

# Screening report

## Montenegro

### Chapter 21 – Trans-European networks

**Date of the screening meetings:**

Explanatory meeting: 22-25 April 2013

Bilateral meeting: 27-30 May 2013

## I. CHAPTER CONTENT

The European Union policy concerning Trans-European networks for transport (TEN-T) and energy (TEN-E) is based on three cornerstones: the legal basis for TENs, Articles 170-172 of the Treaty on the Functioning of the European Union, the Regulation (EU) No 1315/2013 on Union guidelines for the development of the trans-European transport network in transport and energy, and the Regulation (EU) 1316/2013 establishing the Connecting Europe Facility, amending Regulation (EU) 913/2010 and repealing Regulations (EC) 680/2007 and (EC) 67/2010. This framework sets out the objectives of EU policy for the trans-European network policy, which encompasses the transport and energy networks and aims at adapting and developing networks and ensuring their interconnections and interoperability. The TEN-T and TEN-E policies have undergone a substantial revision. The new funding instrument for trans-European networks, the Connecting Europe Facility (CEF), and the revised TEN-T and TEN-E guidelines entered into force on 1 January 2014. The aim of establishing and developing Trans-European networks and promoting proper interconnection and interoperability of national networks is to take full advantage of the internal market and contribute to economic growth and job creation in the European Union.

As far as **transport networks** are concerned, the Trans-European network contributes to a sustainable and multimodal development of transport and to the elimination of bottlenecks. In this regard, transport networks play a significant role in ensuring a sustainable mobility, combining Europe's competitiveness with the welfare of its citizens while securing the transports of good and passengers in Europe.

In order to ensure the best development of the Trans-European transport network, the new guidelines provide for a dual-layer structure consisting of a comprehensive network and a core network based on a common and transparent methodology, layers that are the highest level of infrastructure planning. The comprehensive network, to be developed by 2050, is a Europe-wide network that provides the accessibility and connectivity of all EU regions and with neighbouring countries. The core network consists of those parts of the comprehensive network which are of the highest strategic importance for the development of the TEN-T; appropriate measures should be taken for its development by 2030. Maps of the core and comprehensive networks have been included in the Annex I to the Regulation (EU) 1315/2013.

Given the level of investments needed to complete and increase the Trans-European transport network and bearing in mind the estimated growth in traffic between Member States, a corridor approach is used as an instrument to coordinate different projects on a trans-national basis and to synchronise the development of the corridor and thereby maximising network benefits. The core network corridors are defined through the pre-identified projects listed in Part 1 of the Annex to the Regulation (EU) 1316/2013, which will constitute the priority for co-funding under the CEF.

Trans-European **energy networks** cover the transport and storage facilities of gas as well as the electricity transmission and make a significant contribution to the electricity and gas market. TEN-E respond to the growing importance for securing and diversifying the EU's energy supplies, incorporating the energy networks of the Member States and candidate countries, and ensuring the coordinated operation of the energy networks in the EU and in neighbouring countries. The security of energy supply, ending of energy isolation and the functioning of the internal energy market are key policy goals. This is mirrored in the Trans-European Energy guidelines of 2013 aiming at the timely development and interoperability of priority corridors and areas of the TEN-E. Twelve energy infrastructure priority corridors and thematic areas have been defined to this end.

## II. COUNTRY ALIGNMENT AND IMPLEMENTATION CAPACITY

This part summarises the information provided by Montenegro and the discussion at the screening meeting. Montenegro indicated that it can accept the *acquis* regarding the Trans-European networks of transport and energy and that it does not expect any difficulties in implementing the *acquis* by accession.

### II.a. Transport networks

The Montenegrin road transport network infrastructure consists of 5 097 km of paved road, none of which is built to motorway standards until now. The railway network of Montenegro has a length of 326 km and consists of railway line Bar - Vrbnica - border with Serbia (167 km electrified), railway line Podgorica-Tuzi-border with Albania, (24km, non-electrified) and the railway line Nikšić-Podgorica, (56km, electrified). The railway line Bar -Vrbnica, which is part of the international railway line Belgrade-Bar (South-east Europe Transport Observatory (SEETO) Route 4) connects the port of Bar with Trans-European corridors VII and X (MAP 2010-2014), and is the most important transportation route for the economy of Montenegro together with the port of Bar. The Montenegrin rail infrastructure manager ŽICG is fully independent from the two railway operators for Passenger transport (ŽPCG) and freight transport (Montecargo). The Railway Directorate was established in 2010, and in 2011 the entity for maintenance of the railway rolling stock was separated from ŽPCG. There are two international airports: Podgorica (LYPG, TGD) and Tivat (LYTV, TIV). The ports in Montenegro open to international traffic are Bar, Kotor, Zelenika, Budva and Tivat-Porto Montenegro. Budva is only open during the tourist season.

Montenegro actively participates in the work of the SEETO Steering Committee for the implementation of the Memorandum of Understanding for the development of the Regional Comprehensive Transport Network (MoU). The MoU was signed on June 11th, 2004 by the Governments of Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, the United Nations Mission in Kosovo\* and the European Commission.

Montenegro stated that the Transport Development Strategy of Montenegro, adopted in July 2008, provides for the following basic goals of strategic development of Montenegro's transport system: improvement of safety and security, integration in the transport system of the European Union through connection to TEN-T, improvement of competitiveness of the national transport economy, improvement of transport services quality, stimulation of economic growth through more efficient and less expensive transport and minimization of negative impacts of transport development and traffic infrastructure on environment and society in general. The Regulation on the organization and functioning of public administration (Official Gazette 5/2012, 25/2012 and the 61/2012) establishes the authorities within the Ministry of Transport and Maritime Affairs in charge of transport policy, the Port Authority, Maritime Safety Authority, Road Directorate of traffic and Rail Directorate of traffic.

Montenegro stated that it has identified a number of transport infrastructure projects of major importance. Concerning **road transport**, Montenegro has launched the project for the construction of the highway Bar-Boljare as part of the program of reconstruction of intersections on state roads.

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\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

As regards *railway infrastructure*, the Government of Montenegro allocated a budget of EUR 7.225 million for the year 2012 for maintenance of the railway infrastructure, and is implementing an European Bank for Recovery and Development (EBRD) loan of EUR 15 million for the emergency rehabilitation of railway infrastructure, of which EUR 11.6 million is allocated to track II Nikšić - Podgorica, and the rest of the implementation is expected in 2013 and 2014.

In October 2012, Montenegro signed a new loan agreement with the EBRD for EUR 10 million for works for overhaul, repairing of tunnels and other projects on the line Vrbnica – Bar. It also signed a loan with the Czech Export Bank (CEB) amounting to EUR 59.4 million as part of the project “Repair and electrification of Nikšić - Podgorica” line. Under IPA 2010, 3,985 million EUR was allocated to the rehabilitation of the section Mojkovac - Mijatovo Kolo, and an amount of EUR 1,015 million to the works at the station Trebeješica. In the area of *maritime transport*, the revitalization of the Montenegrin fleet of 2 ships "Kotor" and “21 Maj" is ensured by loans from the Chinese Export-Import Bank. The restructuring strategy of the railway of Montenegro envisages the construction of Terminals for combined transport at railway stations Bar, Podgorica and Bijelo Polje to enable combined road-rail transport on the most important transport directions, to open new possibilities for transit Roll On – Roll Off (Ro-Ro) transport, or to connect with railway transport ferryboat lines with the Kosovo\*. Montenegro indicated that currently there are limited prospects for public-private partnerships to develop these terminals, due to the lack of commercial interest.

Montenegro informed that it currently has no particular legislation for TEN-Ts: Montenegro stated that no difficulties are foreseen with the future implementation of the *acquis* for TEN-T and that all administrative capacities and structures necessary for implementing the *acquis* related to the TEN-T programme will be in place by the date of accession.

## **II.b. Energy networks**

Montenegro stated that its energy profile is not unusual for the region: for a total consumption of 30 petajoules (PJ), down from a high of over 35 in 2008. Some 36.9% of this was consumed by households, businesses and public authorities, 39% by the transport sector, and 24.1% by industry. The proportion used by industry is in decline: it was 56.5% in 1990, and 42.9% in 2007. The largest part of Montenegro’s consumption of energy and fuel (38.8% in 2010) came from coal. Oil and oil derivatives provided a further 34%, with hydro power the next largest source (22%). Oil and oil derivatives are 100% imported. Montenegro is very dependent on coal and on imported power. As regards power supply, 33.7% came from coal-fired plants in 2010, and the rest mainly from hydropower plants. The three largest production sites (two hydropower plants and a thermal plant) provide 86% of Montenegro’s power production. Power imports, which had reached 54,7% in 2007, had been reduced to zero by 2010. Montenegro stated that it currently has no gas infrastructure, but it participates actively in the regional initiatives designed to improve the gas supply for the Western Balkans.

Montenegro stated that it is currently not implementing the relevant legislation on the TEN-E. Montenegro confirmed that it will align its legislation regarding energy networks only by the date of accession. Montenegro indicated that, once aligned by accession, the implementation of this legislation will not raise any difficulties.

## **PROJECTS OF ENERGY COMMUNITY INTEREST (PECI)s**

The Energy Strategy of the Energy Community was adopted by the Ministerial Council of the Energy Community in October 2012. The objectives of the Strategy cover: attracting investments in

energy, creating an integrated and competitive energy market and providing secure and sustainable energy supply to customers.

Montenegro stated that following an open call for proposals, the applications for PECIs were subject to public consultations between March-April 2013. The submitted projects were assessed by a consultant against a pre-defined set of criteria and ranked. The Permanent High Level Group at the beginning of July approved the proposed PECE list, which were subsequently approved by the Energy Community Ministerial Council on 24 October 2013. The adopted PECE list contains three projects where Montenegro is a contracting party: Hydro Power Plants Lim River, the 400 kV Overhead Transmission Line SS Bajina Basta (RS) - SS Pljevlja (ME) - SS Visegrad (BiH) 400 kV OHL Pljevlja - Lastva, and the Ionian Adriatic Pipeline (IAP).

### **III. ASSESSMENT OF THE DEGREE OF ALIGNMENT AND IMPLEMENTING CAPACITY**

Overall, Montenegro has not yet aligned its legislation with the Trans-European transport networks *acquis*, but has reached a satisfactory level of preparedness regarding the strategic development of the transport and energy networks in accordance with the design and objectives of the TEN-T and TEN-E. Both policies have undergone major revision at EU level, including the *acquis* related to the implementation of the TEN-T and TEN-E Programmes. Both Programmes can only be implemented in practice by accession. In the course of the negotiations on this chapter, Montenegro must ensure compliance with the relevant provisions of the new legal framework. The administrative capacity will need to be reinforced for the effective implementation of the two EU policies.

#### **III. a. Transport networks**

More concrete steps are needed to jointly develop projects of regional interest with neighbouring countries. Regarding the current state of the network in Montenegro, both road and rail links need to be upgraded. The efforts to upgrade the transport network are affected by the mountainous landscape, limited financial capacity and low-density traffic. The proposed project regarding the Bar-Boljare, which will address the priority section Smokovac - Mateševo, needs to be implemented through the most cost-effective technical solution. Maintenance of the transport infrastructure is not fully ensured, mainly due to a lack of financial resources. This affects in particular the secondary network, hampering the connection between remote rural areas and the Core Network. The port of Bar, which is among the deepest water ports in the region and Montenegro's only commercial port, also needs to be upgraded. Improving the two main airports (Podgorica and Tivat) also needs to be considered.

#### **III. b. Energy networks**

A further strengthening of the administrative capacity will be required to effectively implement the *acquis* in the future.

Trans-European **energy networks** (TEN-E) play a pivotal role in Montenegro's electricity supply. Montenegro's electricity networks are well connected with the power systems of Serbia, Bosnia and Herzegovina and Albania, but the electricity networks are outdated, which causes supply instability. The insufficient capacity of the high voltage networks affects its reliability, which may cause system collapse. Montenegro's transmission network has a mostly radial structure and its 110 kV network is not interconnected over the entire territory of Montenegro. In order to ensure a more reliable supply, the transmission system operator is expanding several transformer stations and building new national transmission lines. The priority project to upgrade the interconnection with Albania to 400 kV is well advanced. Montenegro signed an agreement with Italy to build an underwater interconnection between the two countries. All infrastructure will be public (owned by

the transmission system operator), and the rules of the national regulators will apply to this infrastructure. Construction of at least one 400 kV line towards Serbia or Bosnia and Herzegovina is envisaged. Montenegro has no national gas network at this stage; however there are plans to develop domestic off-shore production and to join regional gas infrastructure projects. Participation in the development of the regional gas pipeline, the Ionian Adriatic Pipeline was envisaged, but not delivered. In particular, Montenegro needs to take concrete steps, in coordination with other Energy Community countries in the region, towards the construction of gas transmission lines and interconnectors in line with the Energy Community Gas Ring concept.