

Opening Speech by EU Special Representative and High Representative Valentin Inzko At the Fourth Session of the Parliament for Europe “Energy Sector Reform”



Citizens Have Much to Gain: Powerful Interests Have Much to Lose

Ladies and Gentlemen,

When the EUSR started this series of meetings between BiH parliamentarians and their counterparts from the European Union and from countries that are seeking to join the EU, we were determined not to let the exercise become simply a forum for amiable and general discussion. We wanted to look at hard issues in a detailed and constructive way. We wanted to examine how parliamentarians in other countries have successfully addressed challenges that are now being faced by Bosnia and Herzegovina.

We believe that this approach can deliver concrete results.

A common experience of all the countries that have completed

the EU accession process is that the biggest obstacle to necessary reforms does not come in the form of technical or administrative demands; it comes from vested interests.

And nowhere are vested interests more deeply entrenched than in the energy sector.

It is not entirely surprising, therefore, that the initiative that began more than five years ago to integrate the energy sector in Bosnia and Herzegovina with the rest of the region and with the European Union has encountered opposition. The fact is that some powerful interests stand to benefit more if this country remains *outside* the European Union than if it makes rapid progress – as a majority of its people want – towards accession.

I hope that our meeting today can produce a workable strategy to overcome the vested interests that are preventing the modernization of the BiH energy sector and its further integration in the European energy system.

We must approach this task with an appropriate sense of urgency, because, current arrangements with regard to the provision of energy benefit a small number of insiders and discriminate against the majority of citizens.

Investment in BiH jobs is less than it should be; household utility bills are not as low as they could be.

I do not believe that this can be what BiH parliamentarians want.

A modernised BiH energy sector integrated in the European system means security of supply, more investment and more jobs. I am convinced that *this* is what you want.

But that is, emphatically, not what we are seeing today.

All of the countries in the region, including Bosnia and Herzegovina, signed the Treaty establishing the Energy

Community, in October 2005. This was a landmark development. It committed the signatories to implement important parts of the *acquis communautaire* – with the aim of creating a single energy market and establishing mechanisms to operate network markets.

The Energy Community is part of a larger initiative designed to create a single EU energy market and, as such, it is an important element in drawing the countries of the Western Balkans into closer alignment with the European Union.

Bosnia and Herzegovina ratified the Treaty in July 2006.

As you know, that coincided with the start of a period of extended political gridlock, and this gridlock has all but shut down a whole swathe of desperately needed reforms.

Not only have new reforms been put on hold – attempts have been made to undo reforms that had already been successfully implemented.

This has for example impaired the management of the BiH Electricity Transmission Company, Elektroprenos BiH, and thus impeded investment in the electricity transmission grid.

Elektroprenos BiH has been one of the signal BiH success stories of recent years. By starting to rationalise the transmission of electricity it has brought closer the possibility of realising this country's potential as a major regional electricity player.

The citizens of Bosnia and Herzegovina as a whole have benefited from increasingly competitive utility costs – including household utility costs.

Elektroprenos BiH was established by a State law adopted by the BiH Parliament following the Entity Prime Ministers' Agreement, and it was a European Partnership requirement.

So we have a clear picture.

Establishing an integrated energy market in Bosnia and Herzegovina, which in turn is integrated in the regional energy market that is aligned with the EU, is part of an agreed and coherent strategy.

This strategy has already begun to deliver tangible benefits to the people of Bosnia and Herzegovina.

It holds the potential to deliver many more benefits – in terms of electricity export earnings and in terms of attracting investment – because, as you know, efficient and competitive utilities are key to attracting capital that can create jobs in Bosnia and Herzegovina.

With this in mind, why is it that the smooth running of Elektroprenos BiH is actively undermined, thus preventing further modernisation of the energy market?

I said it earlier and I will tell you again. It is because some vested interests would lose out if an increasingly prosperous BiH were to integrate further with the rest of the region and the EU.

Four and a half years after Bosnia and Herzegovina signed the treaty establishing the Energy Community it has not implemented the Treaty's principal provisions.

Some of the major outstanding obligations are

- to agree and implement a state energy strategy,
- to enact a State Gas law; and
- to ensure that Elektroprenos BiH functions in an optimal way for the benefit of BiH citizens.

Instead, the Entities are implementing mutually incompatible energy strategies, the State Gas Law has not been presented to Parliament, and Elektroprenos BiH still does not function in accordance with its responsibilities as defined by the law.

The BiH political establishment has shown itself unable or unwilling to meet its obligations to its international partners and its own citizens in the area of energy reform.

That is shameful and, I would have thought, a political liability in an election year.

Now, the object of this meeting is not to berate the authorities but to identify solutions.

This is why, I believe it will be of immense value to hear the experiences of energy specialists from neighbouring countries and from the European Union.

As I mentioned earlier, *all* of the EU countries have experienced resistance in the field of energy reform. Just as millions of citizens have a great deal to gain, a small number of powerful interests have a great deal to lose.

We need to focus on how to dislodge or circumvent this resistance.

I believe that part of the solution is to publicise the damage that those opposed to reform are doing to citizens.

Let me be more precise. The EU accession process requires state level competence in the energy sector as a prerequisite for establishing cost effective energy networks. So it makes no sense that for the last three years the thrust of activity has been at the entity level.

The fact is you can set yourself up as a champion of the people only if you act concretely to promote their job opportunities and their prospects of joining the European Union, not the contrary.

Therefore BiH Parliament representatives will have served the interests of BiH citizens when Bosnia and Herzegovina honours the agreements it has made, with its neighbours and with the European Union – and those agreements require an integrated

BiH energy market, an integrated Southeast Europe energy market and an integrated EU energy market.

To help bring that about, allow me to re-state that Bosnia and Herzegovina must develop an energy strategy, enact a Gas Law and run its electricity transmission company in a professional and responsible way.

I hope that today's meeting can come up with proposals that will help make this happen.

Thank you