

Screening report

Serbia

Chapter 21 – Trans-European networks

Date of the screening meetings:

Explanatory meetings: TENs – Energy 30 April 2014; TENs - Transport 18 December 2014

Bilateral meetings: TENs – Energy 12 June 2014; TENs - Transport 25 February 2015

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 1315/2013¹ on Union guidelines for the development of the trans-European transport network in transport and energy, and the Regulation (EU) 1316/2013² 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 pursue a dual-layer approach consisting of a comprehensive network (to be completed by 2050) and a core network (to be completed by 2030).

The comprehensive network is the basic layer of the TEN-T and include components of all transport modes – rail, road, inland waterway, air and maritime as well as their connecting points and corresponding traffic information and management systems. The core network is a subset of the comprehensive network overlaying it, to represent the strategically most important nodes and links of the trans-European transport network. It is multi-modal. 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 of 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

¹ <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1440489851396&uri=CELEX:32013R1315>

² <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1440489885603&uri=CELEX:32013R1316>

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.

It is worth noting that as from 2017, all measures adopted under (EU) Regulation 347/2013 of 17 April 2013 on guidelines for trans-European energy infrastructure, are binding for Serbia and applicable to all infrastructure with PECE (Projects of Energy Community Interest) status. Moreover, only those projects that fulfil the criteria set by that Regulation shall be granted PECE status.

II. COUNTRY ALIGNMENT AND IMPLEMENTATION CAPACITY

This part summarises the information provided by Serbia and the discussion at the screening meeting. Serbia 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 Serbian transport network consists of road, rail and inland waterways, river ports and air ports. Serbia is strategically located and represents a key transport node for the connection of EU with the Western Balkans, as well as for the development of transport interconnections within the Western Balkans. Serbia actively participates in the work of the South East Europe Transport Observatory (SEETO) for the implementation of the Memorandum of Understanding for the development of the Regional 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 Interim Administration Mission in Kosovo and the European Commission. The strategic framework for the development of infrastructure is the General Transport Master Plan, adopted in 2009. Serbia stated that it has identified a number of transport infrastructure projects of major importance, in line with the national strategic and EU priorities.

In the area of *railway network*, Serbia stated that it is member of international and bilateral agreements at EU and regional level. Serbia stated that its main strategic objective in this area is the integration of its railway network into the Trans-European transport network (TEN-T), by rehabilitating, reconstructing and constructing the missing links of the main lines (especially on SEETO comprehensive network Corridor X). Serbia stated that all of the current and planned projects on the railway infrastructure cover either reconstruction of the existing single track railway lines, its modernisation in order to apply the standards by the European Agreement on Main International Railway Lines (AGC), construction of a second track where applicable, or the introduction of a European Railway Traffic Management System (ERTMS) to ensure EU standards on interoperability.

Concerning *road transport*, Serbia stated that its main priority is the integration of the national road network in the TEN-T. In this regard, Serbia indicated that it gives priority to a system of interoperable highway corridors, on which the same standards are applied along the whole corridor, in terms of service level, safety, toll charging system, information and other services. The construction of SEETO comprehensive network Corridor X is currently ongoing and finance is

secured for all branches by loans from the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the World Bank (WB).

In the area of *inland waterway network*, Serbia stated that it participates in the main agreements of the international framework of cooperation in this field, and has signed bilateral agreements with Croatia, Bosnia and Herzegovina, Romania and Hungary. The Strategy on the development of Waterborne Transport for the period 2015-2025 was adopted in 2015. Serbia indicated that the strategy defines the following main objectives in this field: i) Sustainable development of the network of inland waterways, ii) elimination of navigational bottlenecks, iii) application of ICT on inland waterways (River Information Services, RIS), iv) rehabilitation of the national fleet, v) utilisation of economic potentials of ports, vi) professional development and employment in inland waterway sector, and vii) development of maritime economic activities.

II.b. Energy networks

Serbia states that the key objective of its energy policy is to create electricity and gas interconnections with the EU energy market. In this context, Serbia stated that a focus is placed on intensifying the interconnections with the energy systems of neighbouring countries. Serbia's Energy Development Strategy until 2015 is currently under revision to cover the period until 2025 with projections up to 2030. Serbia indicated that the draft Energy Development Strategy will be adopted by the end of 2015. According to Serbia the draft Energy Development Strategy will contain provisions to increase energy security, diversify energy sources, develop further the energy market and move towards a sustainable energy sector.

Projects of Energy Community Interest (PECI)

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.

Serbia stated that it is involved in a number of planned interconnections that became PECIs, both for concerning gas and electricity. More specifically these are the following: a) the 400 kV overhead line between SS Resita (Romania) and SS Pancevo (Serbia), b) the 400 kV overhead line SS Bajina Basta (Serbia) - SS Pljevlja (Montenegro) - SS Visegrad (Bosnia and Herzegovina), c) the 400 kV overhead line SS Kraljevo – SS Kragujevac, d) the 400 kV SS Kraljevo – Bajina Basta, e) the 400 kV overhead line SS Obrenovac – SS Bajina Basta, f) the gas pipeline between Serbia and Croatia (Slobodnica - Sotin - Bačko Novo Selo) and g) the gas pipeline between Serbia and Bulgaria (Nis- Dimitrovgrad).

III. ASSESSMENT OF THE DEGREE OF ALIGNMENT AND IMPLEMENTING CAPACITY

Overall, Serbia 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. Full application of the TEN legislation and full participation in the Connecting Europe Facility will only be possible by accession. In the course of the negotiations on this chapter, Serbia must ensure compliance with the relevant provisions of the new legal framework, the prioritisation of infrastructure development as agreed in the context of the indicative extension of the TEN-T core and comprehensive network into the

Western Balkans and the application of interoperability with EU standards. The administrative capacity will need to be reinforced for effective implementation of the two EU policies.

III. a. Transport networks

Serbia has taken very concrete steps in developing projects of regional interest with neighbouring countries through its participation in SEETO. Moreover, Serbia has contributed positively to improve connectivity in the region through its constructive participation in the discussions concerning the indicative extension of the TEN-T into the Western Balkans.

Serbia has put in place an effective mechanism for identifying and selecting investment priorities in the field of transport, which has led to a single project pipeline of priority projects. In addition, Serbia has set-up the National Investment Committee, a body responsible for coordinating prioritisation of investments in transport, with the participation of the European Commission, International Financial Institutions and other bilateral donors. However, the lack of fiscal space in the Serbian budget poses limits to the level of public investments that are needed to develop the required infrastructures. In this context, Serbia needs to make full use of the system of prioritisation and project preparation it has put in place, and also make efforts to utilise existing loans it has signed with IFIs.

Serbia needs to pay attention to applying the TEN-T requirements when developing and implementing transport infrastructures and related transport management systems. This is especially relevant in cases when funds from non-EU bilateral donors are used. The reconstruction of the Belgrade-Budapest railway line which is planned to be implemented via a loan agreement with China needs to apply EU technical standards on interoperability (such as design speed, ERTMS, electrification, axle load) and reflect real traffic needs.

III. b. Energy networks

TEN-E play a pivotal role in Serbia's electricity and gas supply. Serbia needs to take concrete steps, in coordination with other Energy Community countries in the region, towards the construction and operation of gas and electricity transmission lines and interconnectors, in line with the Energy Community obligations. Serbia participates in a number of important electricity project initiatives, in the context of PECIs, including the 400 KV interconnection with Montenegro and Bosnia, and the 400 kV interconnection with Romania, which is at advanced levels of preparation and will be implemented with national funds. These projects contribute significantly to the modernisation and integration of the electricity network in the region, alongside with the internal electricity lines Serbia is developing. Financing is secured for the most part of the investments needed to develop these electricity interconnections.

In the gas sector in particular, the Nis – Dimitrovgrad interconnector represents a cornerstone project for the EU energy security priorities. Serbia needs to step up preparations and engage closely with Bulgaria to agree on the technical and operational details that will allow the implementation of the project. This will be consistent with Serbia's engagement in the work of the Central and South-Eastern European Gas Connectivity (CESEC) High Level Group, a Commission initiative involving a political agreement between 15 EU and Energy Community countries, including Serbia, to accelerate the building of missing gas infrastructure links and to tackle the remaining technical and regulatory challenges for security of supply and market integration in the region.