SHADOW REPORT FOR CHAPTER POGLAVLJE 15 - ENERGY

May, 2025

This report provides an analysis of alignment of Montenegrin legislative and institutional framework in the field of energy with EU's legal acquis, all while identifying key challenges and providing recommendations for acceleration of the accession process under Chapter 15.

Barjaktarović, Danilo

Finansira Evropska unija

This Report was prepared within the framework of the project *"Strengthening Civil Society Participation in Environmental Reforms Supported by the EU Accession Process"*, which is financed by the European Union and co-financed by the Ministry of Regional Development, Investment, and Cooperation with NGOs. The content of the Report is the sole responsibility of Green Home and the project partners and in no way does it reflect the views of the EU.

Table of Contents

Abbreviation	Full name
CO_2	Carbon dioxide
EE	Energy efficiency
EED	Energy Efficiency Directive – 2012/27/EU
EIA	Environmental Impact Assessment
EPBD	Energy Performance of Buildings Directive
EPC	Energy Performance Certificate
ESCO	Energy Service Company
EU	European Union
EC	Energy Community
GCF	Green Climate Fund
IFC	International Finance Corporation
IPA	Instrument for Pre-accession Assistance
KfW	German Development Bank Kreditanstalt für Wiederaufbau
LCDS	Low-Carbon Development Strategy
mHE	Small hydropower plants
NECP	National Energy and Climate Plan
NGO	Non-governmental Organisation
RES	Renewable Energy Sources
SPP	Solar power plants
SEA	Strategic Environmental Assessment
TPP	Thermal Power Plant
WF	Wind Farm
WBIF	Western Balkans Investment Framework

I Introduction

Energy represents one of the more complex and demanding chapters in Montenegro's accession to the European Union. Negotiating Chapter 15 - Energy includes electrical energy, oil, gas, renewable energy sources and energy efficiency. Taking into account the fact that Montenegro is part of the Energy Community (EC), the obligations stemming from this membership thus significantly shape the scope of the acquis which must be transposed and implemented by the country.

The aim of this first Shadow Report for Chapter 15 is to provide an overview of the condition and analyse alignment of legislation and policies with EU acquis, as well as to identify the key challenges in implementation, and to formulate recommendations for improvement of the reform process, whereby all of this is provided from the perspective of the civil society. This report was prepared as part of the project which is being implemented by "Koalicija 27" *(ENG: Coalition 27)*, as a contribution to the wider process of monitoring reforms in the context of environmental protection and climate change.

Special attention has been given to strategic documents, such as the National Energy and Climate Plan (NECP) and Low-Carbon Development Strategy (LCDS), coupled with the legislative framework which includes the most recent versions of the Law on Energy, Law on Use of Renewable Energy Sources, Law on Security of Supply of Petroleum Products, as well as the status of mandatory oil reserves, electrical energy market, energy poverty and transparency of processes. All conclusions and recommendations are based on official sources, EU regulations (CELEX), European Commission and Energy Community reports, as well as on sectoral expertise and publicly available documentation.

In accordance with the EU-level goals in this area, Montenegro has defined priorities in the context of energy policy. Montenegro had one opening benchmark in the context of Chapter 15, which was met after the Government adopted the Action Plan for Implementation of the Directive on Mandatory Strategic Reserves of Crude Oil and/or petroleum products on 23rd April 2015.

Negotiating Chapter 15 – Energy was opened at the Intergovernmental Conference held on 21st December 2015. Montenegro requested a transitional period for implementation of Directive 2009/119/EC, which obliges Member States to maintain minimum stocks of crude oil and/or petroleum products. The Energy Community, through Ministerial Council Decision No. 2008/03, obliged its members to apply EU provisions relating to oil and/or petroleum products, while Article 1 of the Energy Community Ministerial Council Decision No. 2012/03 stipulated that the Contracting Parties implement Directive 2009/119/EC by 1st January 2023.

In the context of Negotiating Chapter 15, Montenegro is required to fulfil the following closing benchmarks:

1. Montenegro shall complete alignment of legislation with legal acquis related to mandatory oil reserves, establish administrative structure for managing oil reserves and commence establishment of reserves in accordance with the Action Plan.
2. Montenegro shall align with the acquis related to internal energy market, including unbundling of all energy entities in accordance with one of the models defined by the acquis.
3. Montenegro shall achieve alignment with the energy efficiency acquis.

In accordance with the most recent EU Progress Report for 2024, Montenegro reached a good level of preparedness in this area. Limited progress has been made, which was primarily achieved through development of the Draft National Energy and Climate Plan, as well as through implementation of projects in the area of energy efficiency. Montenegro is substantially late with development and implementation of the National Energy and Climate Plan, alignment with the legal acquis in the area of compulsory oil reserves, as well as with alignment with the Electricity Market Integration Package.

At the time of publication of the Implementation Report prepared by the Energy Community Secretariat (November 2024), Montenegro was still in the stage of partial transposition and limited implementation of the EU acquis in the electricity sector, particularly regarding the requirements stipulated by the Directive (EU) 2019/944 and the broader framework of the Fourth Energy Package.

The Energy Community Secretariat notes that Montenegro has made some progress, particularly through the preparation of the new Energy Law, which was under public consultation in mid-2024. According to the report, this draft law “addressed missing elements” related to the transposition of Directive 2019/944, but by November 2024 the law had not yet been adopted.

The report highlights several key shortcomings:

- Lack of a functional electricity market that would enable full competition, third-party access, and integration of flexible market participants;
- Inadequate consumer protection and empowerment, including the absence of rights to dynamic pricing, available tools for comparing offers, as well as the normative recognition of vulnerable customers and energy poverty;
- Non-legislative regulation and secondary acts had not been sufficiently adopted to enable the functioning of the market in line with EU standards;
- Aggregation, smart meters, and energy communities had not yet been operationally defined or applied in practice.

II Methodology for development of the Shadow Report for Chapter 15 – Energy

The Shadow Report for Chapter 15 – Energy was prepared as the result of an independent analysis in four key areas: the electricity market, renewable energy sources (RES), energy efficiency (EE), and the exploration and exploitation of hydrocarbons. The aim of the methodological approach was to assess the level of alignment of national legislation with the EU acquis and the obligations arising from the Energy Community Treaty, while identifying institutional and practical challenges, as well as formulating recommendations for the further accession process in the field of energy.

The methodology included the following components:

- **Analysis of legislative framework** in all mentioned areas, including laws and bylaws in the fields of energy, energy efficiency, renewable sources, and hydrocarbon exploration/exploitation. Special attention was paid to the transposition of EU directives from the Third Energy Package, Directives 2012/27/EU and 2010/31/EU, and regulations concerning safety in oil and gas exploration and exploitation (Directive 2013/30/EU).
- **Evaluation of strategic documents**, including: the Draft National Energy and Climate Plan (NECP), the Long-term Strategy for Improving Energy Efficiency of Buildings, the Low-Carbon Development Strategy (LCDS), the Transmission System Development Plan, as well as sectoral action plans and programs.
- **Analysis of the objectives defined in Montenegro's EU Accession Program**, with a particular focus on CELEX references of directives and regulations planned for transposition. Their application was analysed through the existing legal acts in order to determine the actual level of alignment and delays in fulfilling obligations.
- **Use of data from publicly available sources**, including reports of the Ministry of Energy and Mining, MONSTAT, the Energy Community, the European Commission, as well as available databases of national energy institutions (REGAGEN, CGES, COTEE, EPCG).
- **Use of additional expert and project documents**, such as WBIF applications, reports from IPA and bilateral projects, documents from the GCF, EBRD, and IFC, technical studies, and materials used in strategic processes.
- **Formulation of recommendations** for all four areas, based on identified legislative and implementation challenges, institutional weaknesses, as well as in line with EU and Energy Community practices and requirements.

The report was prepared within the framework of Coalition 27, in cooperation with thematically oriented experts and civil society organizations active in the fields of energy, environment, and climate policy.

1. General overview of Montenegrin energy sector

Montenegro is in a complex phase of its energy sector transition, attempting to balance between maintaining energy stability, aligning with European and climate obligations, and gradually moving away from dependence on fossil fuels, particularly coal. While significant progress has been made in integrating renewable energy sources and regional infrastructure, import dependence on oil derivatives, the dominant role of the Pljevlja Thermal Power Plant (TPP), and insufficient energy efficiency remain key challenges.

Montenegro has a relatively diversified electricity generation structure. Hydropower plants form the backbone of the system with over 50% share in total annual production, while the Pljevlja TPP still provides around 37% of electricity. Wind farms (WF) and solar power plants (SPP) show a steady and growing contribution, with solar energy recording an almost 15-fold increase in production between 2022 and 2024.

Thanks to this structure, Montenegro achieved a consistent energy surplus between 2022 and 2024, which enabled more active participation in regional electricity markets and positioned the country as a net exporter in years with favourable hydrological conditions.

Montenegro's energy independence is not evenly distributed across energy sources. While electricity is largely covered by domestic generation, the oil derivatives sector is entirely import-dependent. Derivatives are imported through the Bar terminal, whereby diesel accounts for more than 70% of total consumption, predominantly in transport. The electrification of transport is still at an early stage, and alternatives to fossil fuels are almost non-existent in other sectors.

Pljevlja TPP, which relies on use of domestic lignite, remains a key pillar of security of supply but it is also the largest single source of greenhouse gas emissions. The Government has formally announced a gradual coal phase-out, including an ecological reconstruction of the plant, but the final deadline for its closure remains unclear (2035 or 2040). In the context of EU accession and carbon neutrality goals by 2050, the continued operation of TPP Pljevlja after 2030 could represent a serious challenge for alignment with European climate legislation.

Low electricity prices in Montenegro, while socially acceptable, also represent a serious barrier to the wider application of energy efficiency (EE) measures. The average price for households with two-tariff metering in 2023 was around 9.7 €c/kWh, which is almost three times lower than the EU average (28.3 €c/kWh). In 2024, prices remained low, with only minimal adjustments.

Such prices send the wrong market signal to consumers, as they do not economically justify investments in energy-efficient technologies, such as insulation, energy-efficient appliances, heat pumps, or replacing outdated heating systems. In addition, low prices reduce investor interest in developing market models that would enable the establishment of ESCO (Energy Service Company) mechanisms or energy service contracts.

Another key challenge is the high energy intensity of Montenegro's economy. According to the available data, Montenegro's energy intensity (2023) is around 0.24 toe/1000 EUR GDP, which is more than twice the EU average of about 0.10 toe/1000 EUR GDP. This indicates that Montenegro consumes significantly more energy per unit of generated economic value, which is typical for transition economies with lower technological levels and a higher share of energy-intensive industries (such as metallurgy).

Although part of this intensity results from the structure of the economy and climatic conditions, there is considerable potential for reduction in the building sector, public administration, tourism, and services, through EE measures, smart consumption management, and modernization of heating and cooling systems.

Since the last European Commission Progress Report on Montenegro, published on 30th October 2024, the following laws and by-laws have been adopted:

- Law on Security of Supply of Petroleum Products ("Official Gazette of Montenegro", No. 119/24)
- Law on the Use of Energy from Renewable Sources was adopted (Q2) at the Government session of 6th June 2024. It was published in the "Official Gazette of Montenegro", No. 82/2024 of 23rd August 2024, and entered into force on 31st August 2024.
- Law on Energy was adopted in Q4 2024, at the session of 5th December 2024, and published in the "Official Gazette of Montenegro", No. 28/2025 of 19th March 2025.
- Decision on determining fees for licenses and for the closed distribution system for 2025. The Decision was published in the "Official Gazette of Montenegro", No. 33/2025 of 28th March 2025, and entered into force on the same day.
- Decree on the Reconstruction of Public Buildings. The Decree was published in the "Official Gazette of Montenegro", No. 9/2016 and No. 83/2024.
- Rulebook on Energy Efficiency Labelling of Air Conditioning Appliances[1]. The Rulebook was published in the "Official Gazette of Montenegro", No. 10/2025 of 7th February 2025, entered into force on 15th February 2025, and it has been in application since 1st June 2025.
- Rulebook on Ecodesign Requirements for Smartphones, Mobile Phones, Cordless Phones and Tablets[2]. The Rulebook was published in the "Official Gazette of Montenegro", No. 43/2025 of 7th May 2025, entered into force on 15th May 2025, and it has been in application since 1st January 2026.

[1] This Rulebook transposes the provisions of Regulation (EU) 626/2011 of 4th May 2011 supplementing Directive 2010/30/EU of the European Parliament and of the Council with regard to energy labelling of air conditioners, as amended by Regulation (EU) 518/2014 of 5th March 2014, Regulation (EU) 2017/254 of 30th November 2016, Regulation (EU) 2020/1059 of 27th April 2020 and Regulation (EU) 2023/2048 of 4th July 2023.

[2] This Rulebook transposes the provisions of Commission Regulation (EU) 2023/1670 of 16th June 2023 laying down ecodesign requirements for mobile phones, cordless phones and tablets pursuant to Directive 2009/125/EC of the European Parliament and of the Council.

- Rulebook on Energy Efficiency Labelling of Smartphones and Tablets[3]. The Rulebook was published in the "Official Gazette of Montenegro", No. 43/2025 of 7th May 2025, entered into force on 15th May 2025, and it has been in application since 1st January 2026.
- Rulebook on Minimum Energy Performance Requirements for Buildings. Published in the "Official Gazette of Montenegro", No. 47/2024 of 20th May 2024, entered into force on 28th May 2024, applicable from 1st July 2024.
- Rulebook on Certification of Energy Performance of Buildings. Published in the "Official Gazette of Montenegro", No. 47/2024 of 20th May 2024, entered into force on 28th May 2024, applicable from 1st August 2024.
- Rulebook on Determining the Amount of Fee for Issuing Certificates on Energy Performance of Buildings. Published in the "Official Gazette of Montenegro", No. 67/2024 of 12th July 2024, entered into force on 20th July 2024, applicable from 1st August 2024.
- Rulebook on Amendments to the Rulebook on the Method of Calculating Primary Energy Savings from Cogeneration and Determining the Overall Efficiency of a Cogeneration Facility. Published in the "Official Gazette of Montenegro", No. 10/2025 of 7th February 2025, entered into force on 15th February 2025.
- Decree Amending the Decree on the Method of Calculation and Payment of Fees for Oil and Gas Production ("Official Gazette of Montenegro", No. 121/24).
- Decree Amending the Decree on the Method of Returning Blocks and Third-Party Access to Upstream Installations ("Official Gazette of Montenegro", No. 121/24).
- Decision on Establishing the Council for Ensuring Secure Supply of the Oil Derivatives Market. Published in the "Official Gazette of Montenegro", No. 23/2025 of 11th March 2025, entered into force on 19th March 2025.

1.1. General assessment of progress for 2025

Montenegro has reached a good level of preparedness in this area, but only limited progress was made during the reporting period. A positive step was recorded through the drafting and finalisation of the National Energy and Climate Plan (NECP), the preparation of the Strategic Environmental Assessment, and further development of projects in the field of Renewable Energy Sources (RES).

However, adoption of the NECP and the full transposition of the requirements of the Clean Energy for All Europeans package remain delayed. The new Energy Law and the Law on the Use of Renewable Energy Sources represent important steps towards alignment with the EU acquis in the field of electricity and RES. Nevertheless, their full implementation depends on

[3] This Rulebook transposes the provisions of Commission Delegated Regulation (EU) 2023/1669 of 16th June 2023 supplementing Regulation (EU) 2017/1369 of the European Parliament and of the Council with regard to energy labelling of smartphones and tablets.

the adoption of a large number of by-laws, the preparation of which is still ongoing. At the same time, the implementation of network codes continues to lag behind, and the electricity market operates in a limited competitive regime.

In the area of Energy Efficiency (EE), although some progress was made in transposing certain regulations (eco-design and product labelling), the Law on Efficient Use of Energy has still not been updated in line with the revised EU acquis. Institutional capacities and the implementation framework remain limited.

Significant progress has been achieved in the area of compulsory oil reserves. The Law on Security of Supply of Petroleum Products has been adopted, in line with the requirements of Directive 2009/119/EC and Directive (EU) 2018/1581. An updated Action Plan for the establishment of compulsory reserves of petroleum products has also been adopted, including a Proposal of the Action Plan. The Rulebook on the methodology for calculating reserves is fully aligned with EU requirements and ensures a transparent and consistent calculation of compulsory reserves. This has effectively established the regulatory framework enabling full application of EU requirements in this area.

In the hydrocarbons sector, transposition of the acquis is progressing. Directive 2013/30/EU (safety in offshore oil and gas operations) and Directive 94/22/EC (conditions for granting and using authorisations and third-party access) are in the preparation phase, and their adoption is planned during 2025.

In the coming period, it is necessary to accelerate adoption of the remaining by-laws, ensure full functionality of the electricity market and network codes, strengthen the institutional framework for the implementation of EE measures, and complete alignment with the acquis in the areas of security of supply and hydrocarbons.

Overall assessment: good level of preparedness / limited progress.

2. Strategic framework

2.1. Overview and assessment of condition of the strategic framework – Electrical energy

The following section presents a detailed analysis of the draft Integrated National Energy and Climate Plan (NECP) of Montenegro for the period 2025-2030, with special focus on the alignment of the plan with the requirements stipulated by the Regulation (EU) 2018/1999 on Governance of the Energy Union, as well as the Energy Community Guidelines.

One of the key aspects for full alignment of Montenegro's NECP with the requirements of the EU Governance Regulation is transparency in the decision-making process. Although the document is to some extent aligned with the basic requirements from Energy Community recommendation PG 03/2018, there is an evident lack of a detailed description of public and cross-border consultations. It is clear that such consultations are a legal obligation; however, the currently submitted draft of 14th December 2024 does not provide sufficient information on who participated, which methods were used, and how comments from stakeholders will be integrated into the final document. In addition, it is necessary to conduct the Strategic Environmental Assessment (SEA) procedure, which is not clearly presented in the current draft, calling into question compliance with procedures prescribed by European and national legislation. In consultation with representatives of the Ministry of Energy and Mining, information was obtained that a working group dedicated to overseeing this procedure has been established and that three meetings have been held so far, at which the decision on the need to conduct an SEA for the NECP was presented, together with preliminary results for measures from the first 2022 draft of the NECP, along with the final results from the final draft of the plan, all of which was presented at the meeting held on 08th May 2025. Nevertheless, the importance of conducting a public consultation on the SEA Report as soon as possible was emphasised. It is also very important to note that a Guidance and Conditions Act on nature protection was issued by the Environmental Protection Agency for the purposes of Montenegro's NECP, pursuant to Article 18(2) of the Nature Protection Act ("Official Gazette of Montenegro" No. 54/16 and 18/19) on 12th May 2025.

In its recommendations provided in March 2025, the Energy Community Secretariat highlighted that a particularly important segment of the plan concerns setting targets for reducing greenhouse gas (GHG) emissions. Although Montenegro has defined an ambitious target of a 55% reduction in emissions by 2030 compared to 1990, the document itself contains certain methodological inconsistencies which question the reality of achieving this target. The key issue is the measure labelled "Ecological reconstruction of Thermal Power Plant (TPP) Pljevlja," the title of which wrongly implies a direct reduction in GHG emissions, whereas in practice it clearly concerns only reductions of conventional air pollutants (SO_2, NO_x, PM10, PM2.5). For that reason, it is necessary to change the name of this measure to "Phasing usage of coal in TPP Pljevlja out", which would be in line with the terminology of

Regulation 2018/1999 and ensure clarity of decarbonisation goals. An additional problem is the planned closure of the plant by 2040, which is not consistent with other parts of the document stating 2035 as the final year of coal use. There is also no detailed analysis of economic impacts, particularly considering the effects of the EU ETS and the Carbon Border Adjustment Mechanism (CBAM), which is another shortcoming of the plan. Inconsistencies are also visible in the projections of TPP Pljevlja's operating hours after 2030, which are not in line with the objectives of achieving carbon neutrality by 2050, to which Montenegro has committed.

Additionally, the Energy Community Secretariat emphasised that similar inconsistencies exist regarding the use of Renewable Energy Sources (RES). Although the overall targets formally align with the requirements of the Energy Community, significant shortcomings were noted in sectoral projections, particularly in the heating and cooling sectors. In addition, the Government's decision to suspend the solar power plant projects Briska Gora and Velje Brdo is not reflected in the plan, creating further uncertainty in the projected RES generation capacities. The plan therefore needs to be updated to accurately reflect these project changes and to clearly define alternative locations for the development of solar and wind energy.

When it comes to Energy Efficiency (EE), the targets for primary (0.92 Mtoe) and final energy consumption (0.73 Mtoe) are clearly defined. However, the analysis shows that the current measures listed under the With Additional Measures (WAM) scenario are insufficient to ensure the achievement of these targets. This highlights the need for more detailed development of concrete policies, especially in the industry and building sectors. Moreover, the lack of a methodology for assessing energy poverty, which is one of the mandatory requirements of the Energy Community, undermines the quality and comprehensiveness of the document.

In the area of Policies and Measures (PaMs), there is no clear categorization of measures already under implementation (WEM) and those that are additional and only planned (WAM). The quality of the plan is further weakened by the lack of quantification of each individual measure's contribution to the national targets. In particular, there is a need for clearer elaboration of measures related to coal phase-out, biofuel implementation, and the development of infrastructure for electric vehicles, with financial projections for these measures made more realistic and detailed.

Finally, the draft plan insufficiently addresses the social and economic aspects of the just energy transition. Absence of detailed analyses of the economic impacts of closing the Thermal Power Plant (TPP) Pljevlja is particularly problematic, along with the lack of measures for the social protection of workers affected by the transition. It is also essential to more actively involve the public and local communities in order to ensure greater transparency and acceptance of the measures.

Taking into account the abovementioned, it may be concluded that the Draft NECP of Montenegro represents a solid starting point for further elaboration, but it is evident that detailed and meticulous work is required in order to eliminate the abovementioned shortcomings and inconsistencies in order to ensure full alignment of the document with European regulation and Energy Community guidelines.

Furthermore, Montenegro is currently developing the Low-Carbon Development Strategy (LCDS) as a key strategic document that will guide the country's transition towards a climate-neutral economy by 2050. This strategy stems from the obligations defined by the Law on the Protection against the Negative Impacts of Climate Change and will be adopted for a period of 30 years, with the first draft expected in June 2025. The LCDS will build on the objectives of the National Energy and Climate Plan (NECP), expanding them with additional measures and scenarios that enable deeper decarbonisation. The adoption of this strategy, which is also accompanied by the preparation of a Strategic Environmental Assessment (SEA), is expected by the end of October 2025.

The main objectives of the strategy include achieving climate neutrality, i.e. net-zero greenhouse gas (GHG) emissions by 2050, with a clear plan for emission reductions by sector: energy, transport, industry, construction, agriculture, waste management and land use. The strategy foresees three development scenarios – the baseline scenario (existing measures), the advanced scenario (additional measures from the NECP) and the LCDS scenario targeting full decarbonisation. Compared to the NECP scenarios, the LCDS brings more ambitious emission reductions – up to 60% less emissions by 2050 compared to the WAM scenario, and 89% compared to the WEM.

The strategy is also focused on a significant increase in the share of renewable energy sources (RES), with the development of capacities of up to 3.8 GW of solar, 1.1 GW of wind and 1.3 GW of battery systems by 2050. Special emphasis is placed on increasing electrification in transport, industry and construction, along with a strong reduction in the use of biomass and fossil fuels, including the complete phase-out of coal through the closure of TPP Pljevlja by 2040.

The LCDS will also include five-year action plans, which will contain specific measures, deadlines, responsible entities, monitoring indicators and an assessment of the funds required for implementation. The strategy is being developed with the support of the World Bank, and in cooperation with a wide range of stakeholders. The legal basis for drafting the Low-Carbon Development Strategy (LCDS) of Montenegro is grounded in the Law on the Protection against the Negative Impacts of Climate Change ("Official Gazette of Montenegro", No. 52/19). This law, which entered into force in 2019, clearly stipulates in Article 13 that Montenegro is obliged to draft and adopt a Low-Carbon Development Strategy for a period of 30 years.

In addition, the Ministry of Energy and Mining, with the support of the World Bank, has prepared a draft Long-Term Strategy for Improving the Energy Efficiency of Buildings. The draft Strategy was submitted to the Energy Community Secretariat, which provided suggestions/comments aimed at improving the document. The finalisation of this document is ongoing, along with activities to align the final draft of the National Energy and Climate Plan (NECP) with the results of the Strategy.

2.1.1. Challenges

The following section provides a concise summary of the key challenges which have been identified in the Draft National Energy and Climate Plan (NECP) of Montenegro for the period from 2025 until 2030. These were defined in accordance with analysis of its alignment with the relevant European regulation and Energy Community guidelines.

- Insufficiently implemented public and cross-border consultations, without clear information about participants and methods.
- Strategic Environmental Impact Assessment (S-EIA) procedure has not been clearly presented.
- Misnaming and inconsistencies in relation to the measures proposed for TPP Pljevlja, including different closure years and lack of analysis of economic implications.
- Absence of updated renewable energy projections in line with Government decisions on suspending key projects.
- Insufficiently elaborated energy efficiency measures and lack of a methodology for assessing energy poverty.
- Unclear categorisation of the existing and planned measures, without quantification of their contribution and with weak financial projections.
- Lack of social measures and analyses of the economic effects of the energy transition, particularly the closure of TPP Pljevlja.

2.1.2. Recommendations

Based on the identified challenges in the draft National Energy and Climate Plan of Montenegro for the period 2025-2030, the following recommendations have been formulated to improve the alignment of the document with the requirements of the EU acquis and the guidelines of the Energy Community, as well as to ensure an effective and just energy transition:

- Urgently organise a public consultation on the draft NECP and the Strategic Environmental Assessment Report, with clear documentation of the process and involved stakeholders.
- Revise the name and content of the measure for TPP Pljevlja in accordance with its actual effects on GHG emissions, and harmonise all parts of the document which

are related to the deadline for closure of the plant.

- ✔ Update renewable energy projections in line with current Government decisions, including suspended projects, and identify the ongoing projects.
- ✔ Elaborate energy efficiency policies and measures in more detail, particularly in the building and industry sectors, and establish a methodology for identifying and monitoring energy poverty.
- ✔ Clearly distinguish policies and measures already in place (WEM) from those that are planned (WAM), ensure consistent categorisation throughout the document, quantify their contribution to the 2030 targets (especially for RES, EE and GHG), and prepare realistic estimates of required investments and funding sources.
- ✔ Develop a comprehensive set of measures for a just transition, including an analysis of the socio-economic impacts of the closure of TPP Pljevlja and plans to support affected workers and communities.

2.2. Overview and assessment of strategic framework - Hydrocarbons

In the sectors of hydrocarbon exploration and production in Montenegro, numerous regulatory and administrative measures have been undertaken in recent years with the aim of aligning with European Union legislation, increasing investment potential, and improving security of supply. However, beyond the technical and legal aspects of exploration and concession activities, growing attention is required for issues related to crisis management and the establishment of strategic reserves, particularly oil derivatives.

Ministry of Energy and Mining has prepared the Green Hydrogen Study with the support of international partners, representing the first strategic framework for the development of a hydrogen economy in the country. The document analyses Montenegro's potential for green hydrogen production using renewable energy sources (RES), particularly hydro, solar, and wind energy, with a focus on electrolysis technologies as key to decarbonizing the transport, industrial, and potentially heating sectors. The study highlights that Montenegro has the technical potential to produce more than 1 TWh of hydrogen annually, which could serve both domestic demand and exports, especially within cross-border cooperation with regional countries and the EU.

However, the development of hydrogen infrastructure is still at an early stage, while economic viability requires significant upfront investments, regulatory support, and private sector involvement. The strategy recommends the establishment of pilot projects, the creation of a regulatory framework for hydrogen, and the integration of hydrogen into long-term energy plans, with a particular focus on synergies with the development of smart grids, energy storage, and sectoral integration. In the context of the transition toward a climate-neutral economy, hydrogen is recognized as a strategic resource for Montenegro's medium- and long-term decarbonization.

2.2.1. Annual Plan for Establishment and Maintenance of Mandatory Oil Derivatives Reserves

Pursuant to the Law on Security of Supply of Petroleum Products ("Official Gazette of Montenegro", No. 119/24 of 13th December 2024), establishment and management of mandatory oil derivative reserves has become the responsibility of the Hydrocarbons Administration. This law establishes, for the first time, an institutional framework obliging the state to secure minimum quantities of oil derivatives as a safeguard mechanism in the event of supply disruptions.

The law clearly defines the role of the Administration in planning, monitoring, and implementing the annual plan for the formation of reserves, including the types of derivatives, minimum required quantities, financing mechanisms, as well as criteria for stock rotation and replenishment. In the reporting period for the second half of 2024, the Administration began implementing these obligations through institutional cooperation with the competent ministries and by linking records with major fuel importers and distributors.

Despite the initial progress, challenges remain regarding storage infrastructure, particularly since Montenegro currently lacks sufficient capacity for long-term storage of strategic oil and derivative reserves. A portion of storage capacities is privately owned, and their status within the mandatory reserve system has not yet been clearly regulated. Further development of this segment requires capital investments, defining partnerships with neighbouring countries or commercial storage facilities in the region, as well as the adoption of secondary legislation that will regulate operational aspects in detail.

2.2.2. Updating Action Plan for Establishing Mandatory Reserves of Oil Derivatives

On 26th December 2024, the Government of Montenegro adopted the updated Action Plan for the Establishment of Mandatory Oil Derivative Reserves, in line with Directive 2009/119/EC on minimum stocks of crude oil and/or petroleum products. The Action Plan was submitted to the European Commission for its opinion.

The Plan is generally aligned with the Directive 2009/119/EZ in relation to:

- strategic approach and its relation to Negotiating Chapter 15,
- identification of the regulatory framework and financial responsibilities,
- phased approach to adjustment of the reserve system by 2029,
- the role of the Administration and Ministry in managing and overseeing the reserves.

Additionally, the Plan also explicitly transposes Directive 2018/1581/EU, which amends the calculation methodology of obligations under Directive 2009/119/EC. In section 7.1, the Plan states that the calculation of mandatory reserves is carried out based on Annex II of the

Directive, applying the rules from Directive 2018/1581/EU, including:

- use of conversion factors and expressing stocks in crude oil equivalent (Annex III(b)),
- limiting the structure of reserves to derivatives which make up more than 75% of domestic consumption,
- use of MOSOIL template and monthly reporting in line with Eurostat methodology.

However, the plan does not define an explicit elaboration of certain key requirements of the Directive:

- Article 9 – Special stocks: The Plan does not distinguish between commercial and special stocks, nor does it define their control and ownership regime.
- Articles 20 and 23 – Solidarity and international coordination: protocols for acting in line with IEA obligations or EU-level decisions are not elaborated.
- Articles 6 and 12 – T ransparency and reporting: the Plan does not provide for the establishment of a publicly accessible stock register or a detailed public reporting system.
- Articles 8 and 13 – Physical availability: there are no clearly defined procedures for testing the availability of stocks within 8 days.

Despite the initial progress, storage infrastructure remains a challenge, particularly as Montenegro currently does not have sufficient capacity for the long-term storage of strategic oil and derivative reserves. Part of the storage infrastructure is privately owned, and its status within the system of mandatory reserves is still not clearly regulated. Further development of this segment requires capital investments, defining partnerships with neighbouring countries or commercial storage facilities in the region, as well as the adoption of secondary legislation to regulate operational aspects in detail.

2.2.3. Crisis Plan for addressing disruptions in the supply of petroleum products

In addition to establishing reserves, the new legislative framework also defines the obligation for development of a Crisis Plan for addressing disruptions in the supply of petroleum products, in line with Articles 20 and 23 of Directive 2009/119/EC. The Plan must cover scenarios for different types of disruptions - political, market, and natural - and set out mechanisms for:

- mobilisation of reserves,
- prioritisation of supply of the key sectors (health sector, emergency services, public transport),
- temporary regulation of prices and limiting export,
- communication with European Commission and IEA,
- allocation of responsibilities and command hierarchy.

The role of the Hydrocarbons Administration is to act as the competent authority, whereby it coordinates all activities in crisis situations in cooperation with the Ministry of Energy and

Mining, the Ministry of Interior, the Ministry of Defence, and other bodies. Effective implementation of this plan therefore requires prior simulations ("stress tests"), training, and clearly established protocols.

The Law on Security of Supply of Petroleum Products contains the basic provisions on procedures in emergency situations; however, it does not envisage a specific crisis plan document that would define detailed operational measures. Likewise, the Action Plan of December 2024 does not contain a chapter addressing crisis procedures, but only foresees the adoption of an Emergency Response Plan by December 2025.

Thus, it is necessary to adopt a comprehensive Crisis Plan for addressing supply disruptions in order to meet the obligations under Articles 20 and 23 of Directive 2009/119/EC. A particular challenge lies in the fact that Montenegro has no refineries or strategic reserves of crude oil, which consequently increases its dependence on imports and its vulnerability to external shocks. Therefore, the crisis plan must serve as a genuine operational instrument rather than merely a formal document.

2.2.4. Challenges

The key challenges in the sector of security of supply of petroleum products and the development of the hydrogen economy in Montenegro, identified on the basis of an analysis of the legislative and strategic framework, institutional capacities, and the condition of infrastructure, are presented below. Particular focus is placed on alignment with the relevant European Union directives, as well as on the country's operational readiness to respond to energy crises and accelerate the transition towards a low-carbon system.

- Inefficiently developed system for managing crisis situations and for establishing an operational Crisis Plan for disruptions in the supply of petroleum products.
- Inadequate infrastructure for storing compulsory reserves of petroleum products and an undefined status of private storage facilities within the system of state reserves.
- Action Plan on reserves does not contain a detailed elaboration of key requirements of EU directives, including specific stocks, international coordination, transparency, and physical availability of reserves.
- The lack of refineries and strategic reserves of crude oil consequently increases dependence on imports and exposure to crises.
- Development of the market and infrastructure for green hydrogen is at an initial stage, without pilot projects and with the need for significant investments and regulatory support.
- The role of the private sector in the hydrogen transition is not clearly defined, whereby the synergy with smart grids and energy storage is still underdeveloped.
- Integration of hydrogen into national energy plans and long-term strategies has not yet been systematically established.

2.2.5. Recommendations

Based on the identified challenges in the hydrocarbons sector, the security of supply of petroleum products, and the development of the hydrogen economy, the following recommendations are proposed in order to strengthen Montenegro's institutional, technical, and regulatory readiness:

- ✔ Adopt and operationally elaborate a Crisis Plan for addressing disruptions in the supply of petroleum products, in accordance with Articles 20 and 23 of Directive 2009/119/EC, including simulations, reserve mobilisation mechanisms, supply prioritisation, and communication with the EU/IEA.
- ✔ Expand and modernise the infrastructure for reserve storage, while legally regulating the role of private storage facilities, in line with Articles 3(1) and 8 of Directive 2009/119/EC.
- ✔ Revise and supplement the Action Plan for compulsory reserves in order to ensure full compliance with Directive 2009/119/EC, including:
  - Article 9 – management of special stocks,
  - Article 6 and 12 – obligations related to transparency and reporting,
  - Article 8 and 13 – physical availability of reserves within 8 days,
  - Article 20 and 23 – solidarity and international coordination.
- ✔ Develop options for regional storage partnerships and commercial access to capacities in neighbouring countries as a transitional solution, in accordance with the mechanisms provided under Article 23 of Directive 2009/119/ECZ.
- ✔ Accelerate the adoption of a strategic framework for the development of the hydrogen economy, aligned with the draft Directive on common rules for the hydrogen market (part of the Gas and Hydrogen Package), which encompasses security, infrastructure, market access, and standardisation.
- ✔ Establish a coordination mechanism for hydrogen that includes institutions, the private sector, and academia, thereby relying on the recommendations of the EU Hydrogen Strategy (2020).
- ✔ Integrate hydrogen into the National Energy and Climate Plan and the Long-Term Low-Carbon Development Strategy, in line with Articles 3 and 4 of Regulation (EU) 2018/1999, including concrete targets, indicators, and sector-coupling measures.

2.3. Overview and assessment of strategic framework – Energy Efficiency

Energy efficiency represents one of the key pillars of the sustainable development policy and decarbonisation in Montenegro. Strategic framework in this area is based on the responsibilities defined the Treaty Establishing the Energy Community, as well as on transposition and implementation of the relevant EU directives – especially Directive 2012/27/EU on energy efficiency and Directive 2010/31/EU on Energy Performance of Buildings (EPBD), including pertaining amendments from 2018.

The Law on Efficient Use of Energy, as the primary law in this field, establishes the basic obligations regarding the setting of minimum energy efficiency requirements for new and reconstructed buildings, the energy certification of buildings, the training of auditors, and the keeping of records of issued certificates. In 2024, a set of by-laws was also adopted to further regulate the implementation of this law, including the methodology for calculating the energy performance and energy classes of buildings. Thus, the regulatory framework has been completed and is highly aligned with EU standards.

In addition, Montenegro has finalised the adoption of a set of regulations on energy labelling, which entered the Energy Community legal framework by a decision of the Ministerial Council in 2022. Furthermore, in 2023 a draft comprehensive assessment of the potential for efficient heating and cooling was prepared, in line with Article 14 of Directive 2012/27/EU and the relevant delegated acts. Unfortunately, the results of this study were not considered within the National Energy and Climate Plan (NECP).

An important strategic document is the Long-Term Strategy for Improving the Energy Efficiency of Buildings, which foresees the gradual renovation and reconstruction of all public and private buildings by 2050. The Strategy projects possible savings in energy and CO_2 emissions, but highlights the need for sustainable sources of financing, increased institutional capacities, and the development of the energy efficiency market. The results and targets of this Strategy will therefore be integrated into the NECP, as a key part of the sectoral contribution to the objectives of the energy transition.

Although targeted support activities were carried out in the Pljevlja region to improve the heating system, the legal provisions relating to the measurement and billing of thermal energy (Articles 9a and 9b of Directive 2012/27/EU) have not yet been implemented, nor has a regulatory framework been established for identifying zones suitable for high-efficiency cogeneration and mapping sources of waste heat, which consequently represents an obstacle to systematic planning of energy-efficient heating and cooling.

The draft NECP also defines targets for reducing primary and final energy consumption by 2030, which largely rely on energy efficiency measures in buildings, industry, and public services.

2.3.1. Challenges

1. **Incomplete transposition and implementation of EU directives**

- Although the basic legal framework has been established (the Law on Efficient Use of Energy and the relevant by-laws), not all obligations under the amended Directive 2012/27/EU have yet been transposed, particularly in relation to:
  - assessment of the potential for efficient heating and cooling (Article 14 and Annexes VIII and IX),
  - mandatory energy efficiency schemes (Article 7),
  - measurement and billing of thermal energy in buildings (Articles 9a and 9b).

2. **Lack of an operational monitoring and reporting system**

- A national information system for monitoring energy efficiency measures and the achievement of targets set by national policies has not been established.
- There is no functional register of building energy performance certificates, nor a centralised database on the energy characteristics of buildings.

3. **Limited institutional capacity**

- The number of authorised energy auditors, inspectors, and certified experts is not sufficient for the comprehensive implementation of measures.
- The capacities of local self-governments to implement energy efficiency policies are particularly limited, both technically and financially.

4. **Lack of stable and sustainable financing**

- There is no operational state fund for energy efficiency, nor a long-term subsidy scheme for end-users.
- Existing sources (Eco Fund, international grants) are of limited scope and do not cover all categories of buildings, especially in the private residential sector.

5. **Poor integration of strategic documents**

- Long-term strategy for improvement of energy efficiency of buildings and assessment of heating and cooling potential have not yet been integrated into the National Energy Climate Plan (NECP), the adoption of which is delayed.
- There is lack of intersectoral coordination between ministries (energy, spatial planning, social protection, local government).

6. **Low level of market incentives**

- The energy efficiency market is underdeveloped, particularly in the context of ESCO models, financial instruments, and private investments in the public sector.

2.3.2. Recommendations

In order to improve the strategic framework in the field of energy efficiency, it is essential to complete the full transposition and harmonisation with the EU acquis, particularly with Directive 2012/27/EU and its 2018 amendments. This implies the timely adoption of provisions relating to mandatory energy savings measures, the measurement and billing of thermal energy, as well as a comprehensive assessment of the potential for efficient heating and cooling. It is also necessary to adopt all the accompanying by-laws and methodologies so that the implementation of the law becomes fully operational.

A functional and sustainable system for monitoring and reporting on energy efficiency measures must be established. This includes the development of a digital platform covering the register of issued energy performance certificates, data on actual energy consumption in buildings, and monitoring of savings achieved by sectors and measures. A particular focus should therefore be placed on strengthening the reporting obligations of local self-governments and improving coordination between institutions at the national and local levels.

Capacities for implementing energy efficiency policy must be significantly reinforced. Regular training should be organised and a licensing system established for energy auditors, inspectors, and other professionals involved in the implementation of measures. Local self-governments should be provided with technical support for project preparation and management, including the possibility of using standardised tools and model documentation.

The financial framework for implementing energy efficiency measures must be sustainable and accessible to all target groups. It is recommended to establish a national energy efficiency fund to support measures in the residential, public, and industrial sectors through a combination of grants and favourable loans. Furthermore, the use of ESCO models should be legally regulated and promoted, particularly in the public sector, through tailored contracting models and savings guarantees.

In the context of strategic planning, the results of the Long-Term Strategy for Improving the Energy Efficiency of Buildings and the assessment of heating and cooling potential must be integrated into the National Energy and Climate Plan (NECP). In addition, it is necessary to institutionalise intersectoral cooperation between the ministries responsible for energy, spatial planning, environment, and social policy, in order to ensure coordination in the planning and implementation of measures.

3. Legislative framework

3.1. Overview of condition of the legislative framework in the area of electrical energy

The history of adoption of the Law on Energy is reflected in the need for a comprehensive alignment of Montenegrin legislation with the European Union acquis in the context of Chapter 15 – Energy, as well as in development of a clear and predictable legislative framework which is enabling of the energy market liberalisation, and which is going to stimulate investments in the sector and ensure security of supply.

The Law was originally adopted in 2016 ("Official Gazette of Montenegro", No. 5/16) and was subsequently amended in 2017, 2020, and 2022, with the specific aim of gradually transposing key EU directives and regulations, including the Third Energy Package, as well as Energy Community rules relating to the internal electricity and gas market, the role of the regulatory authority (RAE), the independence of system operators, consumer protection, and the promotion of RES and energy efficiency.

The Law was also adopted at a time when Montenegro already had a significant part of its electricity infrastructure, including interconnections with neighbouring markets (e.g. the submarine cable with Italy), but when it did not have an established functional market model in line with EU rules. Therefore, the Law was also intended to serve as a basis for the development of a competitive electricity market, to encourage active consumer participation (prosumers, energy communities), and to introduce market instruments such as the balancing market, flexibility, aggregation, and smart metering.

In addition, the adoption of the Law was preceded by the need to clearly define the rights and obligations of market participants, the competences of energy entities, tariff principles, and provisions relating to security of supply, sustainable resource use, and consumer protection. At the same time, the Law aimed to establish a predictable regulatory environment to enable long-term investments, particularly in renewable energy and infrastructure projects. Significant progress has been achieved with the development of the day-ahead electricity market in Montenegro (which is among the recommendations of the EC through its annual reports), which became operational on 26th April 2023. The functioning of this market will consequently contribute to further development of Montenegro's electricity market, its integration into the EU market, and facilitate integration of renewable energy into the electricity grid.

Furthermore, the Law on Cross-Border Exchange of Electricity and Natural Gas ("Official Gazette of Montenegro", No. 42/16) was adopted, which transposed the regulations of the Third Energy Package, along with a number of by-laws. In addition, the Regulation on Conditions for Connecting Consumer Installations to the Transmission System ("Official Gazette of Montenegro", No. 28/19) transposed Regulation (EU) 2016/1388, the Regulation

on Conditions for Connection to the Grid of High-Voltage Direct Current Transmission Systems and Direct Current-Connected Power Park Modules ("Official Gazette of Montenegro", No. 28/19) transposed Regulation (EU) 2016/1447, and the Regulation on Conditions for Connecting Electricity Producers to the Transmission and Distribution Grid ("Official Gazette of Montenegro", No. 43/19) transposed Regulation (EU) 2016/631.

Moreover, in order to meet this benchmark, the Government adopted the Draft Law on the Supervision of the Wholesale Market in Electricity and Natural Gas on 30th July 2021, which is fully aligned with Regulation (EU) No. 1227/2011 on Wholesale Energy Market Integrity and Transparency (REMIT). Supervision of the wholesale energy market is expected to contribute to the effective coupling of neighbouring countries' energy markets.

The latest amendments to the Energy Law ("Official Gazette of Montenegro", No. 28/2025 of 19th March 2025, entered into force on 27th March 2025) were proposed in mid-2024 as a response to obligations arising from Energy Community decisions and the need to transpose the latest EU directives into national legislation. The key driver for the amendments was the decision of the Energy Community Ministerial Council of November 2021 (D/2021/13/MC-EnC), which obliged Montenegro to transpose Directive (EU) 2019/944 on common rules for the internal market in electricity, as well as part of the amendments to Directive 2012/27/EU on energy efficiency.

One of the most significant changes was the deletion of provisions on renewable energy sources from the Energy Law and their regulation under a separate act - the **Law on Use of Energy from Renewable Sources**, adopted in August 2024. This was necessary in order to achieve full alignment with Directive (EU) 2018/2001 (RED II), pursuant to the obligations under Decision D/2021/14/MC-EnC. The previous law did not cover market-based support mechanisms, whereby the new provisions enabled the introduction of competitive auctions for the allocation of incentives, the definition of market premiums, priority access to the grid, as well as transparent planning of the support scheme through three-year quotas. The explanatory note which accompanies the new law states that this will enable an increase in the share of RES in Montenegro's energy mix and a reduction of dependence on coal, while strengthening the investment environment and ensuring compliance with the target of a 50% RES share in final energy consumption by 2030.

The core amendments of the Law include:

- Deletion of the existing provisions related to renewable energy sources – this is due to the fact that Directive (EU) 2018/2001 on RES has been transposed into a separate law, and thus, all provisions from the current Energy Law which are related to incentivisation of generation of electricity from RES and cogeneration, as well as guarantees of origin, have been removed.
- Deletion of provisions on strategic reserves and security of supply of petroleum products – as these areas are regulated by the new Law on Security of Supply of

Petroleum Products (adopted in 2024).

- Deletion of provisions relating to the market operator and cross-border exchange – since these areas will be regulated by the new Law on Cross-Border Exchange of Electricity and Natural Gas, in line with EU Regulation 2015/1222.
- Introduction of new concepts in accordance with Directive 2019/944, including:
    - active customers,
    - citizen energy communities,
    - aggregation and aggregation contracts,
    - dynamic pricing and the right to a contract with a dynamic price,
    - offer comparison tools,
    - and, specifically defining and regulating energy poverty.

The expansion of the competences of the Regulatory Agency (RAE) and the more precise definition of rules on unbundling and third-party access to network infrastructure.

The strengthening of the role of consumers and the enhancement of their rights through supplier obligations to provide transparent information, ensure easy switching between suppliers, and guarantee the availability of different types of contracts.

The Law on the Use of Energy from Renewable Sources will be fully aligned with Directive (EU) 2018/2001 (RED II) following the adoption of the envisaged set of by-laws.

In its current form, the Law has transposed the key provisions of RED II in relation to targets, support schemes, market integration, sustainability criteria, and consumer rights. However, its full functional implementation depends on the adoption of a total of 39 by-laws, to be enacted by the Ministry, the Government, and the Regulatory Agency. These acts cover detailed rules on:

- auctions and quotas for RES support,
- issuance of guarantees of origin,
- reporting on emissions and biofuels,
- rights and obligations of prosumers and energy communities,
- grid access and incentive settlement.

Until all the envisaged by-laws are adopted, the Law formally remains only partially implemented, and compliance with Directive (EU) 2018/2001 continues to be an outstanding obligation in operational terms, which is also relevant for the closure of case ECS-28/24 within the Energy Community.

The Work Programme of the Government of Montenegro for 2024 foresaw the preparation of the **Draft Law on Cross-Border Energy Infrastructure Projects** in the fourth quarter of 2024. A public call for participation in the public consultation on the Draft Law on Cross-Border Energy Infrastructure Projects was announced on 21st January 2025 and lasted until 5th March 2025, while the preparation of the Report on the conducted public consultation is

currently underway.

For the purpose of full implementation of the Law on Cross-Border Exchange of Electricity and Natural Gas, the adoption of a series of regulations transposing the provisions of the relevant European Union legislation was planned for the fourth quarter of 2024. However, these by-laws have not yet been adopted. An overview of these acts with the corresponding references to EU regulations is provided below:

1. Regulation on Guidelines for the Allocation of Cross-Border Electricity Transmission Capacity and Congestion Management aims to transpose the provisions of Regulation (EU) 2015/1222 establishing guidelines on capacity allocation and congestion management (the so-called CACM Regulation), as well as Regulation (EU) 2021/280 amending the previous regulations for the purpose of further harmonisation of rules within the EU electricity network.
2. Regulation on Guidelines for the Long-Term Allocation of Cross-Border Electricity Transmission Capacity is based on Regulation (EU) 2016/1719 establishing guidelines on forward capacity allocation (the so-called FCA Regulation), also taking into account the amendments laid down in Regulation (EU) 2021/280.
3. Regulation on Guidelines for Electricity Balancing is grounded in Regulation (EU) 2017/2195 establishing a guideline on electricity balancing (the so-called Electricity Balancing Guideline - EB GL), thereby regulating the rules on balancing mechanisms of the electricity system at the regional and European levels. It also relies on the amendments introduced by Regulation (EU) 2021/280.
4. Regulation on Guidelines for the Operation of the Electricity Transmission System implements Regulation (EU) 2017/1485 on establishing a guideline on electricity transmission system operation (the so-called System Operation Guideline - SO GL), as well as related provisions of Regulation (EU) 2021/280.
5. Regulation on Establishing a Network Code on Emergency and Restoration of the Electricity System is based on Regulation (EU) 2017/2196 establishing a network code on electricity emergency and restoration (the so-called NC ER - Network Code on Emergency and Restoration), thereby regulating operational measures for system stabilisation and recovery in emergency situations.

By reviewing the latest version of the Energy Law and the Law on the Use of Renewable Energy Sources adopted by the Parliament of Montenegro, and their alignment with the following CELEX references: 32015L1513, 32014L0094, 32019L0944, 32019L0692, 32019R0826, 32019R1745, 82 32021R1444, 32023R1162, and 32018L2001, we hereby provide a brief overview of compliance with these directives, as envisaged under Montenegro’s EU Accession Programme for the period 2024-2027.

3.1.1. Assessment of condition of legislative framework in area of electrical energy

In the following section of the report, we provide a brief overview of compliance with the directives that were envisaged to be transposed under Montenegro's EU Accession Programme 2024-2027 for Chapter 15 - Energy.

- **Directive (EU) 2019/944 on common rules for the internal market for electricity and amending Directive 2012/27/EU**

In November 2024, the Advisory Committee of the Energy Community, in case ECS-10/24, established that Montenegro had breached its obligations under the Treaty Establishing the Energy Community because:

- it failed to transpose by the end of 2023 the key legal acts from the EU's Fourth Energy Package, including Directive (EU) 2019/944 and several related regulations;
- it failed to submit to the Secretariat information on the measures undertaken, thereby violating Articles 6 and 89 of the Treaty, as well as Decisions 2021/13/MC-EnC and 2022/03/MC-EnC.

Although Montenegro informed the Secretariat that the draft of the new Energy Law had undergone public consultation, the Advisory Committee concluded that the draft itself had no legal effect and that the obligation had not been fulfilled.

However, thereafter, the Energy Law was adopted and entered into force on 27th March 2025, whereby the key elements of Directive (EU) 2019/944 and other obligations from the package were largely transposed into national legislation. Thus, Montenegro has essentially remedied the grounds for the initiation of the dispute.

However, in order to formally conclude the procedure, it is necessary that:

- The Government of Montenegro officially informs the Energy Community Secretariat about the adoption of the laws, as well as to provide compliance assessment tables,
- The Secretariat conducts a compliance check and proposes closure of individual cases,
- The Ministerial Council or the Secretariat confirms that the obligations are no longer being breached.

Following the adoption of the Energy Law, Directive (EU) 2019/944 on common rules for the internal market in electricity has been largely transposed into national legislation. The Law now contains precise definitions of key concepts such as active customer, citizen energy community, aggregation, and dynamic price contract, thereby enabling their legal

recognition and operational functioning. The rights of final consumers have been expanded to include free choice of supplier, protection against discrimination, transparent and easily comparable contracts, and the ability to switch suppliers easily. For the first time, the concept of energy poverty has been recognised, introducing an obligation for the Government to define criteria and support measures for vulnerable groups. The Law also grants final customers the right to conclude contracts with dynamic tariffs, while aggregation is recognised as a distinct service enabling the integration of flexibility into the electricity system. Active customers and energy communities are allowed to generate, consume, store, and sell electricity. At the regulatory level, the independence and competences of the Regulatory Agency for Energy and Regulated Utilities (RAE) have been strengthened, in line with Articles 59-61 of the directive. Although the prerequisites for smart meters and smart grids are legally foreseen, their implementation depends on subsequent by-laws and the technical readiness of the system. Overall, the Energy Law now largely fulfils the requirements of Directive (EU) 2019/944, representing a key step towards establishing a competitive, digitalised, and sustainable electricity market in line with the EU acquis.

Identified shortcomings:

1. *Rights of end consumers*

The Law recognises the fundamental rights of consumers, including the right to choose a supplier and to switch free of charge. Article 190 stipulates that the change of supplier or aggregator shall be carried out without any fee and within 15 days, which is fully in line with Article 12(1) of the Directive prescribing a maximum period of three weeks. This provision represents a positive example of transposition. Nevertheless, active measures to inform customers about their rights are still lacking.

2. *Dynamic pricing – legally prescribed, but not applicable in practice*

Article 197 stipulates that suppliers with more than 200.000 final customers must offer contracts with dynamic prices. According to REGAGEN's 2023 report, EPCG is the only active supplier and has slightly more than 200.000 customers, while other licensed suppliers are inactive. Thus, this obligation has been fully formalised, but without competition or choice for final customers. The right under Article 11 of the Directive has therefore been transposed formally, but is not substantively implemented, as consumers do not have the possibility to choose between different dynamic price offers.

3. *Citizens' energy communities – positively regulated, but incentivisation mechanisms are missing*

Chapter XV of the Law grants citizen energy communities (CECs) the right to participate in the market, produce, share, and balance energy. Nevertheless, there is no specific registration procedure, no regulatory incentives, and no guaranteed support schemes for the development of these structures. Nor is there facilitated grid access, which prevents the

development of CECs as a tool for market democratisation, whereby the transposition of Article 16 of the Directive remains partial.

4. *Smart meters – planned, but technical standards and cost-benefit analysis*

Article 99 and the transitional provisions of the Law foresee the gradual rollout of smart meters to at least 80% of final customers by the end of 2037. This timeframe is considerably longer than the deadline set out in Article 19(2) of Directive (EU) 2019/944, which requires deployment within seven years of a positive implementation decision. Moreover, the Law does not include the obligation from Article 19(1) of the Directive to carry out a prior cost–benefit analysis as the basis for the decision to introduce smart meters.

Furthermore, the Law does not prescribe the technical and functional requirements for smart meters, such as two-way metering, remote reading, real-time access for consumers, and system interoperability, all of which are mandatory elements set out in Annex II of the Directive. Consequently, the transposition of Articles 19-21 of the Directive remains only partial, with significant divergences in both timelines and the depth of technical requirements.

5. *Information, invoicing and transparency – without standards and CO_2 indicators*

The Law stipulates obligations regarding the provision of information to final customers (Article 195), including the use of a comparison tool. However, it does not contain provisions prescribing a standardised bill format or a minimum set of information that a bill must include, in line with Article 18(1) of Directive (EU) 2019/944. Likewise, the obligation for suppliers to provide customers with data on the energy mix (e.g. the share of RES and fossil fuels) is missing, as required under Article 18(3), Article 24, and Annex I of the Directive. The presentation of CO_2 emissions is not an explicit obligation under Directive (EU) 2019/944, but it is recommended as good practice to strengthen environmental transparency. Therefore, the transposition of Articles 18 and 24-27 remains partial, with clear scope for normative improvement.

6. *Exception for TPP Pljevlja – Article 265*

The Law stipulates that the cost–benefit analysis under Article 74 shall not apply to the Pljevlja Thermal Power Plant until 2030. While this may be justified from the perspective of security of supply, the provision creates regulatory asymmetry, runs counter to the principles of market neutrality, and may conflict with the decarbonisation objectives and the provisions of EU legislation (in particular Regulation (EU) 2019/943 and Directive (EU) 2019/944).

- **Directive 2014/94/EU on the deployment of alternative fuel infrastructure**

Directive 2014/94/EU on the deployment of alternative fuels infrastructure (CELEX: 32014L0094) aims to create conditions for the wide availability of infrastructure enabling the use of low-carbon and alternative fuels, particularly in the transport sector, in order to reduce oil dependency and greenhouse gas emissions. The Directive obliges Member States to adopt national policy frameworks for the development of infrastructure for electric vehicles, hydrogen vehicles, CNG, LNG, and other forms of alternative fuels, including minimum targets as well as the standardisation of connectors and user information.

Directive 2014/94/EU on the deployment of alternative fuels infrastructure, including charging stations for electric vehicles, has not been transposed into the legislative framework.

Although the importance of developing e-mobility is recognised within the energy, environmental protection, and transport sectors, no law - including the Energy Law, the Road Transport Law, the Roads Law, and the Spatial Planning Law - contains explicit provisions relating to:

- the obligation to develop alternative fuels infrastructure,
- the development of a National Policy Framework (NPF), as required by the Directive,
- technical standards and obligations for investors concerning e-charging stations.

In the case of Montenegro, Directive 2014/94/EU has not been directly transposed into the Energy Law, nor was it included in its previous versions. Instead, the alignment process is taking place through development plans within transport sector policy and climate measures under the National Energy and Climate Plan (NECP), where it is explicitly stated that the transposition of this Directive is a prerequisite for accelerated development of e-mobility. The NECP notes that preparation of a National Policy Framework for alternative fuels infrastructure is underway, which will enable the development of a charging network for electric vehicles, with planned incentives for the installation of 500 slow-charging and 50 fast-charging stations by 2030.

In other words, the Energy Law does not contain provisions on alternative fuels infrastructure; rather, the role of transposition has been assumed by the Ministry of Transport and the Ministry responsible for the environment, in cooperation with the Eco Fund and international partners.

Therefore, Montenegro has not yet fully transposed the requirements of Directive 2014/94/EU, but implementation is gradually taking place through the development of the national policy framework, subsidisation of charging infrastructure, and plans within climate and energy documents. The legal transposition of this Directive remains **an outstanding obligation**, with its integration into the legislative framework expected through the transport law or a dedicated law on e-mobility.

- **Directive 2019/692/EU on rules for the internal market in natural gas**

This Directive amends Directive 2009/73/EC and relates to the rules for the internal market in natural gas. The Energy Law provides that detailed rules for the gas market and cross-border exchange will be regulated by a separate law, therefore, alignment with this Directive is expected through the forthcoming Law on Cross-Border Exchange of Electricity and Natural Gas. As this law has not yet been adopted, it can be concluded that the Directive has not been transposed into Montenegrin legislation.

- **Regulation (EU) 2019/826 amending Annexes VIII and IX to Directive 2012/27/EU of the European Parliament and of the Council as regards the content of comprehensive assessment of the potential for efficient heating and cooling**

Delegated Regulation (EU) 2019/826 of 4 March 2019 amends Annexes VIII and IX to Directive 2012/27/EU and lays down the detailed content that comprehensive assessments of the potential for efficient heating and cooling must include. These assessments represent a key document for strategic planning of heating and cooling in the Member States and the Energy Community Contracting Parties, including Montenegro.

The Regulation requires countries to prepare a detailed analysis of current and future demand for heating and cooling, broken down by sectors, including industry, services, housing, and the public sector. In Montenegrin legislation, this requirement is partially addressed through Articles 10, 13, and 15-17, which provide for the preparation of the energy balance, the national energy and climate plan, and local energy plans. However, these documents are not explicitly designated as a “comprehensive assessment” and do not use the terminology or format prescribed by Annex VIII.

Furthermore, the Regulation requires the geographical identification of areas suitable for district heating and cooling. Article 13 and Article 19(5)(2) of the Law stipulate that local plans must include existing and planned systems and show the spatial distribution of demand, yet the Law does not establish an obligation for the formal identification of *“suitability areas”* – which is a specific EU requirement.

When it comes to identification of potential for high-efficiency cogeneration and waste heat, the Law (Article 19) recognises these elements through the Action Plan but does not ensure mandatory mapping of industrial sites with potential for waste heat recovery.

The Regulation requires a mandatory cost–benefit analysis for projects with a thermal capacity above 20 MW, in order to determine whether there is an economic basis for applying high-efficiency solutions. In this respect, Montenegrin legislation is aligned: Article 74 explicitly requires the preparation of a cost–benefit analysis for new and reconstructed facilities of such capacity.

The requirement for consistency of heating and cooling policy with the National Energy and Climate Plan (NECP) is fulfilled through Articles 10 and 19 of the Law, which stipulate the obligation that action plans and local plans must be consistent with the NECP.

Delegated Regulation (EU) 2019/826, amending Annexes VIII and IX to Directive 2012/27/EU, establishes the obligation to prepare comprehensive assessments of the potential for efficient heating and cooling, including the preparation of development scenarios quantitatively covering energy efficiency measures and the increased share of renewable energy sources. Although the Energy Law, in Articles 13 and 19, recognises the need to identify RES potential and plan measures, it does not require their detailed quantification in the form of scenarios, which represents only partial alignment with the requirements of this EU Regulation.

- **Regulation (EU) 2019/1745 supplementing and amending Directive 2014/94/EU of the European Parliament and of the Council as regards recharging points for motor vehicles of category L, shore-side electricity supply for inland waterway vessels, hydrogen supply for road transport, and natural gas supply for road and waterborne transport**

The following section presents an overview of assessment of alignment of the Law on Energy („Official Gazette of Montenegro“ No. 28/2025) with the Delegated Regulation (EU) 2019/1745.

1. *Charging stations for L-category of motor vehicles*

Delegated Regulation (EU) 2019/1745, in Article 1(1) and Annex I, introduces the obligation for states to ensure charging infrastructure for L-category vehicles (motorcycles, mopeds, light electric vehicles), with clearly defined technical requirements, including types of connectors, minimum charging power, and communication protocols for interoperability.

Article 3 of the Energy Law recognises “charging stations” but treats them exclusively as an activity without technical elaboration, and nowhere specifies particular requirements for the L-category. The term L-category vehicles is not mentioned, nor have the technical specifications from Annex I of the Regulation been transposed into the Law.

2. *Shore-side electricity supply*

Article 1(2) and Annex II of Delegated Regulation (EU) 2019/1745 require that ports and harbours be equipped with shore-side electricity supply infrastructure for vessels, including prescribed standards for frequency, voltage, and safety protocols.

The Energy Law does not recognise the term “shore-side electricity” and contains no provision regarding the supply of ships with electricity while berthed in ports. Ports and waterborne transport are not mentioned either as a sector or as energy users.

3. *Hydrogen supply for road transport*

According to Article 1(3) and Annex III of Delegated Regulation (EU) 2019/1745, states are obliged to ensure the development and standardisation of infrastructure for hydrogen as a fuel for road transport. The Regulation specifies types of connectors (e.g. 700 bar), safety requirements, and refuelling protocols.

The Energy Law does not contain any provision concerning hydrogen. It does not recognise hydrogen as an energy carrier, nor does it regulate activities related to its distribution, supply, or vehicle refuelling, and it makes no technical references to standards or safety requirements.

Furthermore, the Energy Law recognises natural gas as an energy carrier within the general framework of energy activities, but it does not recognise CNG (compressed natural gas) as a distinct type of fuel, nor does it cover its use for road and waterborne transport. This means that the provisions of Article 1(4) and Annex IV of Delegated Regulation (EU) 2019/1745 have not been transposed into the current Law.

4. *Natural gas supply for road and waterborne transport*

Article 1(4) and Attachment IV of the Regulation regulate infrastructure for LNG as the fuel for road and waterborne transport. The regulations include technical standards for connectors, safety and system interoperability.

The Energy Law covers natural gas in the context of production, transmission, distribution, storage, and supply, but exclusively with regard to energy facilities and consumption in industry or households. The use of natural gas for road or waterborne transport is not explicitly recognised, nor have the technical requirements of the Regulation been transposed.

5. *Technical specification and infrastructure interoperability*

Delegated Regulation (EU) 2019/1745 introduces clear technical specifications for hydrogen refuelling stations, electric charging points for L-category vehicles, shore-side electricity supply, and natural gas stations, including requirements for safety, standardised connectors, and communication protocols to ensure interoperability. The Energy Law does not contain technical details or an obligation for their application, instead leaving such matters to by-laws. However, without a basic legal framework covering all of the abovementioned types of infrastructure, the technical requirements cannot be fully transposed. In this segment, there is a significant compliance gap.

- **Regulation (EU) 2021/1444 supplementing Directive 2014/94/EU of the European Parliament and Council in relation to standards for charging points for electric buses**

Delegated Regulation (EU) 2021/1444 introduces technical standards for charging stations for electric buses, with the aim of ensuring infrastructure interoperability at the level of the European Union. According to Article 1 of the Regulation, all new stations used for charging electric buses must comply with specific technical norms. For AC charging, the use of connector EN 62196-2 Type 2 is required, while for DC charging the standard EN 62196-3 Combo 2 applies. The Regulation allows both manual and automated charging methods, provided they meet the safety and technical requirements for reliable communication between the vehicle and the infrastructure.

The Energy Law recognises infrastructure for charging electric vehicles and categorises it among energy activities. In the definitions of the Law, a "charging station" denotes an interface through which a single electric vehicle can be charged or a battery replaced. In addition, Article 96 obliges the distribution system operator to enable the connection of electric vehicle charging stations. However, the Law does not distinguish between different categories of electric vehicles and contains no provisions specifically addressing electric buses.

Unlike the requirements of the Delegated Regulation, the Law does not prescribe technical standards for charging stations, nor does it define mandatory connector types for AC and DC charging. It also does not establish conditions for system interoperability or introduce the obligation to use standards EN 62196-2 and EN 62196-3 for bus charging. All technical characteristics of charging stations are left to by-laws, which, at the time of this analysis, had not been adopted or made publicly available.

<u>Recommendations for transposition</u>

In order to reach full compliance with the Regulation, it is recommended that the Energy Law be supplemented so as to:

- explicitly recognise electric buses in public transport as users of charging infrastructure;
- prescribe technical requirements for new charging stations to be used for electric buses;
- introduce the obligation to apply standards EN 62196-2 (AC) and EN 62196-3 Combo 2 (DC), as well as the interoperability and safety specifications provided in the Regulation;
- enable the adoption of a rulebook on technical requirements for electric bus charging stations, with mandatory application of the accompanying EU standards.

- **Regulation (EU) 2023/1162 on interoperability requirements[4] and on non-discriminatory and transparent procedures for access to metering and consumption data**

Commission Implementing Regulation (EU) 2023/1162 of 6th June 2023, adopted pursuant to Article 20(2) of Directive (EU) 2019/944, lays down detailed rules on interoperability and procedures for transparent and non-discriminatory access to electricity metering and consumption data. The Regulation applies to all actors in the retail electricity market and aims to ensure that final customers and authorised third parties are provided with timely, secure, and functionally interoperable access to relevant data. In addition to the right of access, the Regulation defines technical and procedural standards intended to guarantee a coherent and efficient information exchange system across the EU.

The Energy Law to some extent recognises the need for digitalisation and the availability of consumption data, particularly through the introduction of smart meters, data exchange, and consumer protection. Article 98 prescribes the deployment of smart metering systems that must be interoperable, secure, and compliant with cybersecurity standards. Article 99 guarantees the final customer free and direct access to their own consumption information, while Article 102 regulates access to such data by third parties, subject to customer consent. Article 103 further emphasises the obligation of operators to ensure data availability for the development of the market and competition. These provisions provide a foundation for developing a system of interoperable data exchange, but without the necessary technical and institutional detail.

With regard to the specific requirements of the Regulation, the Energy Law does not fully transpose any of the key provisions of Regulation (EU) 2023/1162. Article 3 of the Regulation requires the application of a reference model including defined roles, information objects, and process flows, yet such an architecture has not been normatively adopted in Montenegrin legislation. Likewise, Article 4 requires Member States to publish the market organisation and the roles of entities managing metering points and data. The Law contains no provision to ensure this transparency, nor does it define who performs the functions of “metering point administrator”, “data access provider”, or “data administrator” as described in the Regulation.

Articles 5 and 6 of the Regulation specify the responsibilities of metering point operators and metering data administrators, including the accuracy, timeliness, and integrity of information. Such functions are not explicitly separated in Montenegrin legislation, nor are their duties clearly defined. There is only a general provision requiring system operators to enable data exchange. Article 7 introduces the obligation for the data access provider to

[4] Interoperability means the ability of different systems, devices, applications, or products that enable flexibility - including building management systems and energy services - to communicate with each other and operate efficiently and safely, either directly or indirectly, so as to enable effective data exchange and interoperable energy services for final customers.

make data available to authorised parties without delay and in a secure manner. The Energy Law does not recognise the role of such an actor, nor does it prescribe organisational measures for carrying out this function. Although Article 102 stipulates that data may be made available to third parties with customer consent, the Law does not regulate the method of verification, the time limits for access, or the responsibilities of the entity releasing the data.

Article 8 of the Regulation defines who may access which categories of data, as well as the rules for managing customer consent. In Montenegrin law, consent is mentioned but there is no elaboration on how it is granted, recorded, revoked, or how third parties are authorised. Article 9 concerns technical and semantic interoperability and requires the use of European standards such as the Common Information Model (CIM), which is not mentioned in the Energy Law. Likewise, there is no obligation to use open protocols or standardised digital solutions for data exchange.

Article 10 of the Regulation establishes the obligation to inform final customers about their rights concerning data access, procedures, privacy protection, and the role of third parties. This obligation is likewise not covered by the Energy Law, nor are there rules imposing on operators the duty to provide proactive and comprehensible information to final customers.

Although the Energy Law foresees the possibility of adopting by-laws concerning smart meters, data exchange, and third-party access, it is unclear whether these acts will serve to transpose Regulation (EU) 2023/1162. At the time of this analysis, no rulebooks specifying the technical and procedural requirements had been adopted or announced, even though the legal basis exists under Articles 98, 99, and 102 of the Law.

- **Directive 2015/1513/EU amending Directive 98/70/EC related to the quality of petrol and diesel fuels and amending Directive 2009/28/EC on the promotion of the use of energy from renewable sources**

Directive (EU) 2015/1513 was introduced to limit the negative effects of conventional biofuels, often produced from food crops and thereby contributing to land-use change with consequent increases in greenhouse gas emissions (the so-called ILUC effects). The Directive sets out several key obligations: it caps the contribution of conventional biofuels at a maximum of 7% of final energy consumption in transport, introduces an indicative target of 0.5% for advanced biofuels (from waste, residues, and non-food competing feedstocks), requires stricter GHG emission reporting, and adopts revised sustainability criteria.

The current Energy Law does not contain provisions establishing an upper limit for the contribution of conventional biofuels in the transport sector. Neither the Law nor the related by-laws distinguish biofuels by origin or generation, nor do they cap their overall share in the energy balance. Likewise, the Law on the Use of Energy from Renewable Sources does not define targets for the share of advanced biofuels, nor does it recognise concepts such as “low ILUC-risk biofuels” or “advanced biofuels” in the context of the

transport sector. Consequently, the key quantitative obligations under Article 3(4)(d) and (f) of Directive 2009/28/EC, as amended by Directive (EU) 2015/1513, have not been transposed.

On the other hand, certain elements of the Directive have been partially incorporated into the Montenegrin legal framework through the Decree on Detailed Sustainability Criteria for Biofuels and Bioliquids. This decree, in line with the amended Annex V to Directive 98/70/EC, sets minimum GHG emission savings thresholds for biofuels - 50% for plants built before October 2015 and 60% for new plants. It also prohibits the use of feedstocks from land with high biodiversity value and requires the establishment of systems for documenting and verifying the origin of feedstocks and GHG emissions. These measures represent an important step towards transposing the sustainability requirements of the ILUC Directive, even though the term ILUC is not explicitly mentioned in the decree.

The Decree on the Mandatory Share of Biofuels in the Transport Sector further contributes to alignment with the Directive, particularly by introducing a system of record-keeping, planning, and reporting for obligated parties, as well as a mechanism for double-counting biofuels from waste and residues - in line with incentives for advanced biofuels. However, the decree does not set the obligation to achieve the indicative 0.5% target for advanced biofuels, nor does it establish a maximum cap for conventional biofuels. Likewise, there is no requirement for annual reporting on ILUC emissions – an obligation stemming from the amendments to Annex V of Directive 98/70/EC.

The Rulebook on the Quality and Control of Biofuels regulates technical characteristics and quality standards (e.g. MEST EN 14214 for biodiesel) but does not contain provisions on sustainability, generation-based differentiation, or contribution limits, and therefore does not directly contribute to the transposition of the ILUC Directive.

In conclusion, Montenegro's legislative and regulatory framework only partially transposes the technical requirements of Directive (EU) 2015/1513, primarily through the decrees adopted in 2018. However, the key quantitative obligations - capping conventional biofuels at 7%, introducing an indicative target for advanced biofuels, and reporting on ILUC emissions - have not been transposed, nor is the term ILUC explicitly recognised in the normative acts. Amendments to the existing decrees or the adoption of new rulebooks will be necessary to fully cover the requirements of the ILUC Directive.

Considering the fact that biofuels and renewable energy issues have been moved into the dedicated Law on RES, the Energy Law no longer contains them, thereby allowing more targeted alignment through that separate act, as noted in the explanatory memorandum to the amendments.

- **Directive (EU) 2018/2001 on promotion of the use of energy from renewable energy sources (RED II)**

In November 2024, the Advisory Committee of the Energy Community confirmed that Montenegro had breached its obligations under the Energy Community Treaty, as it had failed to transpose the key provisions of Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources (RED II)by the deadline of 31st December 2022, in particular Articles 25-27 and 29-31, which relate to:

- mandatory share of RES in the transport sector,
- sustainability criteria for biofuels,
- methodologies for calculation of GHG emissions and savings,
- reporting and verification in relation to RES energy.

In the meantime, Montenegro adopted the Law on the Use of Energy from Renewable Sources ("Official Gazette of Montenegro", No. 82/24), which entered into force on 31st August 2024. This Law largely achieved the formal and substantive transposition of the RED II Directive, including:

- defining targets and mechanisms for incentivisation of use of RES across all sectors (Articles 1–3, 4, 8),
- normative related to biofuels, advanced fuels and sectoral integration (Articles 7 and 9)
- establishment of the REA Power Purchase Agreements (PPAs) and energy communities (Articles 10, 13, 14),
- sustainability criteria and methodology for calculation of emissions (Articles 25-32).

The Energy Community Secretariat welcomed the adoption of the Law but did not formally close the case ECS-28/24, noting that adoption occurred after the deadline and that the procedure remains open until the official correlation table and confirmation of full transposition are submitted.

- **Commission Implementing Regulation (EU) 2020/1294 establishing a Union renewable energy financing mechanism**

Although Montenegro's EU Accession Programme for 2024-2025 foresaw the transposition of Commission Implementing Regulation (EU) 2020/1294 of 15 September 2020 on the Union renewable energy financing mechanism, this Regulation was not incorporated into the Law on the Use of Energy from Renewable Sources ("Official Gazette of Montenegro", No. 82/2024). Regulation (EU) 2020/1294 establishes the legal and institutional framework enabling EU Member States to participate, through voluntary financial contributions, in a common EU fund financing renewable energy projects, with the objective of achieving the targets set under Directive (EU) 2018/2001 (RED II). The Regulation defines detailed procedures for allocation of funds, rules for calls for project proposals, project selection and evaluation criteria, as well as reporting and monitoring arrangements. By contrast, the Law

relies exclusively on national support mechanisms such as market premiums, feed-in tariffs, and auctions, and does not contain any provision allowing Montenegro's institutional, financial, or legal participation in this EU mechanism. It makes no reference to the Regulation's core concepts such as "participating state," "host state," "Union fund," or "call for proposals," nor does it provide a legal basis for budgetary contributions or cross-border arrangements envisaged by the Regulation. While the Law contributes to the overall goal of increasing the share of renewables in final energy consumption, its normative scope remains limited to the domestic regulatory framework and does not cover the financing elements defined by Regulation (EU) 2020/1294. It can therefore be concluded that the Regulation has not been transposed - neither directly nor indirectly - into the current legislation, which remains an open issue for the future alignment of Montenegro's legal framework with the EU acquis.

- **Commission Delegated Regulation (EU) 2019/807 on determination of high indirect land-use change (ILUC)-risk feedstock for which a significant expansion of the production area into land with high carbon stock is observed, and on the certification of low ILUC-risk biofuels, bioliquids and biomass fuels**

The Law on Use of Energy from Renewable Sources ("Official Gazette of Montenegro", No. 82/2024) did not transpose the provisions of Commission Delegated Regulation (EU) 2019/807 of 13th March 2019, which supplements Directive (EU) 2018/2001 in relation to determination of feedstock with a high risk of indirect land-use change (ILUC) and the certification of biofuels, bioliquids and biomass fuels with low ILUC risk.

Regulation 2019/807 is aimed at:

- identification of the types of feedstock for biofuels for which there has been significant expansion of the production area onto land with high carbon stock;
- definition of conditions under which biofuels, bioliquids and biomass fuels may be classified as low ILUC-risk fuels, including certification criteria and a verification system.

Although the Law contains general sustainability criteria and requirements for the reduction of GHG emissions (Articles 88–91), none of its provisions recognize the term "ILUC," nor do they address:

- differentiation of feedstocks according to their indirect land-use change (ILUC) risk,
- specific rules for high-risk feedstocks (such as palm oil),
- the possibility of certifying "low-ILUC" biofuels in line with the rules and measurable criteria laid down in Regulation 2019/807,
- the role of verification bodies in the context of low ILUC-risk certification.

The most evident example is Article 79, which regulates biofuels produced from food and feed crops, but does not establish a distinction based on ILUC risk; rather, it only sets

administrative rules for calculating the RES share in transport.

Furthermore, although Article 80 provides for data exchange with systems of other countries and voluntary schemes, it does not establish a procedure for the recognition or implementation of certification schemes for low-ILUC biofuels in accordance with Regulation 2019/807.

- **Regulation (EU) 2019/943 on the internal market for electricity**

The Draft Law on Cross-Border Exchange of Electricity and Natural Gas is largely aligned with Regulation (EU) 2019/943 on the internal market for electricity (CELEX: 32019R0943). The explanatory memorandum of the draft states that the law was prepared to transpose the EU acquis into Montenegro's legal system, particularly in the part concerning market organization and functioning of the power system. In substance, the law follows the key obligations of the Regulation, including transparent and efficient allocation of cross-zonal capacities, congestion management in day-ahead, intraday and long-term markets, as well as balancing rules and operation of the transmission grid under cross-border conditions. In addition, the draft sets technical requirements for system users' connection, measures for security of supply and operational management of crisis situations, thereby enabling Montenegro's integration into the EU single electricity market. These provisions implement the obligations imposed on Montenegro by the Ministerial Council Decision of the Energy Community (D/2022/03/MC-EnC), confirming the high legal and practical alignment of this law with the relevant EU legislation.

Shortcomings in transposition of the Regulation (EU) 2019/943 (CELEX: 32019R0943):

- Incomplete transposition of market rules on the demand side. Regulation (EU) 2019/943 strongly promotes the role of consumers and active customers, including:
    - access to the flexibility market,
    - participation in demand response programs,
    - protection against discrimination and unfair charges;
    - Lack of normative recognition and integration of active customers, aggregators, and participants and demand response participants into cross-border market mechanisms (e.g. re-dispatching, balancing, ancillary services).
- The draft law contains definitions of active customer and aggregation, but lacks concrete rules on consumer participation in the market, rights to access flexibility, and non-discriminatory connection and balancing charges.
- Although aggregators are mentioned as market actors, the Law does not define their specific obligations and rights, nor the regime of registration, licensing, or their relationship with system operators.
- The Regulation requires the removal of barriers for providing flexibility services,

including energy storage. The Law uses the term “storage” but does not clearly establish the possibility for storage providers to participate in the market, nor does it define the status of storage (as a separate activity or an ancillary function).

- The Regulation abolishes the general regime of priority dispatch for renewables, except for small or pilot projects. The Law refers to priority dispatch but is not aligned with the conditions and exemptions defined in Article 12 of the Regulation, which may result in market distortion.
- Articles 21 and 22 of the Regulation set out detailed rules on resource adequacy measures (capacity mechanisms), including the obligation for market assessment and compliance with state aid rules. The Law does not clearly prescribe when and how a capacity mechanism may be established, nor the requirements for prior assessment of market distortions or notification to the Secretariat/EC.
- Article 40 of the Regulation further assigns obligations to ENTSO-E/TSO in relation to:
    - development of methodologies (TCM),
    - participation in pan-European tools for capacity calculation and balancing,
    - operational transparency and reporting.
- Although the Law acknowledges the role of the TSO, it does not establish a direct obligation for the operator (CGES) to participate in common mechanisms or to fully implement the methodologies adopted by ACER or ENTSO-E.
- The Regulation requires transparent and market-based balancing; however, while the Law contains basic definitions of balancing energy and capacity, it does not elaborate on the modalities for procuring balancing services, the use of algorithms, platforms, and market rules, nor on the relationships between TSOs and service providers (e.g. BSP models, bid activation).
- Articles 5-6 of the Regulation stipulate that the end consumers have the right to dynamic pricing and transparent market information.
- The Draft Law does not stipulate the right to conclude contracts with dynamic prices, nor does it impose an obligation on suppliers to offer them.

Regulation (EU) 2019/941 on Risk Preparedness in the Electricity Sector

Furthermore, the Draft Law on Cross-Border Exchange of Electricity and Natural Gas is aligned with Regulation (EU) 2019/941 on risk preparedness in the electricity sector (CELEX: 32019R0941). The explanatory memorandum to the law states that this Regulation is among the key EU legal acts being transposed through this legislation, in line with the Decision of the Energy Community Ministerial Council D/2021/13/MC-EnC, which imposed the obligation of its transposition on Montenegro.

The law contains a special chapter (Chapter II) dealing with risk preparedness and risk management, regulating the key elements of Regulation 2019/941 – including risk assessment for security of supply, drafting of national and regional electricity crisis scenarios, risk preparedness plans, early warning procedures, as well as bilateral and regional cooperation and subsequent evaluation of measures.

Additionally, transitional provisions define the deadline for adoption of the first Risk Preparedness Plan by 5th January 2025, in line with the implementation deadlines prescribed by the Regulation. This confirms not only the formal but also the substantive alignment of the law with CELEX 32019R0941.

Considering the fact that the Law on Cross-Border Exchange of Electricity and Natural Gas has not yet been adopted, the legal and institutional prerequisites for the application of the obligations from Regulation (EU) 2019/941 (CELEX: 32019R0941) formally do not yet exist. Although the draft law is substantially aligned with the provisions of the Regulation and acknowledges obligations such as preparing national risk preparedness plans, risk assessments, and bilateral cooperation, the deadlines set by the Regulation – particularly those related to drafting and submitting plans (e.g. by 5th January 2025) – are currently unattainable in practice due to delays in the legislative process.

This situation emphasises the need for:

- Adoption of the Law as soon as possible in order to enable fulfilment of international obligations towards the Energy Community
- Potentially request an extension of the deadline or a derogation of obligations, in accordance with the Energy Community's practice, until the formal conditions for implementations are met.

The following section provides a brief analysis of the identified gaps in relation to (EU) 2019/941:

- Albeit the Law refers to the obligation of preparing national and regional crisis scenarios and risk preparedness plans, it does not define specific methodologies, criteria, or institutions responsible for drafting technical analyses.
- Additionally, a clear institutional framework for updating and validating those plans is not foreseen (e.g. the role of ENTSO-E, RCC, system and market operators).
- The Regulation requires strong interstate cooperation in preparation and implementation of the preparedness measures and provision of assistance. The Law only mentions bilateral and regional cooperation in general terms, without providing for binding regional agreements (e.g. on the distribution of responsibilities, data exchange, compensation), which may limit implementation in practice.
- Even though Article 10 of the Draft prescribes a mechanism for declaring a crisis and early warning, there is no systematic link with market mechanisms (e.g. market response, rules on suspension of capacity allocation, market priorities).
- Additionally, the legal basis and binding nature of national measures in relation to the regional context and neighbouring system operators are not clearly defined.

- The Regulation strongly relies on cooperation with ENTSO-E and data exchange.
- The Law acknowledges this in principle but does not establish concrete coordination mechanisms (e.g. who collects and validates data, how it is transmitted, how ERAA – European Resource Adequacy Assessment – is used).

- **Regulation (EU) 2019/942 of the European Parliament establishing a European Union Agency for the Cooperation of Energy**

The Draft Law on Cross-Border Exchange of Electricity and Natural Gas formally recognizes Regulation (EU) 2019/942 as part of the EU acquis that must be transposed into national legislation, in line with the obligations undertaken through the Decision of the Energy Community Ministerial Council D/2022/03/MC-EnC. Several provisions of the law acknowledge the role of the Agency for the Cooperation of Energy Regulators (ACER), particularly in the context of adopting methodologies (TCM), functioning of the single electricity market, and cooperation among regulators.

The law functionally enables partial implementation of the Regulation through the Energy and Utilities Regulatory Agency (RAE), with reference to ACER in the context of international/regional cooperation. However, the following key shortcomings in transposition have been identified, which limit the full and effective implementation of the Regulation:

Identified shortcomings:

- The role of ACER in the legislative text is declarative and fragmented.
- Procedures through which ACER would assume a role in resolving specific issues related to Montenegro (e.g. approval of TCM, supervision of regional mechanisms) are not elaborated.
- There is no systemic distinction between ACER and the Energy Community Regulatory Board.
- The law does not specify that ACER's decisions (or those of the Regulatory Board as a substitute) are legally binding in Montenegro.
- Mechanism for enforcement of such decisions is missing.
- The Regulation entrusts ACER with a role in resolving regulatory disputes between Member States. The law does not provide a mechanism for submitting or enforcing such disputes, nor the role of RAE in these proceedings.
- The Regulation emphasizes the exchange of market data through centralized systems. The draft law does not establish an obligation or possibility for CGES, RAE, or other stakeholders to access ACER platforms.

In accordance with Montenegro's EU Accession Programme for the period 2024–2027, the following secondary legislation is planned, based on the Law on Cross-Border Exchange of Electricity and Natural Gas:

1. Regulation on Guidelines for Cross-Border Capacity Allocation and Congestion Management
    - Adoption period: 2024/IV

- CELEX: 32015R1222, 32021R0280

2. Regulation on Guidelines for Forward Capacity Allocation
   - Adoption period: 2024/IV
   - CELEX: 32016R1719, 32021R0280

3. Regulation on Guidelines on Electricity Balancing
   - Adoption period: 2024/IV
   - CELEX: 32017R2195, 32021R0280

4. Regulation on Guidelines on Transmission System Operation
   - Adoption period: 2024/IV
   - CELEX: 32017R1485

5. Regulation establishing a Network Code on Emergency and Restoration of the Power System
   - Adoption period: 2024/IV
   - CELEX: 32017R2196

Table 1. Transposition of EU acquis - Montenegro

EU legislative act	Relevant law(s) in Montenegro	Transposition status
Directive (EU) 2019/944	Energy Law (2025)	Partial transposition; the Energy Law is aligned in relation to the basic principles, but key elements of market organization, the role of suppliers, aggregators, and active customers are not fully implemented.
Directive 2014/94/EU	Law on Roads, Law on Road Transport	Not transposed
Directive 2019/692/EU	New Law on Cross-Border Exchange of Electricity and Natural Gas	Not transposed
Regulation (EU) 2019/826	Energy Law, Law on Efficient Use of Energy	Partial transposition; a provision for assessment is envisaged (Art. 13 of the Law), but a detailed methodology and elements from Annex VIII and IX are missing; further elaboration required through secondary legislation.
Regulation (EU) 2019/1745	Law on Energy, Law on Use of RES	Partial transposition; basic requirements recognized in the Law on RES. However, technical specifications, interoperability, and minimum standards for charging stations for L-category motor vehicles (e.g., e-scooters and mopeds), as well as on-shore

EU legislative act	Relevant law(s) in Montenegro	Transposition status
		power supply for inland navigation vessels, are not regulated by specific secondary legislation.
Regulation (EU) 2021/1444	Energy Law	Not transposed; standards for charging electric buses are not prescribed.
Regulation (EU) 2023/1162	Energy Law	Partial transposition; interoperability of metering systems and access to data are envisaged, but full transparency and technical standards are not ensured.
Directive 2015/1513/EU	Law on Use of Res	Partially transposed, primarily through regulations from 2018.
Directive (EU) 2018/2001 (RED II)	Law on Use of RES (2024)	Formally transposed through the Law on RES (2024); full implementation depends on the adoption of 39 secondary acts.
Regulation (EU) 2020/1294	Energy Law, Law on Use of RES	Not transposed; the EU-level RES financing mechanism has not been integrated into the national framework.
Delegated Regulation (EU) 2019/807	Law on Use of RES	Partial transposition; sustainability principles recognized in the Law on RES, but not all criteria for low-risk biofuels have been regulated.
Regulation (EU) 2019/943	Draft Law on Cross-Border Exchange of Electricity and Natural Gas	Partial transposition; the Energy Law provides the basics for market functioning, but without advanced market mechanisms and flexibility.

EU legislative act	Relevant law(s) in Montenegro	Transposition status
Regulation (EU) 2019/941	Draft Law on Cross-Border Exchange of Electricity and Natural Gas	In the process of transposition
Regulation (EU) 2015/1222	Planned secondary regulation MEM (2024/IV)	In the process of transposition through the regulation on congestion management.
Regulation (EU) 2016/1719	Planned secondary regulation MEM (2024/IV)	In the process of transposition through the regulation on long-term capacity allocation.
Regulation (EU) 2017/1485	Planned secondary regulation MEM (2024/IV)	In the process of transposition through the regulation on transmission system operation.
Regulation (EU) 2017/2195	Planned secondary regulation MEM (2024/IV)	In the process of transposition through the regulation on balancing.
Regulation (EU) 2017/2196	Planned secondary regulation MEM (2024/IV)	In the process of transposition through the regulation on emergency and restoration code.
Regulation (EU) 2021/280	Planned secondary regulation MEM (2024/IV)	In the process of transposition through all related regulations.

3.1.2. Challenges

Despite significant progress in aligning with the EU acquis, the legislative framework in the electricity sector in Montenegro continues to face a number of challenges that slow down its full and effective implementation. The following key problems have been identified, requiring further normative, institutional and operational interventions:

- ✔ In several cases, the transposition of EU directives and regulations has started but has not yet been completed (e.g. RED II, Directive (EU) 2019/944, Directive 2014/94/EU, Regulation (EU) 2019/943). In many instances, despite the formal adoption of laws, implementation cannot take place without the adoption of a large number of secondary acts, which leads to delays in application.
- ✔ The law prescribes basic consumer rights, including the right to choose a supplier and switch without charge, but there are no systemic measures for informing

consumers, nor standardized invoice formats and disclosure of the energy mix.

- ✔ The lack of active suppliers and market dynamics prevents effective application of end-user rights to dynamic tariffs, flexibility, or supplier choice. Aggregation and balancing markets still do not function in practice.
- ✔ Although the law refers to smart meters and interoperable systems, technical standards and institutional roles (e.g. data access provider) are not defined, which prevents functional data exchange.
- ✔ The law formally recognizes citizen energy communities and active consumers, but does not provide concrete support measures, grid access incentives, or procedures for registration and licensing.
- ✔ Directive 2014/94/EU and related regulations on infrastructure for e-mobility, hydrogen, and CNG have not been transposed, nor are they normatively covered in the Energy Law or other relevant acts.
- ✔ Despite the formal recognition of aggregators and flexibility, consumers are not able to participate in balancing, re-dispatching or cross-border trade programmes, as the necessary market rules and technical infrastructure are missing.
- ✔ There is a trend of delays in the adoption of key laws and by-laws, with line ministries and agencies often burdened by a lack of expert and administrative capacity to draft complex regulations.
- ✔ Montenegro has several open infringement cases before the Energy Community Secretariat due to untimely transposition of the acquis (e.g. ECS-10/24, ECS-28/24), indicating systemic weaknesses in reform implementation.
- ✔ The robust and complex legal framework envisaged by the Energy Law, while aligned with EU practice, may in practice slow down or complicate its implementation. More than 40 by-laws need to be adopted in a short period, while the implementation of key institutes, such as dynamic pricing, balancing markets or aggregation, cannot materialise without them. Overlapping institutional competences further complicate coordination and create a risk of legal uncertainty, while the absence of minimum transitional rules in the law leaves market actors without clear procedures. Such a structure may lead to a legal vacuum, slow down investments and result in a law that exists formally but cannot be applied functionally.
- ✔ One of the key challenges in aligning Montenegrin legislation with the EU acquis is the high pace of amendments to EU directives and regulations, especially in the electricity sector. The adoption of new or amended EU rules requires swift and legally precise transposition. However, Montenegro faces complex and lengthy legislative procedures, limited administrative capacities and an insufficiently flexible institutional framework, which significantly hinders timely transposition of new EU obligations. As a result, even when older versions of directives are transposed with delay, new amendments have already entered into force, creating a permanent backlog and a “moving target” effect in the alignment process.

3.2. Assessment of condition of legislative framework in the hydrocarbons sector

In order to meet the first closing benchmark, the Law on Security of Supply of Petroleum Products was adopted. The Energy Community Secretariat issued a positive opinion regarding the transposition of **Directive 2009/119/EC**. The new law stipulates that compulsory stocks of petroleum products are to be formed by the Hydrocarbons Administration and petroleum product importers. It is foreseen that the Hydrocarbons Administration will establish at least one third of the prescribed obligation in finished product, while the remaining obligation is to be fulfilled by petroleum product importers. Strategic reserves of petroleum products will be established and maintained by collecting financial resources from a fee that will be introduced into the retail price of the prescribed petroleum products. Importers of petroleum products have been given the possibility to meet their part of the obligation within 210 days from the date of entry into force of the Law, as foreseen by Directive 2009/119/EC. For the Hydrocarbons Administration, which is required to establish compulsory reserves of petroleum products in finished product, the Law foresees the possibility of gradual formation of compulsory stocks, in line with financial capacities and available storage capacities.

The process of modernization and refurbishment of state-owned storage tanks at the Bar terminal has been initiated with the aim of overcoming the challenges related to storage of compulsory reserves of petroleum products. The total storage capacity of petroleum installations in Bar amounts to 17,600 m^3. To meet the full obligation, it is necessary to plan either the expansion of storage capacity or the leasing of storage space.

Thus, the key result is adoption of the **Law on Security of Supply of Petroleum Products**, which establishes the basis for introducing mechanisms to protect consumers in crisis situations and to ensure the country's energy security. In addition, the revised Action Plan for the formation of compulsory reserves of petroleum products was prepared, which represents an important step towards alignment with European standards and obligations stemming from the EU acquis.

Directive 2009/119/EC of 14th September 2009 stipulates that all EU Member States must maintain minimum stocks of crude oil and/or petroleum products. The aim of the Directive is to preserve security of energy supply through the compulsory establishment of reserves that are available in case of crisis. The Directive requires:

- maintaining reserves equal to the greater of the two values: 90 days of average daily net imports or 61 days of average daily consumption,
- physical availability of reserves within 8 days,
- existence of a central stockholding entity (CSE),
- precise reporting and record-keeping obligations,
- possibility of storing reserves in other Member States,

- definition and control of so-called “special stocks”,
- introduction of mechanisms of solidarity and international coordination in case of crisis.

The Law on Security of Supply of Petroleum Products represents a response to the obligation to transpose Directive 2009/119/EC and forms part of the legislative framework in the field of energy security. It regulates::

- ✔ the obligation to establish compulsory reserves of petroleum products in quantities covering at least 90 days of net imports or 61 days of domestic consumption,
- ✔ defining the competences of the Hydrocarbons Administration as the central stockholding entity,
- ✔ the method of storage and physical availability of reserves within 8 days,
- ✔ reporting to competent institutions and the EU,
- ✔ stock management in case of crisis,
- ✔ adoption of secondary legislation – including the calculation methodology and technical documentation.

The Law has already been supplemented by bylaws enabling its implementation in line with the requirements of the Directive.

Therefore, the Law is substantially aligned with Directive 2009/119/EC. The most important elements of the Directive have been transposed into the Law, including the methodology for calculating reserves, their availability, institutional competences, and reporting obligations.

However, certain segments do require additional alignment:

- It is necessary to regulate the operational independence of the Hydrocarbons Administration more precisely, given its status as a state authority under the administrative supervision of the ministry.
- The term “special stocks” is not clearly elaborated in the law, nor are specific regimes of their legal protection prescribed.
- Mechanisms of solidarity and international cooperation, particularly within the framework of obligations towards the IEA, are not regulated in detail.
- The obligation to establish a public register of reserves is missing.

As stated in section 2.2.2 of this Report, **Commission Directive (EU) 2018/1581 of 19th October 2018**, amending Directive 2009/119/EC as regards the methods of calculating stockholding obligations, has been fully transposed through the Security of Supply Action Plan for Petroleum Products of December 2024. The Plan applies the methods prescribed in Annexes II and III(b) of the Directive, including the conversion of petroleum product quantities into crude oil equivalents, the 75% rule for the structure of reserves, as well as monthly reporting via the MOS form, confirming full compliance with the Commission’s technical requirements.

At the session held on 8th November 2024, the Government of Montenegro adopted the **Draft Law on Safety Measures during Offshore Hydrocarbon Exploration and Production**, which was submitted to the Parliament of Montenegro for consideration and adoption on 12th December 2024. The document is aligned with Directive 2013/30/EU on the safety of offshore oil and gas operations and amending Directive 2004/35/EC. In line with EU best practices, the Draft Law sets minimum requirements for preventing major accidents during offshore hydrocarbon exploration and production operations in Montenegro, designating the Hydrocarbons Administration as the competent authority. The aim is to establish a regulatory framework for carrying out this activity in a safe manner, without negative consequences for the environment, people, and property, and to limit the consequences of possible accidents.

Directive (EU) 2018/1581, amending Directive 2009/119/EC as regards the methodology for calculating compulsory petroleum stockholding obligations, has been fully transposed into national legislation through the **Rulebook on the Template and Methodology for Calculating the Quantity of Compulsory Petroleum Stocks** ("Official Gazette of Montenegro", No. 18/25). This Rulebook explicitly prescribes two methods of calculation: based on average net imports and on average daily consumption, with the application of correction factors (1.065 for net imports and 1.2 for consumption), as required by the Directive.

The annexes to the Rulebook also contain standardized tables for annual reporting, calculation in crude oil equivalents, as well as the distribution of reserves by type of derivative. The document also provides for monthly data updates and elaborates the methodology for all relevant quantities - including commercial stocks, stocks in transit, and stocks held by third parties.

Considering that all key technical and methodological requirements of Directive (EU) 2018/1581 have been transposed and operationalized through a national secondary act, it can be assessed that this part of the EU acquis has been **fully transposed** into Montenegro's legislative framework.

Table 2. Transposition of EU legal acts: hydrocarbons sector

EU legal act	Relevant law(s) in Montenegro	Transposition status
Directive 2009/119/EZ (32009L0119)	Law on Security of Supply of Petroleum Products	Fully aligned
Directive (EU) 2018/1581 (32018L1581)	Rulebook on the Template and Methodology for Calculating the Quantity of Compulsory Petroleum Stocks	Fully aligned
Directive 2013/30/EU (32013L0030)	Planned through the Rulebook on Safety Plans and Documentation; Law on Safety Measures during	In the process of transposition; the matter is regulated by draft acts in line

EU legal act	Relevant law(s) in Montenegro	Transposition status
	Explorations	with EU standards
Directive 94/22/EZ (31994L0022)	Planned through the Decree on Calculation and Payment of Fees; Decree on Third-Party Access and Block Relinquishment	Transposition planned in 2025; ensures compliance in the area of fees and access

3.2.1. Challenges

Although the adoption of the Law on Security of Supply of Petroleum Products and the Draft Law on Offshore Hydrocarbon Safety represents significant progress in aligning with EU directives, particularly Directive 2009/119/EC and Directive 2013/30/EU, a number of challenges remain in terms of institutional capacity, infrastructural readiness, and the full applicability of these provisions in practice.

- Although the Hydrocarbons Administration is legally defined as the central body for managing petroleum product reserves, its status as a state authority under the administrative supervision of the ministry may call into question its full functional and operational independence, which is one of the requirements of Directive 2009/119/EC regarding the organization of Central Stockholding Entities (CSE).
- The law does not contain a detailed elaboration of the legal regime for so-called special stocks, including their legal ownership, treatment in the event of bankruptcy, restrictions on disposal, and reporting regime, which are clearly defined in Directive 2009/119/EC. The absence of such provisions may hinder the control and protection of strategic reserves.
- Existing capacities in Bar (17,600 m^3) are not sufficient to cover the obligation of 90 days of net imports or 61 days of consumption, especially when part of the obligation must be fulfilled in finished products. Limitations in storage infrastructure complicate compliance with the requirement of physical availability of reserves within 8 days, which is a mandatory EU standard.
- Directive 2009/119/EC provides for obligations related to international coordination and solidarity mechanisms in the event of a crisis, including cooperation with EU Member States and the IEA. These mechanisms are not normatively elaborated in Montenegrin law, which represents a potential shortcoming in crisis situations.
- The current law does not foresee the obligation to maintain a public register of the status and location of reserves, which would contribute to transparency, more effective oversight, and compliance with reporting obligations to the EU and other international bodies.
- The law allows the Hydrocarbons Administration to gradually build up reserves in line with financial capacities and available storage. While this may be understandable from a practical perspective, there is a risk that the system in the coming years will not meet the requirement of full operational readiness in crisis

conditions.

- The model of financing reserves through surcharges on retail fuel prices is subject to economic cycles, consumption fluctuations, and political decisions. Such a system may prove insufficiently stable for the sustainable financing of strategic reserves, further complicating planning and stock management.
- Since these laws are recent, and the competences of the Hydrocarbons Administration have been significantly expanded, there is a risk that implementation will face challenges regarding technical expertise, human resources, and institutional capacity, particularly in the areas of planning, reporting, and oversight.
- The Draft Law on Offshore Safety designates the Hydrocarbons Administration as the competent authority for the safety of operations, but its role is not clearly delineated in relation to other sectoral supervisory bodies (e.g. environmental protection, maritime transport, occupational safety). This may lead to overlapping competences and regulatory gaps.

3.2.2. Recommendations

In order to ensure full compliance with Directive 2009/119/EC and Directive 2013/30/EU, as well as the effective implementation of the new legislative framework in the field of oil products security of supply and offshore safety, the following normative, institutional and infrastructural measures are recommended:

- It is necessary to specify the status and powers of the Hydrocarbons Administration as the central stockholding entity (CSE), with a clear delineation from the competent ministry, in line with the requirements of Directive 2009/119/EC.
- The Law should be supplemented by a clear definition of special stocks, including rules on their legal status, protection, recording and possible use in crisis situations, in accordance with European standards.
- Strategic planning is needed for the expansion of state-owned storage facilities (e.g. Bar terminal), as well as the establishment of a framework for partnerships with the private sector and options for leasing storage space abroad, in order to meet the requirement related to physical availability of stocks.
- A publicly accessible register of reserves should be established, covering volumes, locations and legal status of stocks, with regular updates and alignment with reporting obligations to the EU and the IEA.
- The Law should be supplemented with provisions requiring cooperation with other countries (EU Member States or Energy Community Contracting Parties), including mechanisms for joint stocks, coordination in emergencies and information exchange.
- A long-term sustainable financing mechanism for reserves needs to be developed, one which is not going to rely solely on variable retail levies, but also include budgetary support, access to international funds and public-private partnerships.
- The Hydrocarbons Administration needs to be further strengthened in terms of

human resources, analytical and technical capacity in order to effectively manage stocks, maintain records, communicate with international bodies and perform oversight in line with EU standards.

- ✔ The final version of the Offshore Safety Law should clearly delineate the competences of the Hydrocarbons Administration from other regulatory authorities (Environmental Protection Agency, Labour Inspectorate, Navy, etc.), including the introduction of an inter-institutional coordination system.

4. Assessment of condition of legislative framework in the area of energy efficiency

The Law on the Efficient Use of Energy, together with the by-laws adopted during 2024, establishes a comprehensive regulatory framework largely aligned with Directives 2010/31/EU (EPBD), 2012/27/EU (EED) and 2018/844/EU. The key novelty is related to establishment of a national methodology for calculating the energy performance of buildings, based on standard DIN V 18599:2018 and CEN standards developed under EU mandate M/480. This methodology has been integrated into the MEEC software, which is the only officially recognised tool for the calculation and certification of the energy performance of buildings in Montenegro. The software enables the calculation of primary energy, the determination of the building's energy class (A-G), and the issuance of an Energy Performance Certificate (EPC), which is fully in line with EPBD requirements.

On the basis of the Law, five key rulebooks were adopted during 2024: (1) Rulebook on Minimum Energy Efficiency Requirements for Buildings (Official Gazette of Montenegro, No. 47/2024), which prescribes U-values per climatic zones and introduces the "notional building" concept for determining reference consumption; (2) Rulebook on Certification of the Energy Performance of Buildings (O.G. 47/2024), which defines EPC classification and certification methodology; (3) Rulebook on the Amount of Fees for Issuing EPC (O.G. 67/2024); (4) Rulebook on Energy Audits of Buildings (O.G. 75/2015), which regulates inspections of heating and air-conditioning systems ≥70 kW; and (5) Rulebook on Conditions for Training and Authorisation of Persons for Energy Audits (O.G. 75/2015). These acts enable the implementation of the essential requirements of the EU directives in practice and represent an important step in the operational transposition of European legislation.

In terms of institutional readiness, a system for the training and authorisation of energy auditors has been established - by the end of 2024, around 60 engineers (civil, mechanical and electrical) had completed certification, with a new training round planned for early 2025. The EPC is issued on the basis of the energy efficiency study, which forms part of the technical documentation for the building permit. Certification has been mandatory since 1 August 2024 for new buildings applying for a construction permit. The national register of issued EPCs is in the process of being established, with functionality planned from February 2025. This database will enable systematic quality control, oversight of the implementation of regulations and transparency of data.

Although the legal framework is formally aligned with EU legislation, certain gaps in the transposition of Directive 2018/844 requirements are evident. First, although EPC energy classes are determined in line with the nZEB logic, the concept of nZEB itself and the target deadline for its mandatory application are not formally defined, which represents partial non-compliance with Article 9a of the EPBD. In addition, the Law does not prescribe the mandatory installation of Building Automation and Control Systems (BACS) in large buildings with technical systems over 290 kW, nor does it allow BACS to be used as an alternative to regular inspections of heating and cooling systems, which are direct requirements of Articles 14.4 and 15.4 of the amended directive. Furthermore, although the EPC system formally exists, its functional implementation is still not fully operational, which limits the ability for on-site evaluation and control.

Table 3. Transposition of EU legal acts – Energy Efficiency

Legal act	Relevant law(s) in Montenegro	Transposition status
Directive 2010/31/EU (32010L0031) + Directive 2018/844/EU (32018L0844)	Rulebook on Minimum Energy Performance Requirements for Buildings ("Official Gazette of Montenegro", No. 33/15) and Rulebook on Certification of the Energy Performance of Buildings ("Official Gazette of Montenegro", No. 33/15)	Partial transposition; core requirements transposed, but full framework for nZEB standards, automation and smart systems is missing.
Regulation (EU) 2023/2104	Rulebook on the Method of Calculating Primary Energy Savings and the Efficiency of Combined Production of Electricity and Heat ("Official Gazette of Montenegro", No. 75/23)	Transposed; methodology aligned with EU requirements for high-efficiency cogeneration.
Regulation (EU) 2023/2048	Rulebook on the Labelling of Energy Efficiency of Air Conditioning Devices ("Official Gazette of Montenegro", No. 10/2025)	Fully transposed; provisions of Regulation (EU) 2023/2048 fully transposed through the new rulebook entering into force on 1st June 2025. The rulebook covers all technical requirements, methodology for calculating energy efficiency classification, standardised labels, and obligations for manufacturers and distributors regarding consumer information.
Regulation (EU)	Rulebook on Ecodesign	Transposed; requirements for standby

Legal act	Relevant law(s) in Montenegro	Transposition status
2023/0826	Technical Requirements for Office and Household Equipment in Standby Mode („Official Gazette of Montenegro“, No 21/22)	consumption aligned with EU regulation.
Regulation (EU) 2023/1669	Rulebook on Energy Efficiency Labelling of Smartphones and Tablets (“Official Gazette of Montenegro”, No. 74/23)	Transposed; consumer categories and information requirements aligned with EU standards
Regulation (EU) 2023/1670	Rulebook on Ecodesign Technical Requirements for Smartphones and Tablets (“Official Gazette of Montenegro”, No. 74/23)	Transposed; covers efficiency, replaceability of parts, and device durability
Directive 2012/27/EU (32012L0027) + amendments: 2018/2002/EU, 2023/1791, 2023/0807, 2018/1999	Law on Efficient Use of Energy (“Official Gazette of Montenegro”, No. 25/20), with planned amendments for the 2025-2026 period	Partial transposition; legislative framework exists, but not yet aligned with the latest amendments concerning public sector obligations, district heating efficiency, and 2030 targets.

4.1.1. Challenges

The Law on Efficient Use of Energy and the accompanying by-laws adopted during 2024 have established a modern regulatory framework largely aligned with the requirements of EU directives governing the energy efficiency of buildings.

However, despite formal alignment, the implementation of key institutes and the operational functionality of the system remain limited by a series of practical and normative challenges that slow down the achievement of full effectiveness and market recognition of this mechanism.

- ✔ Although the energy classes of buildings in the EPC system are based on the logic of nearly zero-energy buildings (nZEB), the term nZEB is not formally defined in the law, nor has a deadline been set for its mandatory application to new

buildings, which is contrary to Article 9a of Directive 2010/31/EU as amended by Directive 2018/844.

- ✔ The law does not prescribe the mandatory installation of Building Automation and Control Systems (BACS) in large buildings with heating/cooling systems above 290 kW, nor does it allow BACS as an alternative to regular inspections. This represents a shortcoming in the transposition of Articles 14.4 and 15.4 of Directive 2018/844.
- ✔ Although the EPC system is normatively established, its functional implementation is still not operational: the EPC register is in the process of being established, there is no quality control system for energy performance reports, nor an institutional mechanism for verifying the accuracy of data, which hinders supervision and undermines the credibility of the system.
- ✔ By the end of 2024, about 60 experts had completed certification, which is insufficient for the mass application of mandatory certification and energy audits. An additional challenge is maintaining knowledge standards, supervising auditors' work, and the lack of digital infrastructure for their records.
- ✔ Market actors, including designers, investors, and building users, are still insufficiently familiar with the new requirements on energy passports, reference standards, and the importance of EPCs in the building permit process. The lack of promotional and educational activities may slow down the acceptance of the system in practice.
- ✔ The law and by-laws do not link the building's energy class with public support measures (e.g., tax incentives, subsidies, green mortgages), which reduces motivation to achieve higher standards of energy efficiency and prevents the EPC system from functioning as a public policy tool.

4.1.2. Recommendations

1. ***Formally define the nZEB concept and set a target deadline for application***

The law or accompanying by-laws should introduce a clear definition of nearly zero-energy buildings (nZEB), together with a binding deadline for their application to all new public and private buildings, in line with Article 9a of Directive 2010/31/EU.

2. ***Transpose the obligation for installation of BACS systems in large buildings***

The law should be amended to include the mandatory installation of Building Automation and Control Systems (BACS) for all new and existing buildings with heating and/or cooling systems of ≥290 kW, as well as allow BACS as an alternative to regular energy inspections, in line with Articles 14.4 and 15.4 of Directive 2018/844.

3. Accelerate establishment of a functional national EPC register

It is necessary to ensure that the national register of issued Energy Performance Certificates (EPC) becomes fully operational, enabling supervision of auditors, quality control of submitted data, and easy access to relevant information for public authorities and market actors.

4. Strengthen capacities and supervision of energy auditors

Regular training, licensing, and supervision of energy auditors should be provided through the development of a digital register and a quality-control mechanism for their reports, as well as by defining sanctions for malpractice and misuse of the system.

5. Conduct information and awareness-raising campaigns for market actors

Targeted campaigns should be organised for designers, construction companies, investors, and building owners in order to improve understanding of regulatory requirements, the importance of EPCs, and the benefits of energy efficiency.

6. Link building energy classes with support measures

A link should be established between EPC classes and financial support programmes (e.g. subsidised loans, tax incentives, renovation grants), to increase motivation for constructing and renovating buildings in line with higher energy-efficiency standards.

7. Complexity and time pressure of transposing the new generation of EU acts

Under Montenegro's EU Accession Programme for 2025-2026, alignment is planned with several demanding and technically complex EU legal acts in the field of energy efficiency, climate policy and sustainable consumption, including: Regulation (EU) 2018/1999, Directives 2018/2002, 2023/1791 and 2024/1275, as well as Regulations 2023/807 and 2024/1781. These acts introduce additional regulatory burdens with strict deadlines and new concepts such as the binding "energy efficiency first" principle, mandatory renovation of energy-poor buildings, mandatory BACS systems, digital energy passports, and extended eco-design rules for almost all product categories. In this context, transposition requires extensive amendments to the Law on Efficient Use of Energy and its by-laws, as well as adjustments to several sectoral laws. Given the short deadlines, limited institutional capacities and complexity of inter-ministerial coordination, there is a high risk that Montenegro will fall behind in achieving full legal and functional compliance, representing one of the greatest strategic challenges in the field of energy efficiency in the next two years.

5. Conclusions and assessment of progress

Montenegro has reached a **good level of preparedness** in this area, but **limited progress** has been made during the reporting period. With the adoption of the new Energy Law (March 2025), the Law on Security of Supply of Petroleum Products, and the Law on the Use of Energy from Renewable Sources (August 2024), Montenegro has made an important step towards fulfilling the interim benchmarks under Negotiation Chapter 15 - Energy.

Additionally, the Government of Montenegro adopted the updated Action Plan for the establishment of compulsory oil reserves, while the preparation of the National Energy and Climate Plan (NECP) until 2030 with the accompanying Strategic Environmental Assessment is in its final phase, and the drafting of the Long-term Low-carbon Development Strategy is ongoing. These documents form the basis for integrated planning and the fulfilment of obligations under Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action.

However, the adoption of the NECP and the full transposition of the “Clean Energy for all Europeans” package are still delayed. The new Energy Law and the Law on the Use of Renewable Energy Sources represent important steps towards alignment with the EU acquis in the field of electricity and RES. Nevertheless, functional implementation remains slow and fragmented. While the laws recognise important mechanisms (e.g. aggregation, smart metering, dynamic tariffs, energy communities), their operational application is postponed due to the need to adopt a large number of by-laws, technical rulebooks and digital tools. Such a model of transposition, in which a significant share of obligations is transferred to secondary legislation, carries a high risk of delays and regulatory gaps, limiting the achievement of objectives on the ground.

In the field of compulsory oil reserves, significant progress has been achieved. The Law on Security of Supply of Petroleum Products has been adopted in line with the requirements of Directive 2009/119/EC and Directive (EU) 2018/1581. An updated Action Plan for the establishment of compulsory oil reserves, including a draft action plan, has also been adopted. The Rulebook on the methodology for calculating reserves is fully aligned with EU requirements and ensures transparent and consistent calculation of compulsory reserves. Montenegro has thus practically established the normative framework enabling the full application of EU requirements in this area. In the hydrocarbons sector, the transposition of the acquis is progressing.

Institutional capacities, especially in terms of human resources, technical equipment and inter-ministerial coordination, remain insufficient for the full implementation of the EU acquis. At the same time, functional mechanisms for monitoring, reporting and verification of data, which are essential for meeting requirements in energy, climate and sustainable development, have not yet been established.

A particular challenge lies in the upcoming transposition of complex and voluminous EU legal acts, including Directive 2023/1791 (new Energy Efficiency Directive), Directive 2024/1275 (revised Buildings Directive), as well as Regulations 2024/1781 and 2023/807, which introduce ambitious renovation targets, digital energy passports, sustainable products and support mechanisms through the Social Climate Fund. Their transposition requires comprehensive amendments to legislation, improvement of technical capacities and coordinated institutional action within very short deadlines, further complicating the integration process.

Despite these challenges, there is a clear political will to align the energy sector with EU standards. However, without accelerated implementation, strengthened supervisory institutions and the completion of strategic planning (NECP), there is a risk that legislative progress will remain largely declarative.

6. Literature

1. European Union (2019) Directive (EU) 2019/944 on common rules for the internal market for electricity and amending Directive 2012/27/EU. Official Journal of the EU, L158, 14th June 2019.
2. European Union (2012) Directive 2012/27/EU on energy efficiency. Official Journal of the EU, L315, 14th November 2012.
3. European Commission (2019) Delegated Regulation (EU) 2019/826 amending Annexes VIII and IX to Directive 2012/27/EU. Official Journal of the EU, L137, 23rd May 2019.
4. European Union (2018) Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources (RED II). Official Journal of the EU, L328, 21st December 2018.
5. European Union (2009) Directive 2009/119/EC imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products. Official Journal of the EU, L265, 9th October 2009.
6. European Union (2014) Directive 2014/94/EU on the deployment of alternative fuels infrastructure. Official Journal of the EU, L307, 28th October 2014.
7. Government of Montenegro (2024) Energy Law. Official Gazette of Montenegro, No. 28/25.
8. Government of Montenegro (2024) Law on Use of Energy from RES. Official Gazette of Montenegro, No. 119/24.
9. Government of Montenegro (2024) Law on Security of Supply of Petroleum Products. Official Gazette of Montenegro, No. 119/24.
10. Ministry of Energy and Mining (2024) Draft National Energy and Climate Plan of Montenegro (2025–2030). Podgorica.
11. Ministry of Ecology, Spatial Planning and Urbanism (2025) Draft Long-Term Low-Carbon Development Strategy of Montenegro until 2050. In preparation, Podgorica.
12. Government of Montenegro (2024) Action Plan for the Establishment of Mandatory Oil Reserves. Podgorica.
13. Energy Community Secretariat (2024) Implementation Report for Montenegro. Vienna.
14. Energy Community Secretariat (2025) Recommendations on the Draft Integrated National Energy and Climate Plan of Montenegro (2025–2030). Vienna: Energy Community Secretariat. [Document: EnCS Recommendations 1/2025].
15. Ministry of Energy (2024). RIA Analysis - Draft Law on Energy. Podgorica. [Document: ria-predlog-zoe-07082024.pdf].
16. Ministry of Energy (2024). RIA Analysis - Draft Law on Security of Supply of Petroleum Products. Podgorica.
17. Ministry of Mining, Oil and Gas (2025) Annual Report of the Ministry of Mining, Oil and Gas for 2024. Podgorica.
18. Energy Community Advisory Committee (2024) Opinion AC Opinion 28/24 in the case ECS v. Montenegro.

19. Government of Montenegro (2024) Montenegro's EU Accession Programme 2024-2027. Podgorica: Ministry of European Affairs
20. Government of Montenegro (2025) Montenegro's EU Accession Programme 2025-2026. Podgorica: Ministry of European Affairs
21. Government of Montenegro (2025) Action Plan for the Implementation of the Recommendations from the European Commission's 2024 Montenegro Report. Podgorica: Ministry of European Affairs