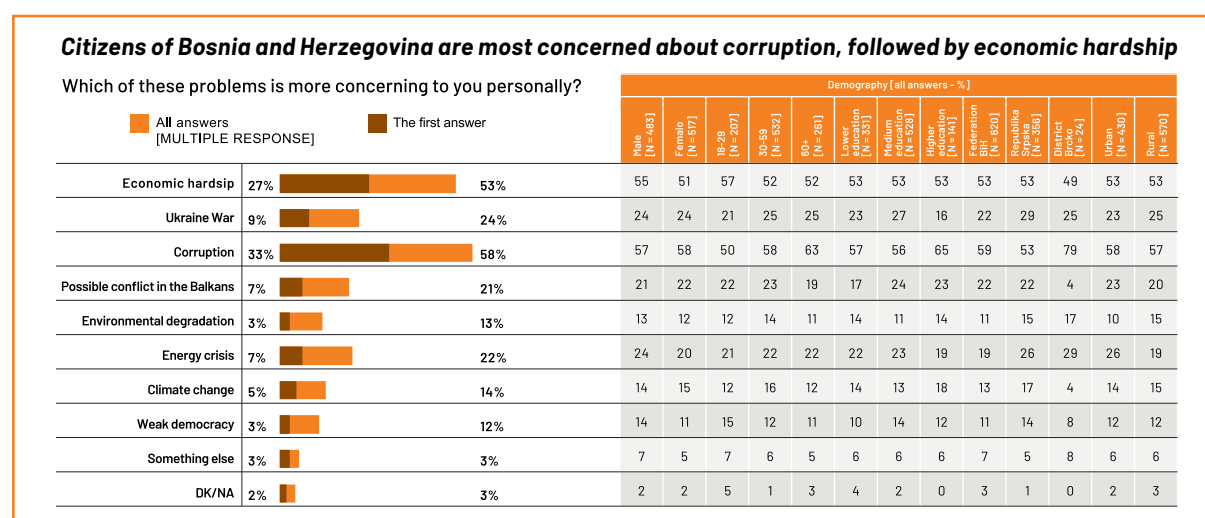
12 <https://www.energetika.net/eu/novice/energy-policy/irena-presents-steps-to-speed-up-bih's-energy-transi>

II. Public ignorance and the dire consequences of pollution

Despite primarily using natural gas for heating, Sarajevo is the most polluted city in Europe, particularly during the winter months. Data¹³ reveals that in January 2023, daily readings of fine particles in the air (measured as particulate matter (PM) 2.5) went above 50µg/m³ over 16 days – several times higher than what the World Health Organization deems safe. In the same month, particle presence soared over 100 µg/m³ for five days. BiH also has the fifth-highest mortality rate from air pollution.¹⁴ Such figures make BiH's energy transition a matter of life and death.

But the public seems unaware of the gravity of the situation. The survey conducted for this project reveals that environmental issues and energy security are less significant concerns for BiH citizens than economic hardship and corruption. Only when specifically asked about environmental concerns did respondents identify air pollution as a critical problem. One stakeholder interviewed for this study even claimed that “despite the coal exploitation, the Western Balkans are but a minimal polluter measured per capita.”

Report_WB6 Energy situation in Bosnia and Herzegovina 040423.



¹³ <https://www.hrw.org/news/2023/02/08/time-tackle-bosnia-and-herzegovinas-toxic-air#:~:text=The%20country%20has%20the%20fifth,increased%20respiratory%20and%20cardiovascular%20conditions.>

¹⁴ <https://www.hrw.org/news/2022/08/29/bosnia-and-herzegovina-deadly-air-pollution-killing-thousands>

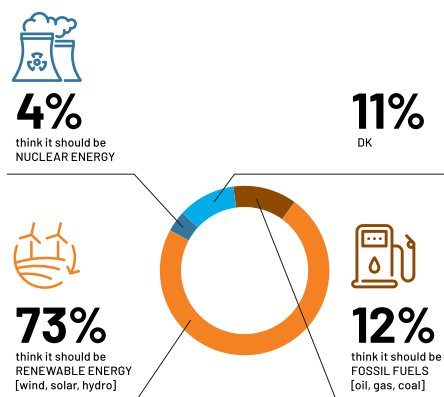
The survey also indicates that 73% of citizens think BiH should receive energy from renewables, while 74% of citizens strongly support investment in domestic renewable energy sources.

Report_WB6 Energy situation in Bosnia and Herzegovina 040423.

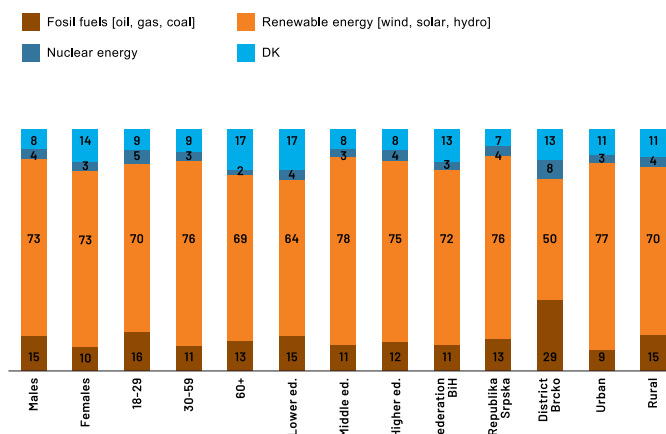
Most of the citizens think Bosna and Herzegovina should receive energy from renewable energy

...significantly more middle-educated compared to less educated and residents of urban areas compared to rural.

In your opinion, our country should, by 2050, mainly receive its energy from:

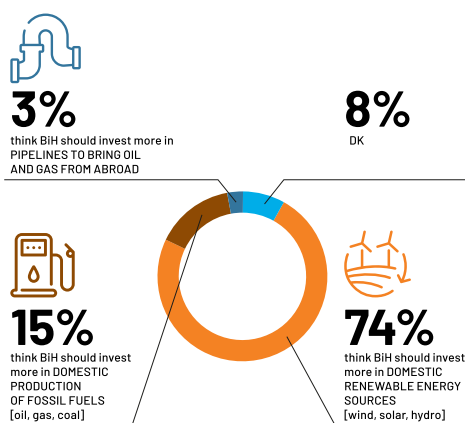


By demography [%]

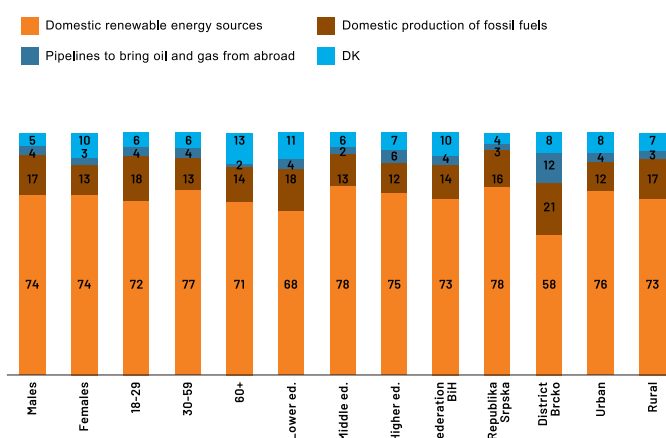


Invest more in domestic renewable energy sources would be the most appropriate choice for the energy crisis for 74% of citizens

In response to the energy crisis, should your country invest more in...?



By demography [%]



When asked to apportion blame, respondents in BiH think that the EU (22%) and Russia (21%) "help the most in increasing the use of fossil fuels". Specifically, 18% in the Federation, 30% in RS and 8% in Brčko district believe EU is the main culprit, while for Russia 10% in the Federation, 40% in RS and 33% in Brčko district see as the major factor. People's views thus seem contingent on geography and their entity's affinity with different external actors, which determines the type of information present and its public visibility.

III. Fossil fuel dominance

BiH's dependency on coal – which accounts for almost 70% of its total energy consumption – is expected to continue in the coming years. There are five thermal power plants in the country, all connected with nearby mines. The biggest two, TPP Tuzla and TPP Kakanj, are in the Federation of Bosnia and Herzegovina and are both operated by Elektroprivreda FBiH. The other three are in Republika Srpska: TPP Ugljevik and TPP Gacko are run by Elektroprivreda Republike Srpske, while TPP Stanari and the adjacent mine are privately owned by the electricity business group Energy Financing Team (EFT) Group, whose majority owner is the (Vuk) Hamović family.

Tuzla Block 4 and Kakanj Block 5 should have closed in 2022 under the ECT Treaty, but the FBiH government and parliament approved an illegal lifetime extension, causing a dispute settlement procedure to be opened by the Energy Community Secretariat in October 2022.¹⁵ Experts consulted for this project said that Tuzla and Kakanj would likely continue to operate until 2040 or longer. In addition, BiH's infamous plans to extend or build new coal power plants have further complicated the problems stemming from legacy units. For example, the projects to expand Tuzla 7 and Ugljevik III are both linked to Chinese companies and remain unrealised despite signed contracts dating back a decade.¹⁶ While China is the dominant source of finance for "dirty energy" in BiH, last year, the Czech company Witkowitz was also reported to be interested in the Gacko II project, which has been dormant for several years.

¹⁵ <https://bankwatch.org/beyond-fossil-fuels/the-energy-sector-in-bosnia-and-herzegovina> <https://www.energy-community.org/news/Energy-Community-News/2022/10/28.html>

¹⁶ <https://balkans.aljazeera.net/news/economy/2021/9/30/kinesko-ne-uvertira-u-kraj-projekta-od-750-miliona-eura>

IV. China's coal push and its effect on the energy sector

The most controversial energy project to date is the expansion of TPP Tuzla. The investor in this project is the Electric Power Company of Bosnia and Herzegovina (EPBiH) using credit from a Chinese bank. Participants at the expert roundtable asserted that the agreement for the expansion of Tuzla TPP was struck by Zlatko Lagumdžija and Mirza Kušljagić in 2014. The former was Minister of Foreign Affairs, while the latter was a member of his Social Democratic Party. References were also made to other political connections, including the role of Serbian President Aleksandar Vučić in this and other energy projects. All interviewed stakeholders agreed that the construction of Tuzla TPP Block 7 will not happen.¹⁷

In November 2017, following several years without any progress, the Export-Import Bank of China agreed to provide a loan of 613 million euros for the construction of TPP Unit 7 by a consortium of three Chinese companies. A few months later, the Energy Community Secretariat asked the FBiH government to refrain from guaranteeing the loan because it was not in line with EU law and was therefore illegal.¹⁸ The US company General Electric (a subcontractor responsible for delivering a 450MW turbine and generator) pulled out of the project after they failed to get the required approval. This outcome entails significant costs for the country,¹⁹ including the loss of 230 million convertible marks that had already been spent on the project. In 2021, China announced its withdrawal from investments in coal mining and energy production in the Western Balkans.²⁰ With the partial exception of Kolubara 2 in Serbia, it is likely that the era of large Chinese-funded coal projects in the region is now over.

Although often referred to as "Chinese investments", stakeholders from China are usually creditors and contractors on individual energy project (EPC – engineering, procurement, construction) contracts with Chinese companies. TPP Stanari mine and power plant, the only fully private power plant in BiH, was built by the Chinese Dongfang Electric Corporation (under an EPC contract with the owner EFT) with a loan of 350 million euros by the Chinese Development

¹⁷ <https://www.intellinews.com/bosnia-likely-to-end-deal-with-chinese-consortium-on-tuzla-7-coal-plant-construction-296071/?source=bosnia-and-herzegovina>

¹⁸ https://bankwatch.org/press_release/bosnia-herzegovina-federal-parliament-guarantees-chinese-coal-plant-loan-in-contempt-of-eu-law

¹⁹ <https://www.slobodnaevropa.org/a/blok7-tuzla-termoelektrana-kinezi/31958831.html>

²⁰ <https://6yka.com/kolumne/kina-obustavlja-projekte-na-ugalj-republika-srpska-ne-odustaje-od-termoelektrana>

Bank Corporation.²¹ Our roundtable participants maintained that the RS government was directly involved in this project by changing the rulebook on the Transfer of Concession Contract and Ownership Rights of Concessionaires. They suggested the EFT Group had received preferential treatment for other concessions or contracts in RS. The matter has been investigated by the Centre for Investigative Journalism (CIN)²² and the courts²³ on several occasions in early 2000s, but EFT was cleared of any wrongdoing. Nevertheless, the company's dealings remain the focus of public scrutiny.

Irregularities with contractual procedures, which raise suspicions of corruption,²⁴ were found in the case of Ugljevik, the second most polluting coal power plant in Europe.²⁵ In 2022, the Center for the Environment Banjaluka (CZZS) – one of the most active organisations in defending environmental issues in the country – sued the RS government²⁶ for issuing Comsar Energy (owned by the Russian billionaire Rašid Serdarov) with an environmental permit for the new Ugljevik III TPP.

Participants in the roundtable explained that the involvement of Chinese stakeholders fosters speculation and mistrust (between citizens, government and companies) about these projects. A lack of clarity about the benefits for the entities of BiH and a lack of transparency in the allocation of contracts are likely a reasons why participants at the roundtable claimed these contracts are part of clientelistic networks facilitated by political parties to fund their own interests.

Chinese state-owned companies tend to enter coal-fired projects with domestic companies in the Western Balkans and bypass screening and approval mechanisms. This raises the question of “whether China’s efforts on new coal-based projects in the Western Balkans directly contribute to undermining the rule of law”.²⁷ As one expert stated: “We don’t know what is in the contract with Chinese, they lack transparency. I haven’t spoken to the Chinese”²⁸

The same opinion was echoed by another senior expert from Zenica, who drew a parallel with the privatisation of ArcelorMittal Zenica, owned by Mittal Steel since 2004: “Big industries are big energy consumers. They all have similar trajectories and issues – pollution (filters not used even if they exist). ArcelorMittal Zenica never fulfilled promises made to the community.”²⁹

21 <https://china.aiddata.org/projects/42189/>

22 https://www.cin.ba/energopotencijal/en/istrazivacke_price/javno-dobro-za-kineski-kredit.php

23 <https://www.theguardian.com/uk/2005/jul/23/freedomofinformation.politics>

24 <https://www.slobodnaevropa.org/a/bih-termoelektrana-ugljevik/31354624.html>

25 <https://www.env-health.org/wp-content/uploads/2019/02/Chronic-Coal-Pollution-report.pdf> (page 15)

26 <https://www.slobodnaevropa.org/a/ekolozi-tuzba-ministarstvo-rs-dozvola-termoelektrana/31943674.html>

27 <https://www.slobodnaevropa.org/a/bih-termoelektrana-ugljevik/31354624.html>

28 Interview with an NGO activist and environmental expert in Tuzla (29/05/2023)

29 Environmental expert (online interview, 06/06/2023)

V. China intends to dominate renewables sector too

BiH's green transition is also a growing attraction for foreign actors. For example, in March 2022, during a meeting with the Friendship Group for Asia of the BiH Parliamentary Assembly, the Chinese Ambassador announced that Beijing would launch new investments in renewable energy in the country, namely in hydropower and wind plants. Initially, the expectation was to have multi-billion-euro projects, but so far, the financing remains below three million convertible marks.

EFT Group already received concession from the RS government for building HPP Ulog on Neretva, again with Sinohydro Corporation Limited as a contractor. Currently, three Chinese companies are fighting for an EPC contract for HPP Buk Bijela on Drina River,³⁰ which is a collaboration between EPRS and EPS. The project is opposed by the authorities in FBiH, who view it as a threat to the river.

In December 2021, construction of the Ivovik Wind Farm located in Herzegovina between Tomislavgrad and Livno began. This is the biggest wind farm in BiH. Two Chinese state companies – China National Technical Import & Export Corporation and Powerchina Resources – plan to invest 130 million euros in the project, which is the largest investment in renewable energy in the country.³¹ In parallel, in 2021, the Serbian company Energy Financing Team (EFT) signed an EPC³² contract with China's Dongfang Electric International Corporation³³ (DEC) to build a 60 MW Bileća solar power plant in East Herzegovina (Republika Srpska), near Trebinje.³⁴ DEC corporation lists only clean energy projects, which portrays the image of a company fully committed to the green transition and a sustainable future.³⁵

30 <https://serbia-energy.eu/republika-srpska-three-chinese-companies-are-fighting-for-the-largest-hydroelectric-project/>

31 <https://n1info.ba/english/news/chinese-companies-building-biggest-wind-park-in-bosnia/#::~:~:text=The%20investment%20by%20China%20National,hours%20of%20electricity%20per%20year.>

32 Engineering, Procurement and Construction

33 The researchers attempted to contact the company to conduct an interview but neither the phone number nor email on their website appear to be functional.

34 <https://www.reuters.com/business/energy/eft-chinas-dec-sign-49-mln-deal-build-solar-plant-bosnia-2021-12-03/>

35 <https://www.dongfang.com.cn/index.htm>

The status of the energy transition was also discussed with experts at the roundtable discussion in Tuzla. They indicated that over recent decades, private companies from Slovenia, Croatia and Austria, among others, have received important concessions and disproportionately high subsidies (10-15%) to exploit hydropower in the country compared to their production. Moreover, research shows that such projects, including those only recently picked up, have been approved without much consideration for their environmental impact.³⁶ As a result, places like Fojnica³⁷, Kruščica³⁸, Neretvica³⁹ and Buna⁴⁰ have witnessed strong public resistance.⁴¹ In 2022, first the lower and then the upper house of the FBiH parliament adopted changes to the entity's Law on Electricity to ban the building of small hydropower plants up to 10 MWh because of their negative impact on the environment.

VI. Energy security is buying social peace

The residential sector is responsible for the largest share of total energy consumption in BiH.⁴² Laws on renewables remain essential in this context.⁴³ One renewable energy model is to use privately owned photovoltaic power stations (PPS) of 200 kW, which produce their own energy and are connected to a photovoltaic power system (PV system).⁴⁴ The FBiH parliament passed a comprehensive set of energy laws in August 2023. These laws regulate renewables and cogeneration, as well as providing the potential for increased support for solar energy production.⁴⁵

The justification provided by interviewees for the exploitation of fossil fuels, particularly by state-owned energy producers, is energy security, which in turn guarantees economic and social peace. As one interviewee put it: "We did not

36 BiEPAG brief

37 [Stop Persecution - Two illegal dams and villagers battling the year round \(stop-persecution.org\)](https://stop-persecution.org/)

38 [A Balkan Dam Boom Imperils Europe's Wildest Rivers - Yale E360](https://www.e360.org/energy/article.php?id=20220307bosnia-and-herzegovina-dismantling-monopolies-green-transition)

39 [After protests, and as the result of an on-going legal battle, two small hydropower plants on the Neretvica River are cancelled \(rewild.org\)](https://rewild.org/en/2022/03/07/bosnia-and-herzegovina-dismantling-monopolies-green-transition)

40 <https://antikorupcija.info/bunski-kanali-konacno-zasticeni/>

41 BiEPAG brief

42 <https://bankwatch.org/beyond-fossil-fuels/the-energy-sector-in-bosnia-and-herzegovina>

43 <https://eu.boell.org/en/2022/03/07/bosnia-and-herzegovina-dismantling-monopolies-green-transition>

44 EPBiH representative interview (30/05/2023)

45 <https://solaro.net/usvojen-set-reformskih-energetskih-zakona-u-fbih/>

feel the energy crisis in BiH. Fossil fuels secured social security. Electric energy prices remained the same despite the energy crisis caused by the Ukraine war.”⁴⁶

Since energy prices are regulated by state agencies (FERK, DERK and REERS), electricity prices can be kept artificially low. Coal energy production is often also presented as an employment opportunity. Participants at the workshop spoke about the economic dependence of local communities on thermal power plants and mines at a time when youth unemployment in Tuzla is at the 70% mark. According to one interviewee, TPP Stanari employs some 1,000 people who risk losing their jobs if the plant is shut down. EFT company also contributes to local community development according to their website.⁴⁷

The roundtable discussions also revealed that the municipality and canton of Tuzla are incentivised to support projects related to the TTP expansion by receiving heating (hot water is a side product of the electricity production). Participants spoke of 22,000 households that are currently connected to the remote heating system powered by the TPP. Around 20,000 are not, but are hoping to be (parts of Tuzla, Lukavac and Živinice).

Unfortunately, the health impact on communities remains overlooked, with participants in the roundtable reporting silent deaths in many households and a lack of investment in public health for people living near TPP Tuzla. To make matters worse, experts explained that some other TPPs use poor quality brown coal (mined in Mrkonjić Grad), which is also exported to Serbia. This has lower calorific value but a bigger pollutant coefficient.

In response, opposition from local associations and international organisations is growing.⁴⁸ Since 2013, the Center for Environment from Banja Luka and the Center for Ecology and Energy from Tuzla have been running a campaign using the slogan “Stop dirty energy – the future is renewable”. The campaign aims to create awareness about the worrying state of the environment in BiH and the country’s unsustainable energy system.

Pollution, environmental degradation, and popular frustration are thus being widely ignored by politicians within BiH. The country’s uneven and slow energy market liberalisation also stands at odds with demands made as part of the European integration process for energy and climate policy alignment.

46 *Ibid.*

47 <https://www.eft-group.net/new-page-1>

48 <https://www.youtube.com/watch?v=KYfd8xiDwvc>

VII. Can BiH defend itself and its natural resources?

Taken together, these findings suggest that foreign actors are more a symptom than the cause of BiH's slow energy transition. Their main motivation is not to exert political influence in BiH. Instead, they come to the country because of its abundance of natural resources, well-developed infrastructure and production facilities, and to take advantage of opportunities created by corrupt local leaders to generate profits. They do not invest to take responsibility for projects or energy production, but merely to secure concessions and quickly cash out before jumping to a new deal without delivering their contractual obligations.

In such a permissive environment, local stakeholders are prepared to ignore the negative spillover effects of their involvement in energy projects on communities and the wider country. Thus, foreign actors do what they do in BiH because they can – because national political leaders enable it and because civil society and the general population cannot effectively challenge it. The short-term consequences of this political irresponsibility are negative, but the long-term implications will be dire.

So far, reform delivery has been complicated by the distribution of competencies in the field of energy at state, entity and cantonal levels.⁴⁹ Since each entity has its own separate laws, organisational structures and quality control networks, and since there is little coordination between the various tiers of government, more effective management of the situation is difficult.⁵⁰ The EU should therefore insist, for example, that BiH creates a national environment body. It should also push for home-grown solutions to the currently complex and dysfunctional system of governance in the country.

49 See also <https://www.dw.com/en/coal-and-corruption-impede-rollout-of-clean-energy-in-bosnia/a-62161285> and <https://neighbourhood-enlargement.ec.europa.eu/system/files/2022-10/Bosnia%20and%20Herzegovina%20Report%202022.pdf>.

50 [Bosnia and Herzegovina: Deadly Air Pollution Killing Thousands | Human Rights Watch \(hrw.org\)](https://www.hrw.org/report/2022/10/12/bosnia-and-herzegovina-deadly-air-pollution-killing-thousands)

The way forward to 2030 and beyond

- > To start turning the tide and capitalise on the global energy sector's transformation to net-zero by 2050, BiH first needs comprehensive legal frameworks that regulate every aspect of the process: renewables, energy storage in the form of battery storage, hydrogen and hydropower, carbon capture utilisation and storage (CCUS), carbon trading, a carbon tax, electric vehicles, energy distribution/transmission, energy efficiency, smart cities, micro-grids and gas-to-power projects, in line with EU and international standards.
- > BiH should receive both more pressure and concrete support from the European integration process to achieve alignment. Some interviewees cited the EU's lack of interest in the energy sector, while others said that the EU Delegation was active and supportive of governments and departments dealing with energy. On a positive note, Sarajevo is working on becoming carbon neutral by around 2035 as part of the EU's Net Zero Cities initiative.⁵¹ It is one of three cities in the Western Balkans to be part of the initiative, together with Podgorica and Elbasan. The initiative includes extensive involvement and dialogue with citizens.
- > Local political stakeholders are the main culprits when it comes to problems in the energy sector. This underlines the need for more concrete actions to tackle corruption (the second most relevant concern in our survey of citizens in the region), clientelistic networks and illegal practices.
- > The flow of investments by foreign actors, particularly China, requires strong new screening and clearance mechanisms, punitive actions (e.g. fines on polluters and for breaching contracts) and coordination of legal frameworks at all levels of governance, alongside strategic diversification of finance and state-directed capital.
- > In this sense, political and diplomatic efforts should go hand in hand with support for civil society and the media. These actors can play a crucial role in keeping their governments accountable. They can also help in raising awareness among the general population about various challenges and people's own responsibilities (e.g. to reduce energy consumption, insulate their houses or use heat pumps), mobilising public support for reform.
- > The civil society recommendation is for multi-layered investment in education of the broader public about environmental, climate and energy issues, supported by EU and BiH funding.

⁵¹ https://www.eeas.europa.eu/delegations/bosnia-and-herzegovina/sarajevo-part-mission-100-net-zero-emission-cities-launch-coalition-greener-projects_en?s=219

About us

The Balkans in Europe Policy Advisory Group (BiEPAG) is a joint initiative of the European Fund for the Balkans (EFB) and Centre for the Southeast European Studies of the University of Graz (CSEES) promoting the European integration of the Western Balkans and the consolidation of democratic, open countries in the region. BiEPAG is grounded in the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. It adheres to values that are common to a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail. It is composed of prominent policy researchers from the region and wider Europe with demonstrable comprehension of the Western Balkans and the processes shaping the region. Members are Florian Bieber (Coordinator), Bojan Baća, Dimitar Bechev, Matteo Bonomi, Srđan Cvijić, Milica Delević, Nikola Dimitrov, Marika Djolai, Vedran Džihic, Donika Emini, Richard Grieveson, Dejan Jović, Damir Kapidžić, Marko Kmezić (Assistant Coordinator), Srđan Majstorović, Jovana Marović, Zoran Nechev, Tena Prelec, Corina Stratulat, Nikolaos Tzifakis, Alida Vračić, Gjergji Vurmo, Natasha Wunsch.

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The European Fund for the Balkans is a joint initiative of the Erste Foundation, Robert Bosch Foundation and King Baudouin Foundation that envisions and facilitates initiatives strengthening democracy, fostering European integration and affirming the role of the Western Balkans in addressing Europe's challenges. Its strategy is focused on three overarching areas – fostering democratisation, enhancing regional cooperation and boosting EU Integration. The EFB supports the process of affirming the efficacy of EU enlargement policy across the Western Balkans, improving regional cooperation amongst civil society organisations based on solidarity and demand-driven dialogue. It provides means and platforms for informed and empowered citizens to take action demanding accountable institutions and democracy. The focus is on continuous reforms of the policies and practices of the Western Balkans countries on their way to EU accession.

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The Centre for Southeast European Studies was set up in November 2008 following the establishment of Southeast Europe as a strategic priority at the University of Graz in 2000. The Centre is an interdisciplinary and cross-faculty institution for research and education, with the goal to provide space for the rich teaching and research activities at the university on and with Southeast Europe and to promote interdisciplinary collaboration. The Centre also aims to provide information and documentation and to be a point of contact for media and public interested in Southeast Europe, in terms of political, legal, economic and cultural developments. An interdisciplinary team of lawyers, historians, and political scientists has contributed to research on Southeast Europe, through articles, monographs and other publications. The centre regularly organizes international conferences and workshops to promote cutting edge research on Southeast Europe.

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