

ELECTRICITY SECTOR IN SOUTHEAST EUROPE: CHALLENGES OF EUROPEAN INTEGRATION

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Abstract

The analysis of the electricity sector in Southeast Europe shows that hydropower and coal represent the most important energy sources for electricity generation. Hydropower provides a necessary flexibility and storage capacity to help ensure stability of a transmission system and security of supply and supports the integration of increasing amounts of renewables, especially wind. Coal has a high share in total installed capacity in most countries and it will put high pressures on these countries in the context of undergoing changes and decarbonisation in electricity sector of European Union and Energy Community. Obviously, the electricity sector will face huge changes and is expected to contribute to the new energy revolution. However, during the 90s, the electricity sector of SEE countries changed dramatically. Generation and industrial demand have decreased considerably due to the wars and painful transition, while the household demand increased rapidly. This extensive use of electricity was stimulated by low electricity prices and poor payment discipline in most countries. Still, in recent years, electricity reforms and increase in electricity prices have improved energy efficiency and reduced deficits. SEE countries have started with reforms in electricity sector but the analysis shows that their progress is rather different. Despite the increase in electricity prices over the course of several years especially in new EU Member States, most SEE still have low electricity prices that are not cost-based. Regarding the quality of electricity supply, as it could be expected, Croatia as the best performer achieved the highest quality of electricity supply, while all other SEE countries are considerably lagging behind. As the analysis shows, sectoral characteristics, macroeconomic environment and institutional framework in SEE countries differ widely. Having in mind their different reform results, it is reasonable to question the uniform EU reform model that has been implemented in all SEE countries. It seems that this model cannot be appropriate for all countries since it requires adequate level of institutional resources that are missing in less developed and small transition countries of Southeast Europe.

Keywords: electricity sector, Southeast Europe, reforms, electricity prices, quality of supply