



# Montenegro

Population <sup>1</sup>	622,227
Area (km <sup>2</sup> ) <sup>1</sup>	13,810
GDP per capita (USD) <sup>1</sup>	8,845.91
TPES (Mtoe) <sup>2</sup>	1.02
Energy intensity (toe/10 <sup>3</sup> 2010 USD) <sup>2</sup>	0.21
CO <sub>2</sub> emissions - energy (MtCO <sub>2</sub> ) <sup>3</sup>	2.21

Data from Orbis Crossborder Investment on energy projects and deals completed between 2015-2020<sup>4</sup>

Target industry	Number of projects and deals	Project/deal type	Project CapEx and deal value (million EUR)
Electric power generation, transmission and distribution	1 deal	minority stake deal	14m EUR total value of deal

Sources:

1. The World Bank 2018
2. ©IEA, World energy balances, 2020, [www.iea.org/data-and-statistics](http://www.iea.org/data-and-statistics), [webstore.iea.org/key-world-energy-statistics-2019](http://webstore.iea.org/key-world-energy-statistics-2019)
3. ©IEA 2020, CO<sub>2</sub> emissions from fuel combustion, [www.iea.org/data-and-statistics](http://www.iea.org/data-and-statistics), [webstore.iea.org/key-world-energy-statistics-2019](http://webstore.iea.org/key-world-energy-statistics-2019)
4. Orbis Crossborder Investment (2020), Bureau Van Dijk. Montenegro is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2020. For more information see Annex II of this report.

Montenegro’s overall risk level against the assessed areas is **low**.

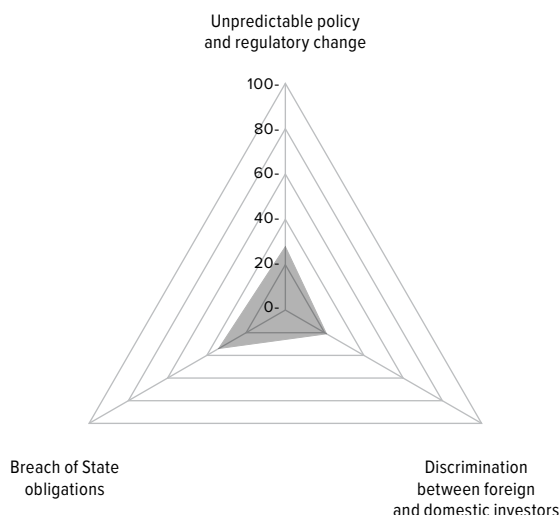
Among the three risks assessed in EIRA, *discrimination between foreign and domestic investors* and *unpredictable policy and regulatory change* are lower compared to *breach of State obligations*.

Montenegro’s performance is very good on two indicators, and it is good on two indicators. It has maintained a very good score on *regulatory environment and investment conditions* (90) and on *management of decision-making processes* (87). On *rule of law*, it has again scored 66, while its score on *foresight of policy and regulatory change* has increased by two points, and is also at 66.

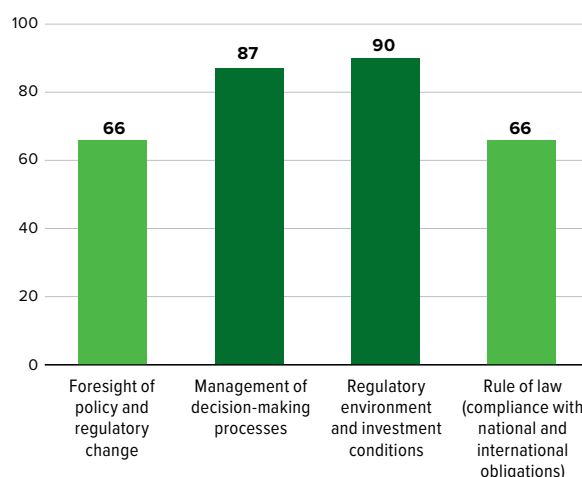
On a more detailed level, Montenegro’s overall sub-indicator performance is good. The highest-scoring sub-indicator is *regulatory effectiveness* (100), followed by *institutional governance* (94). Its score on *transparency* stands at 81. *Restrictions on FDI* and *robustness of policy goals and commitments* are at 80 and 75, respectively. There are no changes to its scores on *respect for property rights* (67) and *management and settlement of investor-State disputes* (65). Although the score on *communication of vision and policies* has improved since 2019, from 53 to 56, it remains the lowest-scoring sub-indicator.

While Montenegro has the relevant policies and measures in place, there is potential for improvement. Attention should be given to better communicating the country’s vision and policies.

### RISK LEVEL



### INDICATOR PERFORMANCE



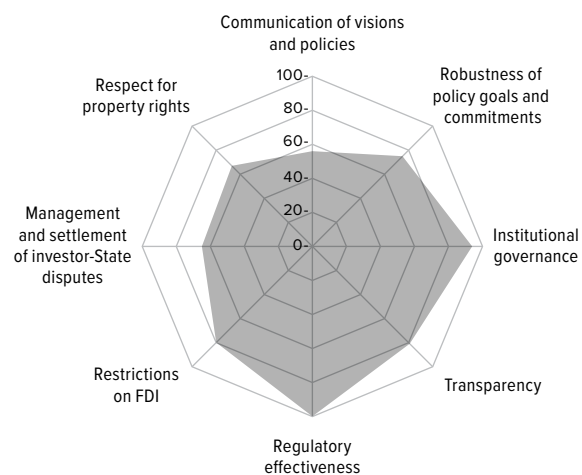
### YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020
Unpredictable policy and regulatory change	28	28	27
Discrimination between foreign and domestic investors	20	19	19
Breach of State obligations	34	34	34

INDICATORS	2018	2019	2020
Foresight of policy and regulatory change	66	64	66
Management of decision-making processes	83	87	87
Regulatory environment and investment conditions	90	90	90
Rule of law	66	66	66

### SUB-INDICATOR PERFORMANCE



## Foresight of policy and regulatory change

### QUICK FACTS

Montenegro's energy objectives are outlined in the Energy Policy 2030 (2011) and the Action Plan 2016-2020 of the Energy Development Strategy 2030.

Montenegro ratified the Paris Agreement in 2017 and submitted its first NDC.

### STRENGTHS

In 2019, Montenegro made progress on further legislative alignment with the EU energy policies, particularly in energy efficiency. The Government has adopted the relevant Action Plan for the period 2019-2021, which includes the overall 2020 consumption cap target and a 1% annual target for central government buildings. The construction of new energy supply capacities advanced with the launch of a 50 MW wind park and the issuance of several licences to build and operate solar power plants, including a 250 MW plant. Moreover, the Italian electricity transmission system operator Terna and Montenegrin power transmission system operator Crnogorski Elektroprenosni Sistem officially put into operation an undersea power cable linking Montenegro to Italy. To promote electricity production from renewables, the Government has adopted an incentive fee for end-customers, which, in 2019, was double in value compared to previous years (EUR 0.9439 per kWh). Similarly, the market operator has concluded PPAs with electricity suppliers who are obliged to purchase a certain percentage of electricity from renewable sources.

Most of the monitoring responsibilities are divided between the Ministry of Economy and the Ministry of Sustainable Development and Tourism, while some are carried out by the Energy Regulatory Agency (REGAGEN). A functional reporting system for monthly energy data is already in place. The Statistical Office of Montenegro (MONSTAT) collects and publishes annual energy balances. It has harmonised the data collection methodology and formats with international standards.

### AREAS FOR IMPROVEMENT

The Government should revise and adopt, in a timely fashion, policies such as the Action Plan on Compulsory Strategic Reserves of Oil and Petroleum Products, and laws including the draft Law on Security of Supply of Oil Products and draft Infrastructure Law. The revised documents should conform to the objectives under the EU energy and environmental *acquis*.

The Government should enhance the independence of the monitoring bodies and increase the implementation capacities of certain agencies such as the new Inspectorate for Energy Efficiency and the Eco Fund.

## Management of decision-making processes

### QUICK FACTS

The Ministry of Economy is responsible for framing the country's energy policy.

The Ministry of Sustainable Development and Tourism is in charge of environmental and climate mitigation issues.

The Law on Free Access to Information, adopted in 2012, regulates the manner and procedure for exercising the right to access information held by public authorities.

### STRENGTHS

The Public Administration Strategy 2016-2020 and the Public Administration Optimisation Plan 2018-2020 give priority to the public administration reform, which aims to improve the competitiveness of the economy and to meet the EU membership requirements. The Government is optimising administrative services through initiatives that facilitate the exchange of data between authorities, and online information portals ("e-Regulations Montenegro") which give detailed, up-to-date information on establishing a business.

Draft laws and regulations are required to undergo public consultation. In 2020, the Government received comments on proposed amendments to the Energy Law that will simplify the method of connecting structures to the grid, set up a framework for electricity trading in the domestic market and promote the status of "prosumers". Citizens can initiate consultative hearings before parliamentary committees through NGOs. This mechanism provides business sector representatives, and citizens that are directly affected by a policy, an opportunity to participate in the decision-making process.

### AREAS FOR IMPROVEMENT

In recent years, the Government has undertaken considerable activities to improve the quality of the Montenegrin administrative apparatus. It should direct further reforms towards ensuring proactive disclosure and timely exchange of information held by public authorities, as well as inter-operability of registers (e.g. of business entities, of immovable property title holders etc.), and accessibility by users of data from registers.

## Regulatory environment and investment conditions

### QUICK FACTS

The Energy Law 2015, as amended in 2017, establishes REGAGEN and states its competences. REGAGEN joined the Agency for the Cooperation of Energy Regulators (ACER) working groups in January 2018.

The long-pending PPP legislation was adopted in December 2019.

### STRENGTHS

During the last year, REGAGEN demonstrated its functional independence and market orientation, especially in relation to regional interconnections and regulatory harmonisation with neighbouring countries. In the same vein, it has also developed end-user electricity prices for household customers until 2022 based on the Hungarian Derivative Energy Exchange (HUDEX), after having examined practices from the energy exchanges of countries located near Montenegro.

Several mechanisms to increase market competitiveness and attractiveness are already in place. The Updated Single Project Pipeline - List of priority infrastructure projects includes special investment programmes and incentives for foreign investors, improvements to the digital sector infrastructure, and transport connectivity reform measures. Renewables continue to be the most appealing energy sub-sector, with electricity producers receiving a total of EUR 8.08 million in State incentives during the first seven months of 2019. The revisions introduced to public procurement, PPP, and State aid regimes will help the country secure full compliance with applicable EU standards.

### AREAS FOR IMPROVEMENT

As mentioned in 2018 and 2019, annual quotas that limit the number of foreign workers, in conjunction with the restrictions imposed by the Law on Foreigners 2019 on intra-corporate transfers, may be perceived by foreign investors as a restriction. The Government should ensure that work permits and investment incentives are allocated in a sound and transparent manner.

## Rule of law

### QUICK FACTS

Montenegro ratified the Energy Charter Treaty in 2015.

Montenegro ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 2013.

Montenegro is a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards since 2006.

### STRENGTHS

The Government is committed to the ongoing reforms aimed at strengthening the capacity and effectiveness of the judiciary system. The full implementation of the Information Communication Technologies Strategy for the Justice System will result in a centralised and unified information system to replace the one currently used for tracking cases. The utilisation of alternative dispute resolution mechanisms has gained significant ground with the adoption of the relevant Action Plan for 2019-2021. During the last year, the Government did not make any retroactive changes affecting foreign investors.

The Government is under a legal obligation not to arbitrarily interfere with private property rights. The assets of foreign investors may not be subject to expropriation, except when a compelling "public interest" is determined based on law, in which case compensation at fair market value is due. The relevant procedure, including the determination of compensation, is administered by a designated body. The country grants a satisfactory level of protection to IP rights. In general, there are no statutory provisions in national laws or international investment agreements restricting the transfer of technology.

### AREAS FOR IMPROVEMENT

The Government should step up efforts to improve the efficiency of the judiciary, enhance backlog monitoring, and reduce the number of cases pending. Introducing timeframes for the completion of proceedings, and the delivery of judgements at all stages will guarantee the reasonableness of the case duration.

As the inflow of FDI increases, the Government should consider establishing additional alternative dispute resolution mechanisms, such as an investment ombudsman to process private parties' complaints against public administration. Similarly, the possibility of mediating disputes with State authorities should be extended to investors.

Despite the amendments of 2018 to the Law on Expropriation, challenges remain over the ambiguity of the term "public purpose" as grounds for alienation of private property. Introducing a set of criteria will further reduce the risk of legal uncertainty and ensure alignment of the country's legal framework with international obligations, including those derived from the European Convention on Human Rights and the Stabilisation and Association Agreement.

# IMPLEMENTATION STATUS



## Montenegro

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2020
<b>Indicator 1</b>		
<b>2018</b>	Adopt national action plans that set long-term and outcome-oriented targets for the energy priorities.	<b>Work ongoing.</b> The 4th National Energy Efficiency Action Plan was adopted in 2019.
	Reinforce the independence of policy monitoring and evaluation bodies.	<b>Pending</b>
<b>Indicator 2</b>		
<b>2018</b>	Reinforce stakeholder engagement.	<b>Work ongoing.</b> Reforms are expected on the actual implementation of the legal initiatives taken in this regard. In 2020, the Government invited comments on proposed amendments to the Energy Law.
<b>Indicator 3</b>		
<b>2018</b>	Relax annual quotas on the number of foreign workers that can be employed in the country.	<b>Pending</b>
<b>Indicator 4</b>		
<b>2018</b>	Set concrete timelines for the delivery of judgements on all levels (first instance and appeal) and by all courts (civil, administrative, and penal).	<b>Pending</b>
	Adopt alternative dispute resolution mechanisms such as mediation and a foreign investment ombudsman authority.	<b>Pending</b>
	Establish criteria to determine which activities constitute "public purpose" in the context of expropriation.	<b>Pending</b>