

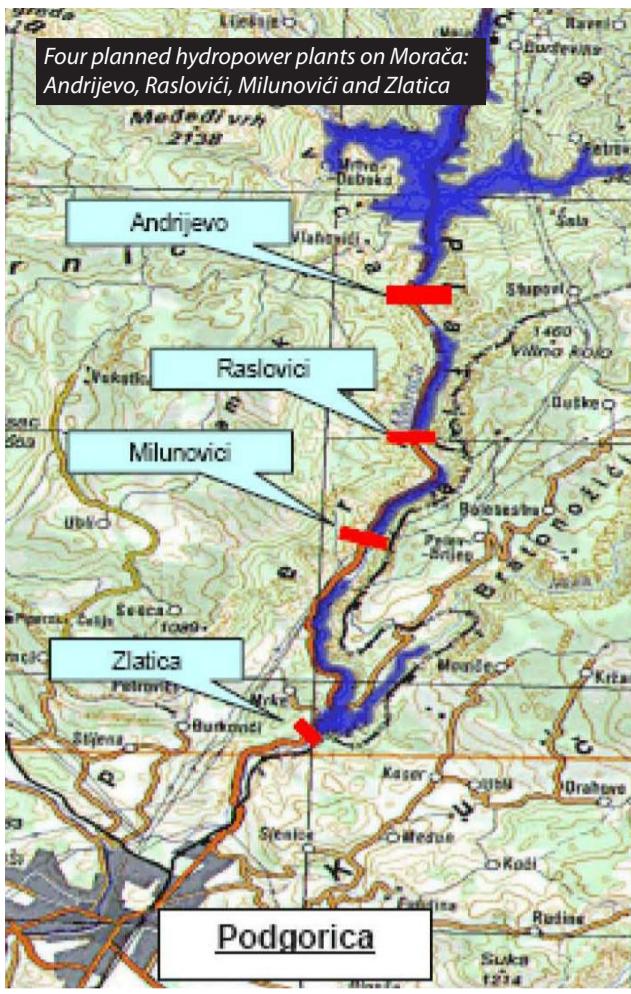
THE MORAČA REMAINS ONE OF THE FEW FREE-FLOWING RIVERS IN EUROPE

*Flawed tender confirms arguments
of civil society and independent experts*



Canyon of the Morača River

The failure of the tender for the construction of hydropower plants on the Morača River confirms the arguments of civil society and independent experts that the proposed project is economically, socially and environmentally unfeasible.



Public good vs. private benefits

In the last few decades governments have realized that inconsiderate economic and development policies can devastate very significant natural habitats with important ecological functions (also for people) and that rehabilitation of those localities is much more expensive than their maintenance. That's why they are now investing huge efforts and resources in order to save or restore the ecosystems which were destroyed in some phases of industrial development. This process is supported by strong legislative measures, especially in the EU, where the enforcement of environmental regulations is high on the agenda. The Montenegrin government should step on this train and increase its environmental efforts, starting with taking into account the negative conclusions of the SEA study, which was commissioned by the same government to gauge the socio-economic and

Montenegro has signed the Aarhus Convention, the United Nations agreement ratified by 41 states, which ensures access to information and participation of the public in decisions related to the environment. The Aarhus Convention states that citizens and non-governmental organizations have a democratic right to participate in public decisions and that it is a fundamental human right to know what is going on in our environment.

environmental impacts of the construction and operation of four HPPs on the Morača. Despite the negative results of the tender and SEA, the government is still considering granting a concession for HPPs on the Morača, not willing to accept the fact that the Morača is simply not a good site for building big hydropower plants.



August 2007

Upon the request of the government of Montenegro UNDP carries out a SEA study of National Energy Strategy and concludes that "the proposed plan of construction of four dams and hydropower plants on the Morača, can seriously jeopardize the status of Montenegro as an ecological state and is in opposition to the principles of many international conventions signed by Montenegro". Having received the results, the Ministry for the Economy rejects the conclusions of the SEA and has never formally approved this document.

On 30th September 2011 a tender for building a series of hydropower plants failed, with no offers submitted from pre-qualified investors, namely A2A in consortium with national EPCG and another Italian company Enel. Economic and environmental shortcomings of the proposed project of four dams, which have been voiced many times by civil society during the tender process, have now also been silently affirmed by the last few interested investors.

According to the Constitution, Montenegro is an ecological state, but the government's efforts towards such a commitment to sustainable development should be much higher than they have been recently, especially in the Morača case.

With the plan to build a series of four hydropower plants on this natural jewel of Montenegro, the current government seriously jeopardized Montenegro's status and orientation as an ecological state. Independent experts and numerous non-governmental organizations (NGOs), together with WWF (World Wide Fund for Nature), believe that the hydropower plants on the Morača will have severe socio-economic effects on the lives of the local population as well as on the unique biological diversity and the nature of

the Morača basin and Skadar Lake, for which the earnings from produced energy could hardly compensate.

The management of the process by the government has been, to put it mildly, inadequate and highly non-transparent. The government decided to ignore the negative conclusions of studies carried out by independent institutions such as the University of the Mediterranean and UNDP. After receiving high criticism about the inadequacy and economic unfeasibility of the original plan it allowed investors to propose their own technical solutions whose environmental and socio-economic parameters have not been analysed. The project went ahead even after research conducted by the NGO Green Home demonstrated that the majority of Montenegrin citizens do not support the government's project on Morača and consider it bad for the national economy and the environment.

"The argument that HPPs on Morača are in line with sustainable development practices is questionable, especially if we have in mind HPP Piva. Although HPP Piva is the most expensive energy installation in Montenegro, Plužine municipality, where it is located, is the poorest municipality in the country."

Prof. Dr. Časlav Pejović, Kyushu University Japan

Building dams with eyes wide shut

The Morača is one of the rare European rivers which are still pristine and free flowing. Instead of protecting such assets with sustainable projects designed to the highest possible standards, the government aims to tamper with these pristine habitats by building badly conceived dams and hydropower plants. Sadly, these efforts are strongly supported by big foreign companies and some neighbouring countries which want to increase their "green energy" supply.

Without complete and independent analysis of the power potential and alternatives for energy production, mitigation measures and economic benefits, responsible long-term decisions can hardly be made. Most of the independent experts were saying that it is very likely that the proposed plan would seriously jeopardize the status of Montenegro as an ecological state. In addition, the project proposed by the government conflicted with important international environmental conventions, including the Ramsar and Espoo conventions, to which Montenegro is a signatory.

One of the basic conditions for accession to the European Union is compliance with and – most importantly – implementation of EU laws and regulations, to which Montenegro as the candidate country has committed itself. The plan for construction of HPPs on the Morača ignores the recommendations of EU environmental regulations, especially the Water Framework and Habitats Directives, which require that countries avoid projects which could additionally jeopardize the quality of the environment and freshwater ecosystems except when it is of vital national interest. The efforts made by the government to prove that this project is of high national interest have been unsatisfactory.

Policy of fait accompli

Unfortunately what we also witnessed during the tender process was that principles of transparency and public right to access information have been violated. The people who live along the Morača and Skadar Lake still don't know what the project is all about and what consequences it will have on nature and their way of life, especially now that the concession could be given directly to Elektro Privreda Crne Gore (EPCG) and the technical parameters of the project might completely change. Families that have been living there for generations have just been presented with a fait accompli, with no room for influencing the project.

With the construction of dams on the Morača, fishery, as one of the most significant economic activities in the Morača basin and Skadar Lake, would be seriously jeopardized. The study developed by WWF and Green Home has shown that at least 600 families directly or indirectly depend on fishery. By constructing dams on the Morača their income could be reduced by as much as 30%, while the total economic damage is estimated to be almost 1.5 million Euros annually from reduced fisheries alone.

Good projects don't scare away the investors

After public discussions held in March 2010 demonstrated that substantial changes to the project are indispensable, the original plan was dropped but the tender procedure continued, allowing potential concessionaires to propose completely new plans and technical solutions, whose socio-economic and ecological impacts were completely unknown. Potential investors have been questioning the project since the beginning of the tender. In fact, at that stage of the process a number of leading international hydropower developers gave up on the project. One of those was a top hydropower development company – the Norwegian Statkraft. Already in 2009 they had expressed a growing concern about the project: "Before investing we want to ensure that the proposed dam designs are environmentally friendly and support social and economic development in addition to being cost effective. Statkraft applies strict standards in all hydropower development worldwide. This has been our focus in Albania but investing in Montenegro is more uncertain – unless the opportunities to minimise social and environmental impact and optimise cost and production are clarified," said Bredo Erichsen, VP Southeast Europe, Head of Water Resource Management, explaining the reasons for giving up the project on the the Morača. Other world leading companies like Chinese Synohydro and Austrian Strabag, which were initially shortlisted, also withdrew from the tender.

December 2007

The National Energy Strategy is adopted despite the negative SEA and draws much criticism from civil society and international organizations. The government also rejects the criticism of Clive Rumbold, head of the Delegation of the European Union in Montenegro.

October 2008

The action plan for implementation of the National Energy Strategy by 2012 is adopted despite criticism from the NGO sector and the European Commission. All comments of independent experts are rejected.

November 2008

The government invites expressions of interest for the construction of hydropower plants on the Morača. 20 companies express an interest.

ENDANGERING EXCEPTIONAL LANDSCAPE AND BIODIVERSITY

Nature has blessed Montenegro with the most beautiful and scenic habitats with outstanding biodiversity, which should be protected with the most stringent environmental policies and scientific endeavour. But in the last 20 years Montenegro's concept of "ecological state" has not prevented some heavy trade-offs between nature and economic development, where nature was short-changed. The proposed project on the Morača was a step further in that direction.

It is a misconception that hydropower plants are benign to the environment by default. They are "CO₂ friendly" compared to fossil fuel power plants, but if they are built without a thorough study of their environmental impacts, dams and hydropower plants can become one of the most destructive technologies. The construction of dams on any river has several levels of environmental impact, from the change to the natural flow of the river and complete blockage of some parts, to impacts on the reproduction of animal species and their migration routes, which can lead to the almost complete disappearance of local flora and fauna.

Montenegro is a signatory to the Bern Convention and has committed to preserving the wildlife and natural habitats which Montenegro itself designated as the most valuable parts of Montenegrin nature.

New Montenegrin floods

Should the construction of HPPs on the Morača be given a green light through the granting of a direct concession to EPCG, this would disturb the natural flow of the Morača. Because of insufficient quantities of water for providing the planned energy output, ideas have been presented that additional water should be diverted from the Tara River, a UNESCO World Heritage site, home of the deepest and most scenic canyon in Europe, known also as the "Montenegrin Colorado".

The current government's plan also foresees flooding of certain parts of Mrtvica and Mala Rijeka canyons, which are EMERALD sites of major ecological importance and huge tourist potential, protected by the Bern Convention. This would seriously jeopardise the process of establishing the Natura 2000 network of protected areas, which Montenegro is required to establish before becoming a full member of the European Union.

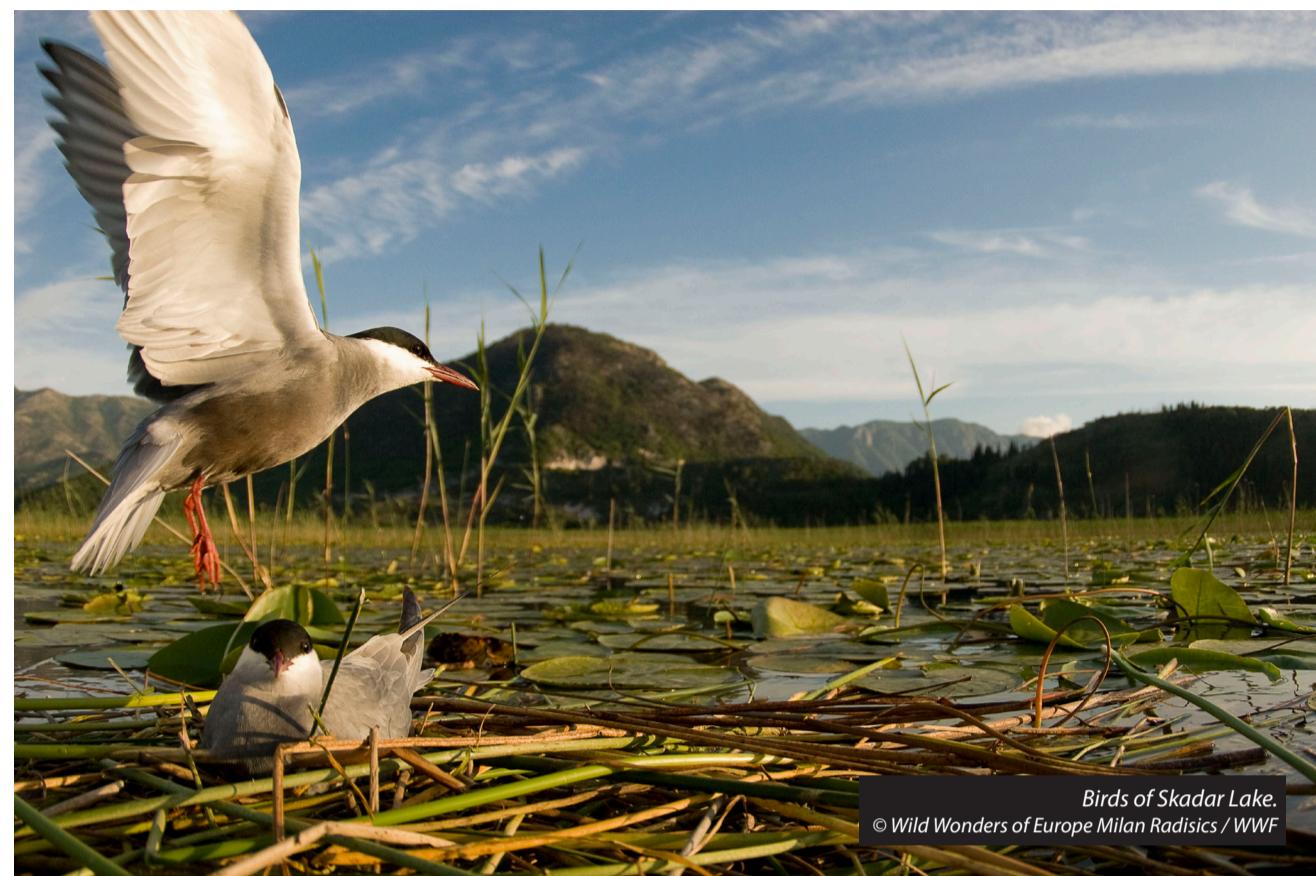
"By flooding the canyon upstream we would permanently lose habitats for rest, reproduction and feeding of birds, and the quantity and quality state of ornitho-fauna of the canyon would be drastically changed."

Darko Saveljić, Center for Protection and Research of Birds of Montenegro

Building of HPPs on the Morača could also mean the flooding of EMERALD sites Mrtvica and Mala Rijeka, while additional water could be diverted from the Tara River – the "Montenegrin Colorado" and the most beautiful canyon in Europe.

A token paid by fishermen

Building of series of hydropower plants based on insufficient or out-dated analysis could seriously disrupt the complete hydrological system of the Morača basin and cause irreparable environmental and socio-economic damage. The construction of dams on the Morača, according to experts, could also seriously disrupt the water-flow regime of Skadar Lake. The first and the most



Birds of Skadar Lake.
© Wild Wonders of Europe Milan Radisics / WWF

obvious consequence would be the reduced productivity of the local and migratory fauna, which would be most harshly felt by the local population.

Since dams are envisaged in the middle part of the river, a large part of river trout habitat would be destroyed causing a reduction in its numbers and reproduction, and loss of genetic diversity. Trout is a local delicacy and its disappearance would worsen the already bad economic situation of local citizens to whom this is often the only source of income.

There would be a similar situation with the population of a highly endangered fish called "glavatica" (*Salmo marmoratus*), which according to the recent estimates, now has the smallest population of the last 25 years.

Building dams on the Morača would also have unprecedented impacts on the biodiversity of Skadar Lake, the biggest lake in the Balkans. Skadar Lake is one of the biggest hubs of biodiversity in Europe with the status of RAMSAR site as an internationally important wetland and birds habitat. Skadar Lake is widely known for its population of bleak, which together with carp account for 70% of the total catch from the lake. It is estimated that because of the changed water regime in the northern part of the lake, about 20% of hatchery habitats could be destroyed, which also means 20% fewer offspring in the next generation. Besides being an ecological loss, this could also be a serious economic problem for local fishermen.

In order to preserve its biodiversity and economically most valuable features, government institutions should very carefully define the water-flow regime of Skadar Lake. Unfortunately, the government and its institutions have not yet defined the necessary amounts of water or the measures that will be undertaken in order to preserve the rich biodiversity of the lake.

More than 90% of the total catch of freshwater fish in Montenegro is caught in Skadar Lake.

"The project of HPPs on Morača is a typical example of how this type of project should not be developed and realized. Without a clear picture of economic costs and benefits and of actual negative impacts on the environment, together with the lack of transparency, we can't say that the interests of the state and of society are put in the first place."

Darko Pajović, Green Home

The skies above the Morača Canyons and Skadar Lake without birds

While the construction of dams will first affect the fish, nothing better awaits the diverse and unique world of migratory birds. If the upper canyons of the Morača were flooded, these world travellers would permanently lose extremely important habitats for reproduction and feeding, causing a drastic reduction in their population and diversity. 98% of the birds found in the threatened canyons of the The Morača basin are protected by national regulations or international conventions.

Skadar Lake is one of the most important bird habitats in the Mediterranean region and in winter it is home to about 150,000 migratory birds. Building dams on the Morača would drastically impact the life of 90% of those 281 species, especially migratory birds that use the northern bank of the lake for reproduction, feeding and resting.

With the construction of dams and accumulation lakes along the Morača that would flood large upstream areas and cause a reduced water inflow to Skadar Lake, Montenegro would not only jeopardize its local bird and fish species, but the whole spectrum of species that are the common natural heritage of Europe, Asia and Africa, and not just of Montenegro.

"That the world authority for birds "Birdlife International" has signed the petition against the current plan of flooding the Morača canyon, and that the Brussels and Cambridge centres for the protection of European birds have requested help in protecting the ornithological values of the Morača speaks for itself."

Darko Saveljić, ornithologist

26 February 2010

The government announces a prequalification tender for awarding of concessions by which it invites all interested investors to submit their bids by April 30th 2010, although the Concession Law stipulates that the DPP, SEA and the Concession Act must be adopted prior to the tendering procedure, and only after obligatory public consultations on technical, economic, financial, legal and social aspects of the project, which did not happen. Four bidders are selected.

15 March 2010

The DPP and SEA are made public. In the DPP, the amount of state support for this 550 million euros investment is estimated at 153 million euros. Independent experts engaged by NGOs estimate that the contribution of the state would exceed 220 million euros. The projected income from concession fees and tax revenues wouldn't even cover rates for the new debt. A public discussion of the SEA demonstrates the significant negative impacts of the construction of hydropower plants on the Morača on the environment.

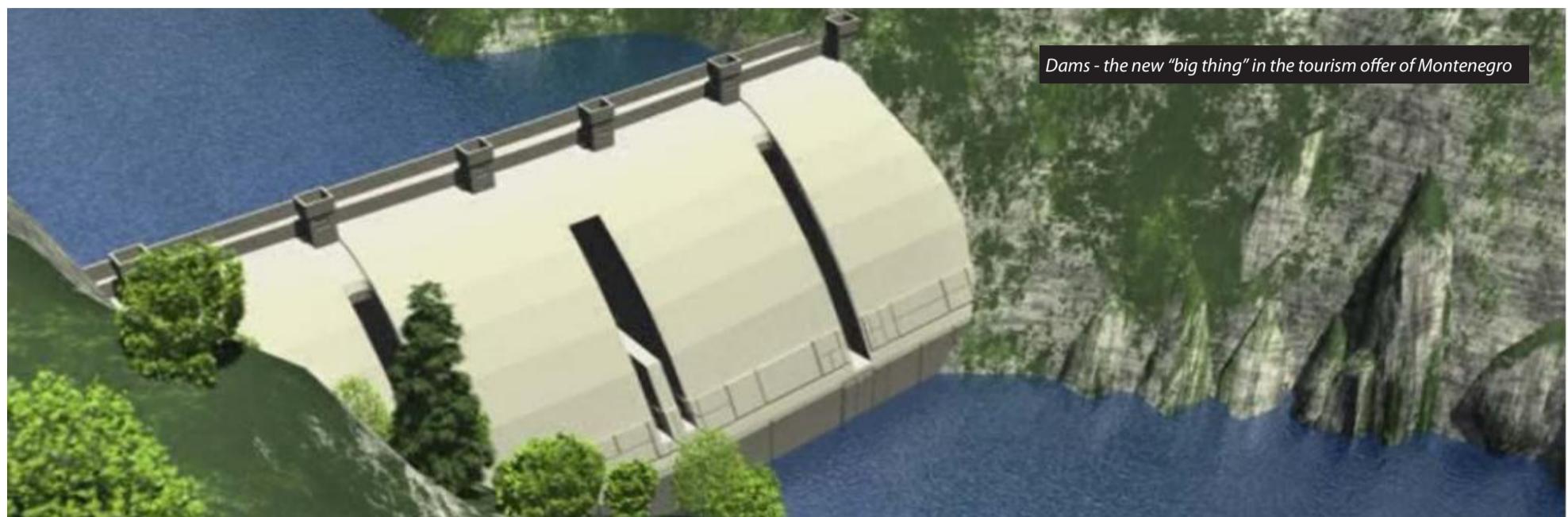
March-September 2010

The projections of the government related to the development of tourism and benefits remain unconvincing. Montenegrin NGOs react, pointing to the probability of Montenegrin citizens having to co-finance a significant part of costs of this purely commercial project. NGOs warn of the potential devastation of the Morača canyon. The Ministry for the Economy claims that the cost-benefit analysis has demonstrated the feasibility of the project, but refuses to publish these reports. Refusal to enable access to data presents a breach of the Concession Law, the Law on free access to information and the Aarhus Convention.

7 Sept. 2010

In a feasibility study commissioned by the government the Montenegrin Academy of Sciences and Arts proposes to direct water from the protected river Tara. The idea is supported by the Minister for Economic Development and the president of the electricity company EPCG.

DO DAMS BRING BENEFITS TO THE NATIONAL ECONOMY?



Dams - the new "big thing" in the tourism offer of Montenegro

The current government of Montenegro is basing its Morača project on more than 40-year-old plans that were developed according to out-dated technological, environmental and social solutions. The opinions of NGOs and experts have been largely ignored and further incomplete or superficial studies, analysis and projections only help in additional blurring of the project, fuelling public outrage and contributing to a negative attitude towards the hydropower project on the Morača.

In order to construct four HPPs on the Morača several infrastructure development projects also have to be initiated, from construction of new roads and bridges, to displacement of cultural heritage sites such as monasteries and churches. These costs, which the government has conservatively estimated at 150 million euros (the estimations of independent economists reach 250 million), will subsequently also be paid for by the national budget i.e. by the citizens of Montenegro.

"An evaluation of the economic effects of construction of hydro power plants on the Morača does not demonstrate justifiability and cost-effectiveness of the project. The University of the Mediterranean did not want to participate in manipulation of the public, so we terminated our cooperation with the Ministry of Economy."

Prof. dr. Milenko Popović, University of the Mediterranean

If the Montenegrin people are expected to make a sacrifice for national economic development and renounce their natural and historical heritage, the least the Government could offer in return is a clear explanation of the benefits they can expect. The project documentation states only that socio-economic benefits of building four cascade HPPs on the Morača are "extremely positive", mainly because of (short-term) jobs in construction, cheaper energy for citizens and the development of tourism on artificial lakes. But these statements are not supported by any calculations or analysis.

Threatening the Morača because of energy exports?

Today Montenegro imports between 20%-30% of electric energy, and HPPs on the Morača should be the solution for this energy deficit. At the same time the Montenegrin electric power industry is exporting between 5-10% of produced energy, while losses on the electric grid amount to almost 20% of total consumption.¹

According to statements from politicians, HPPs on the Morača will lower the price of electricity for Montenegrin consumers because of lower costs of transmission. But

the Concession Contract explicitly stated that the company founded by the concessionaire will be entitled to export electric power produced by the Morača HPPs, while the governmental study evaluating potential economic effects presumes that even up to 75% of production will be exported.

In order to facilitate energy export, an undersea power cable has to be constructed between Montenegro and Italy. In fact, the project has already been approved by both Governments, while the contract of cooperation between the Italian company Terna, CGES and the government of Montenegro was signed in 2010. The 750 million euro project of building the 450km undersea cable between Tivat on the Montenegrin coast and Pescara on the Italian coast will be mostly financed by Terna. The Italian Minister for economic development Paolo Romani, who was present at the signing of the contract, said that via the Adriatic Sea "thousands of megawatts will be transmitted from Montenegro towards Italy". As he said, that would help to enhance Italy's supply of electric energy.



Underwater sea cable between Italy and Montenegro

This is a clear signal that energy from the Morača will not be used by Montenegrin citizens, but will be sent through the undersea power cable to the Italian coast and EU market(s), thus having very low impact on the domestic market energy supply. This means that the construction of HPPs on the Morača, and the energy they produce, is not intended as a solution to the domestic energy deficit and is not likely to lower the price of energy for its citizens, but is destined for energy trading at international markets.

Dams as a new tourist attraction?

The Montenegrin government stated in its Detailed Spatial Plan that the new artificial lakes will contribute to the development of tourism in the area. To accommodate this tourism development, the government predicts that the dams will result in the creation of 16,000 new tourist beds and 7,000 new jobs. But the truth is that the tourism

sector is already struggling even in the flourishing south, where the most attractive locations near the sea are facing problems. While sustainable, natural and eco-tourism is growing rapidly in the world it will almost certainly not find its place among the artificial lakes and dams of Montenegro.

It is a misconception that hydropower plants are benign to the environment by default. If built without a thorough study of their environmental impacts, dams and hydropower plants can become one of the most destructive technologies.

The hydropower plant Piva can be taken as an example of such a "tourism development" and "multiple socio-economic benefits" of hydropower development. The HPP Piva, located in Montenegro near the town Plužine, and surrounding artificial lakes have not succeeded in developing a serious tourism offer even after 30 years of existence, while the overall socio-economic situation of the local population has substantially deteriorated.

The Montenegrin government should realize that artificial lakes with dams are not a magnet for tourists, but rather energy producing objects, where the cost-benefit ratio and environmental parameters play the main role when deciding whether to go through with a project or not. For this reason it is crucial that the government makes public all technical parameters and calculation of economic costs and benefits, and clearly defines environmental impacts and mitigation measures so that it can make a rational decision with the participation of civil society and experts as to whether HPPs on the Morača are a beneficial project for Montenegro and its citizens or not.

"Projects of construction of cascade accumulations on the Morača, undersea connections with Italy, and a power transmission line from the coast to Pljevlja, show to what extent the Government, both Djukanovic's, and this quasi-reformed Luksic's, is under the thumb of foreign private interests. From the allegedly ecological state and the economy which relies on tourism and agriculture, Montenegro, in the eyes of the present government, overnight becomes the exporter of energy and the strategic energy hub of the Balkans. This transformation has started, and according to everything else it will continue far from the public eyes and by concealing the most fundamental information, starting with that related to how much this will cost the citizens of Montenegro."

Dejan Milovac, Deputy Executive Director, MANS

September-November 2010

NGOs indicate that the process related to the project of HPPs on the Morača is non-transparent and that the proposal of the Concession Act is incomplete. The document does not answer how much the project will cost citizens, although it is explicitly required by law that this information must be published. The Act also doesn't mention danger of earthquakes, although seismologists do not recommend construction of dams in earthquake-prone areas.

17 November 2010

Reports from public debates are finally published. Key objections of civil society are neither accepted nor commented upon, although that is the legal obligation. Other potential investors are not informed that 7 months previously A2A claimed that the investment costs of the project had been significantly underestimated and that the annual production of electric energy was overestimated.

18 Nov. 2010

The government adopts the Concession Act leaving civil society without the chance of evaluating and commenting on the reports and conclusions of public debates, which were available only one day before the adoption of the Act.

19 November 2010

The Concession Act and other concession documents are released on the government's web page. Key issues, comments and suggestions from civil society are not taken into consideration, while comments given by A2A are entirely included. The EU Delegation seeks more attention for protection issues and points out that free access to all data is very important.

Dec. 2010

Two bidders, the Austrian company Strabag and the Chinese company Synohydro officially withdraw from the tender. Only two Italian companies (A2A and ENEL) remain in the tender.

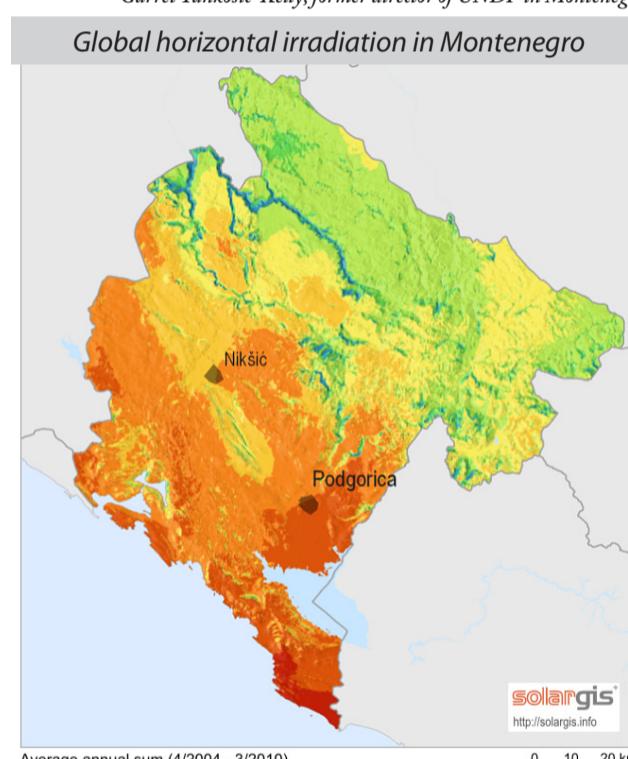
IGNORING ALTERNATIVES: IS IT BEST FOR THE PUBLIC`S INTEREST?

A country's dependence on one or two central sources of energy is never a good thing, especially if climate change - which is already impacting the energy market with CO2 emission credits - is taken into consideration. In order to diversify the energy supply new sources of energy must be explored. Although the Government has not yet prepared and adopted the Strategy for the development of renewable energy sources, it doesn't mean that Montenegro is without the great potential of other energy sources such as the sun, wind and biomass.

While solar and wind energy are the cleanest forms of renewable energy, hydro energy is a desirable choice only if it is justifiable from the ecological, economic and social aspect. Montenegro, constitutionally defined as ecological state, has the obligation to consider all potential alternatives when developing its energy policy. But the National Energy Strategy 2025 (NES25) doesn't explore with the right weight all the different options to meet the energy objective set by the national strategy. While foreseeing the development of HPPs on the Morača, small hydropower and 100 MW of wind energy, the NES25 doesn't foresee any concrete projects in the growing solar sector, while increased energy efficiency and reduction of losses on the grid are not given the necessary priority, although these approaches could significantly reduce overall electric energy consumption in the country.

"Spending of citizens' 150 million Euros for badly conceived and potentially extremely harmful dams, in order to export 75% of generated energy , has no economic justification for a public officer such as the Prime Minister, especially if that money can have 10,000 times more benefits for citizens if it was used for small enterprises and households to become more energy efficient."

Garret Tankosic-Kelly, former director of UNDP in Montenegro



Montenegro has one of the biggest solar potentials in Europe, with 2,500 of sunny hours per year all along its coast.

Insisting on hydro, while solar energy is undesirable

Montenegro already has two big hydropower plants on rivers Zeta and Piva, which are the main domestic source of electric energy with two thirds of annual domestic production (2,063 GWh in 2009 - 77% of annual domestic production, and 2,520 GWh in 2010 - 66% of annual domestic production). The thermal power plant Plevlja provides between



With the right incentives rooftops can become the main providers of heat and hotwater for households
© Brent Stirton Getty Images / WWF-UK

12% (2009) and 34% (2010) of domestic energy production.² This means that Montenegro already produces between 55 and 63 % of total annual domestic electricity consumption (3,578 GWh in 2009 and 4,040 GWh in 2010) from hydropower and has thus almost fulfilled the conditions of the EU for a minimum of 60% of electricity coming from renewable sources (sun, wind, biomass, biogas, hydro or geothermal) by 2020.

Studies show that Montenegro has a very big solar potential, one of the biggest in Europe, with an average of 2,000 sunny hours in a year, while on the coast the number of sunny hours is up to 2,500 per year, which is comparable to Spain and southern Mediterranean countries.³ Yet, in the NES25 and its action plan there is no plan to exploit solar energy for electricity production due to its "high installation costs". The government is planning to exploit solar energy only in direct use (heating of water in households and tourism facilities), although no specific incentives are presented, so it remains unclear how the government will achieve widespread use of solar collectors.

In addition, the NES25 does not take into account that the solar energy sector is one of the most advanced energy sectors in terms of research and development, constantly bringing down prices per installed watt.⁴ Over the next 10-15 years we will see great development in the efficiency and price of solar photovoltaic panels, which will make solar energy competitive to traditional energy sources like coal and hydropower. In terms of the not-so-distant future, countries that have the necessary know-how and electric grid capable of integrating localized energy producers will become technological and energy leaders, providing energy from an inexhaustible source – the sun.

Raising energy efficiency brings more benefits than new energy infrastructures

The government itself realizes in its Strategy for energy efficiency (2005) that "with the absence of an energy efficiency policy for a long period of time, there is no doubt that the significant economic potential of energy efficiency (of at least 20%) exists in Montenegro.../in the domain of production and transmission (especially in the distribution), as well as industry, tourism, public and the residential sector. According to recent research, a possible total potential for energy savings in Montenegro, without significant investment, is estimated at 13% (of national consumption), or about 4400 TJ, which is equivalent to 1200 GWh, or about 100,000 tonnes of liquid fuel".

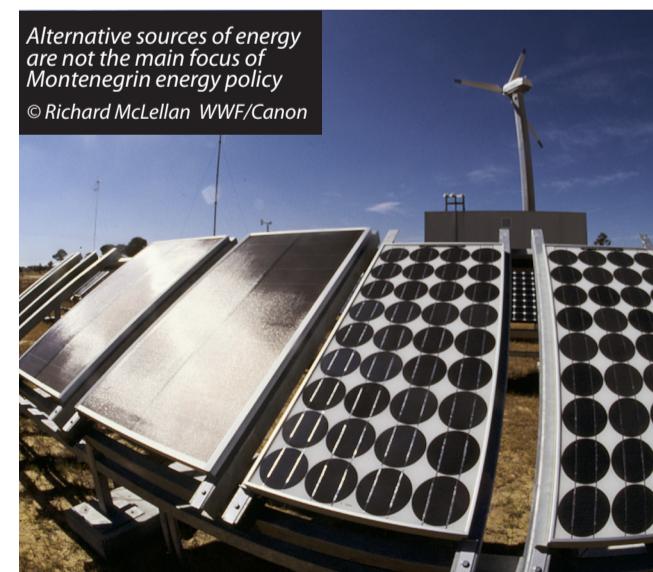
Although NES25 and the Energy Efficiency Strategy recognise a huge potential in increasing the energy efficiency in domestic, business and public sectors, the government's actions and policies have focused mainly on increasing the en-

ergy output, especially on new hydropower development.

Another area where substantial savings could be made is the Montenegrin electricity grid. The electricity distribution and transmission network in Montenegro is out-dated and needs some serious investment in order to become a smart grid of the 21st century. Currently losses on the grid amount to almost 20% of total electricity consumption, and NES25 recognizes this "extremely high loss in distribution and transmission network" as a very serious problem. Most of the allocated resources for this area of energy policy, however, are limited to the development of studies and analysis, while investments in the renovation of the network are very limited and insufficient to make a substantial change in reducing energy losses.

Based on this data, only with measures for the reduction of losses (the modernization of the network) and by increasing energy efficiency by 20%, the consumption of electric energy in Montenegro could be substantially reduced. As well as reducing energy consumption, these projects of modernization would employ a large number of domestic workers and enterprises, not only for several months, but for several years, and thus provide additional socio-economic benefits.

It is clear that every country needs reliable and sufficient energy sources in order to support its socio-economic development. Yet, energy production is potentially a highly impacting activity and hence all the different scenarios should be deeply scrutinized, looking carefully at economic and environmental costs and benefits to the entire society. The world is going in the direction of responsible choices when it comes to energy production and this implies that governments must be open to innovative approaches and solutions, taking a leap toward modernity and genuine sustainability. The wish is that Montenegro would be illuminated enough to go in that direction and change the way choices are made.



Alternative sources of energy are not the main focus of Montenegrin energy policy
© Richard McLellan WWF/Canon

9 March 2011

The European Parliament adopts the Resolution on the European Integration of Montenegro in which it warns that big dams often have significant negative impacts on the environment and calls upon the Montenegrin government to make appropriate and transparent evaluations of impacts, including 'ecologically more suitable alternatives', and to involve the public in the process as requested by the rules and Directives of the EU. Moreover, the Resolution calls upon the government to publish all reports and documents related to the recent agreement to establish the undersea cable between Montenegro and Italy.

14 March 2011

Prompted by the Resolution of the European Parliament, NGOs call upon the chief state prosecutor to become involved in the project and to submit a request for a judicial review of the process of construction of hydropower plants on the Morača in order to protect public interest.

17 March 2011

The Ministry for the Economy, under pressure from the EU, publishes on its web page the report "Technical and economic analysis for hydropower plants on the Morača", carried out in December 2009. The report was published 10 months after the public debate on DPP and SEA, 5 months after public debate on the Concession Act and 3 months after the Ministry for the Economy called prequalified investors to submit their bids.

7 September 2010

In a feasibility study commissioned by the government of Sciences and Arts proposes to direct water from the protected river Tara. The idea is supported by the Minister for Economic Development and the president of the electricity company EPCG.

30 September 2011

After receiving no bids from investors, tender for construction of four hydropower plants on the Morača is cancelled. Failure of the tender confirms the arguments of civil society and independent experts, that the proposed project is economically, socially and environmentally unfeasible. The government announces that it will order a new expert analysis to see whether EPCG can implement the project on its own.

FAILURE OF THE MORAČA DAMS TENDER: A VICTORY FOR NATURE IN MONTENEGRO

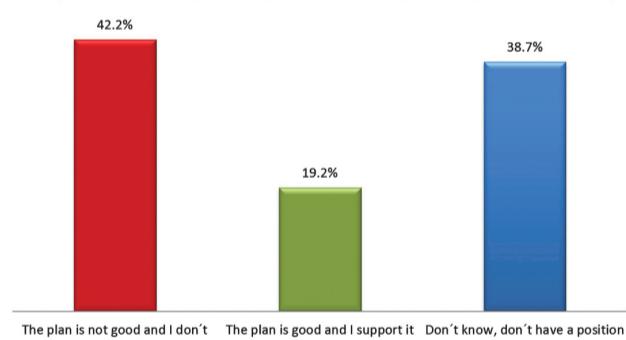
Montenegrin experts and public together with non-governmental organizations including Green Home, Forum 2010, MANS and WWF, believe that the failure of the tender for the construction of four dams on the Morača River is a clear signal that the Montenegrin government needs to turn towards sustainable energy solutions, which are in compliance with the country's status as an Ecological State and which are of benefit to the Montenegrin economy, people and nature.

The government of Montenegro should take the case of the Morača dams as a warning that projects carrying a high impact and a high cost should be carefully scrutinized at the very beginning to avoid wasting energy and money.

The fact that no interested investors applied to the tender for building a series of hydropower plants is a clear proof of the economic unsustainability of the project on the Morača, a fact finally realized by pre-qualified investors after having carried out their first thorough economic feasibility study. Several companies realized this fact earlier in the tender process, shortly after seeing and analysing the government's plan, and withdrew from the project (Statkraft, Strabag and Synohydro).

Throughout the tender process civil society organisations and independent experts from a variety of fields insisted that the studies and analysis lacked important data, that unrealistic predictions had been made, and that environmental and social negative impacts were simply too great for this project to be realized. Following the failure of the tender, civil society is even more convinced that the Morača project should be completely stopped.

Government officials, however, are still arguing that the project's viability should be reassessed notwithstanding the failure of the tender. They might proceed with the project in spite of studies demonstrating the



Replies of interviewees to the question: "What do you think about Government plans for the construction of hydro power plants on Morača?" (n=1,041)

Green Home, MANS, Forum 2010, and their international partner WWF, are urging the government to take the investors' lack of interest and the opposition of civil society as a strong signal that the hydropower plants on the Morača River should be completely abandoned.

In response to the energy challenges of the future, the Montenegrin government should put more effort into implementing more sustainable energy policies, including measures for increasing energy efficiency, reduction of loss and modernisation of the electrical grid. The huge potential of alternative energy sources - wind and sun - should be utilised for the production of green energy, bringing benefits to the whole of Montenegrin society: the economy, people and nature.

The members of the Parliament of Montenegro should be discouraged from further considering any option of granting a concession to EPCG for the Morača dams and should not waste further resources on a project that has proven to be unviable.

serious environmental impacts it would entail for the Morača basin and Skadar Lake, and ignoring the results of the survey recently conducted by NGO Green Home showing that 42% of Montenegrin citizens consider the plan of HPPs on the Morača to be undesirable.

"The case of the Morača dams shows that civil society can play an important role in decision-making processes. The fact that nobody applied for the tender is an important milestone for Montenegrin civil society and WWF will continue supporting efforts towards more sustainable energy choices in the country and the region."

Francesca Antonelli, Head of the Freshwater Programme at WWF Mediterranean.

The government, based on their latest statements, has still not given up on the project. After the failure of the tender because of "an unfavourable atmosphere", as the former Minister for the Economy Branko Vujović expressed it, the government would now like to bypass the public's interest by directly granting the concession to the EPCG, which is more than 40% owned by Italian company A2A, one of the pre-qualified investors that didn't apply for the tender. If the project was not profitable for A2A, how will it be profitable and beneficial for EPCG and the citizens of Montenegro?

"The result of the tender is not surprising since civil society organizations and numerous local experts warned the government since 2007 what the outcome of this tender may be. The project of dams on Morača, as it was designed by the government, is simply not economically feasible due to its huge environmental and economic risks."

Darko Pajović, Green Home

1. Energetski bilans Crne Gore za 2011. godinu, Ministry of Economy, December 2010.

2. Energetski bilans Crne Gore za 2011. godinu, Ministry of Economy, December 2010.

3. Procjena potencijala obnovljivih izvora energije u Republici Crnoj Gori, CETMA, February 2007.

4. Solar photovoltaic competing in the energy sector, EPIA, September 2011.

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