

PRESS RELEASE



United Nations Development Programme

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UNDP's press statement on recent national energy strategy developments

The United Nations Development Programme (UNDP) would like to take this opportunity to congratulate the representatives of Montenegrin Government and the Academy of Sciences and Arts for engaging in the process of developing a much needed energy strategy – as reported during the presentation of Energy Development Strategy held on August 25th 2006.

However, comments coming from national intellectual elite regarding the controversial Buk Bijela hydropower plant project and its linkage to the UNESCO Heritage Site of the Tara Canyon, are somewhat surprising having in mind that in the last review of that project such relevant sources as the UNESCO, UNDP, USAID and Office of the High Representative in Bosnia, posed a series of questions regarding the legal, social, economic and environmental viability of the project. In addition, after an assessment of the wide range of data, an NGO campaign led by MOST and thousands of signatures of citizens collected in a short time frame, the Parliament of Montenegro ratified a declaration to protect this UNESCO Heritage Site.

Given that Montenegro recently became 192nd member of the United Nations and the Government, prior to the referendum, adopted a declaration on relations with the UN as an expression of Montenegro's commitment to the UN Charter and other conventions and treaties of the world organization, it is surprising to see that the Government's official position presented at the UNESCO World Heritage Convention in Durban is now challenged as well as that the state owned EPCG website still promotes Buk Bijela as a project, though this may be simply a question of website update as opposed to policy.

It is important to note that process of strategy preparation is more important in terms of analyzing alternatives and considering issues such as energy efficiency, pricing and subsidies than listing of potential projects.

As Dr. Rene Castro – ex Minister of Economy in Costa Rica – has said it is almost always cheaper to design mechanisms to save energy than to invest in new energy

generation projects. In the case of Montenegro, a study from the University of Podgorica suggests a potential for 22% saving in current consumption.

This is linked directly to the issue of pricing and subsidy. Until electricity charges reflect the reality of the cost of producing and distributing energy it will not be possible to effectively provide mechanisms for energy saving and energy source diversification. Current prices excessively subsidize wealthier consumers thus, of course, true energy prices will require a focused poverty alleviation policy with targeted subsidies (currently 50% of Montenegrin population use wood products as fuel and if the price of energy goes up 25% more population will switch from electric heat to using wood – which would make a negative environmental impact).

Finally, the strategies need to reflect both the up coming European energy market and the recent EU/US joint study outlining the External Costs associated with different forms of energy production. The study shows for example that energy produced by lignite thermal plants have an additional 1/3 costs associated with health problems, acid rain impact and SOx and COx emissions.

UNDP is currently working on a project worth around one million dollars for mini hydro development in Montenegro and stands ready to offer its support to the Government and relevant institutions regarding the components of the strategy related to poverty impact, renewables and efficiency and external costs evaluation.

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UNDP in Montenegro promotes sustainable development, which is economically viable, socially inclusive and environmentally friendly.