

CASE STUDY: SMALL HYDROPOWER PLANTS OR BUSINESS FOR THE PRIVILEGED ONES

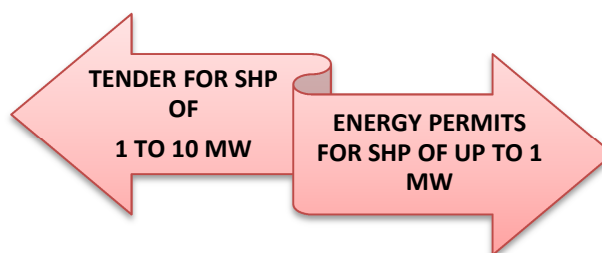
I: SUMMARY: In Montenegro, construction of small hydropower plants (SHP) has become a business for the privileged individuals who are mostly linked through family or friendly ties to the former Prime Minister Milo Đukanović or the ruling Democratic Party of Socialists (DPS), as well as for those known to the public for their controversial affairs.

In mid-2017, there were ten operating SHPs which are privately owned by the persons associated with the government leadership. However, this is only the beginning, since Montenegrin Government has granted the construction of about 50 SHPs, mainly in the north of the country.

Owners of SHPs have a number of privileges for the electricity they produce, the most important being the subsidy which consumers pay through electricity bills. For two and a half years, 4.7 million has been paid for this fee, and the Government had previously estimated that in 2020, consumers could pay around 27 million for it.

Although a number of incentive measures have been approved for the construction of SHPs, on the other hand, they do not lead to the employment of the local population, and the constructed ones have caused a number of problems for the lives of people in the north of the country, since roads and forests are being destroyed and the entire rivers disappear. Therefore, in 2017, local citizens began protesting, urging the Government to suspend further construction of the small hydropower plants.

II: TWO LEGAL PROCEDURES FOR THE CONSTRUCTION OF SHP: The State of Montenegro allows **two procedures for the construction of SHP**.¹ The first is a **tender procedure that is implemented on the basis of the Law on Concessions** for hydropower plants with installed capacity² of 1 MW³ to 10 MW. The second procedure is for the so-called mini hydropower plants with installed capacity of up to 1 MW and these projects are implemented **on the basis of energy permits** issued by the Ministry of Economy.



According to data of the Energy Regulatory Agency, which include the period until the end of 2016, the Government of Montenegro implemented six tender procedures, on the basis of which 18 concession contracts were concluded and the construction of 37 SHPs granted.⁴ At the same time, based on the issued energy permits, nine concession contracts were concluded and 9 mini hydropower plants were built.

¹ Renewable Sources of Energy website of the Ministry of Economy, link: <http://www.oie-res.me/>

² Installed capacity implies the energy consumed per unit of time; source Wikipedia, link: https://hr.wikipedia.org/wiki/Snaga_struje_i_elektri%C4%8Dna_energija

³ MW – megawatt unit

⁴ Report by the Energy Regulatory Agency on the state of the energy sector of Montenegro in 2016; link: <http://zakoni.skupstina.me/zakoni/web/dokumenta/zakoni-i-drugi-akti/242/1525-9595-00-72-17-37.pdf>

The data from the Registry of Concessions from October 2017⁵ and the sessions of the Government of Montenegro held during the same year⁶ show that it has continued to grant new concessions and issue energy permits, so **by October 2017, construction was granted for a total of 57 SHPs on Montenegrin watercourses.**

III: NATIONAL TARGET FOR RENEWABLE SOURCES A KEY GOVERNMENT EXCUSE FOR THE CONSTRUCTION OF SHP: In 2007, Montenegro started the first exploration of river potentials for the construction of small hydropower plants, when measurements were performed on 35 rivers.⁷

The first concession contracts were signed already in 2008, although at that point their construction had not been foreseen by the spatial planning documents of municipalities⁸, which is a condition for issuing building permits for the construction of facilities. Therefore, in the following years, the Government resorted to the decision to issue consent for the spatial planning and technical conditions for the construction of SHPs, based on the Spatial Plan of Montenegro⁹, which enabled the concessionaires to start the implementation of the projects¹⁰.

Beginning of the construction of the first hydropower plants was often accompanied by unresolved property relations and, according to the Law on Expropriation¹¹, the Government declared the public interest at the locations where they were supposed to be built.

Concession contracts up to 30 years

The first concession contracts for the construction of SHPs are mostly concluded for a period of 25 to 30 years, and implemented through five phases: 1) research and development of project ideas, 2) obtaining a building permit, 3) building facilities and obtaining work permits, 4) exploitation of the facility and 5) transfer of the facility. Concession contracts concluded later have three stages of implementation.

The final stage implies that, after the expiration of the concession period, the SHP is transferred from the private concessionaire to Montenegro's state property. However, it is unclear how long their lifetime will be after being exploited for three decades by private owners.

Additionally, the Energy Development Strategy of Montenegro estimates that by 2025 the average annual production of electricity from the SHP will be 425 gigawatts. For that year, the total annual electricity consumption is estimated at 4.634 gigawatts, which means that the production from the SHP would be 9.2% of the total electricity consumption.

However, it should be emphasized that the Energy Development Strategy has projected the total consumption of electricity, forecasting that the Aluminum Plant Podgorica will work at that time, and it consumes an average of third of the country's electricity.

In order to reduce greenhouse gas emissions that negatively impact climate changes, in 2009 the European Parliament **adopted Directive** on the promotion of the use of energy from renewable sources¹², which

⁵ Search carried out at the end of October 2017; link <http://www.komisijazakoncesije.me/cg/index.php/reg-koncesija>

⁶ Search carried out at the end of October 2017; link http://www.gov.me/sjednice_vlade_2016

⁷ Source: Energy Development Strategy of Montenegro by 2030 - White Book, Ministry of Economy of Montenegro, May 2014; link http://www.energetska-efikasnost.me/uploads/file/Dokumenta/Strategija%20razvoja%20energetike%20CG%20do%202030.%20godine%20-%20Bijela%20knjiga_10072014.pdf

⁸ Link: <http://www.oie-res.me/>

⁹ Spatial Plan of Montenegro Until 2020; link: <http://www.mrt.gov.me/rubrike/planska-dokumentacija/2008/92943/174889.html>

¹⁰ Link: <http://www.oie-res.me/>

¹¹ Law on Expropriation of Montenegro, links: <http://www.oie-res.me/uploads/archive/Zakon%20o%20ekspropijaciji.pdf>; <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag=%7B541CAEBD-04E0-4B79-95C2-EABBF4B5B11F%7D>

¹² Directive 2009/28/EZ of the European Parliament and Council, April 23, 2009; link: <http://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:32009L0028&from=HR>

stipulates that, by 2020, **the member states reach at least 20% of the share of energy from renewable sources¹³** in the final energy consumption. The directive did not limit member states to reach even higher target, unless they already have high levels of energy production from renewable sources. It is important to emphasize that renewable sources include not only the production of electricity, but also the heating and cooling energy, as well as the one used in transportation.¹⁴

Three years later, **Montenegro set its national target at 33%** at the Ministerial Council of the EU¹⁵, and took **2009** as the starting year for the calculation, when it **already had 26.3% of renewable sources** in final energy consumption. **This was actually an open way for the Government to rapidly grant concessions for the construction of small hydropower plants in the domestic public under the pretext of reaching the target of 33%.**

| Article 4 | | |
|--|--------|------|
| Ad hoc adaptations on the Mandatory national overall targets | | |
| 1. In Article 3(1), the second sentence shall not be applicable. | | |
| 2. Point A of Annex I shall read as follows: | | |
| Albania | 31,2 % | 38 % |
| Bosnia and Herzegovina | 34,0 % | 40 % |
| Croatia | 12,6 % | 20 % |
| The Former Yugoslav Republic of Macedonia | 21,9 % | 28 % |
| Moldova | 11,9 % | 17 % |
| Montenegro | 26,3 % | 33 % |
| Serbia | 21,2 % | 27 % |
| Ukraine | 5,5 % | 11 % |
| Kosovo* ⁴ | 18,9 % | 25 % |

Montenegro set the target at 33%: Decision of the Ministerial Council of the Energy Community, October 18, 2012

The European Directive on the promotion of the use of energy from renewable sources took 2005 as the starting year for calculation of the national targets, and it is interesting that **only four EU member states have set higher national targets than Montenegro, but in 2005 they already had enormous shares in renewable sources.**¹⁶

Thus, Austria set the target of 34%, and in 2005 it had already reached 23.3%, then there is Finland with a target of 38%, which had 28.5% in 2005. Latvia set the target at 40%, and in 2005 it had a rate of 32.6%, and finally Sweden, with a target of 49%, was at a level of 39.8% in 2005.

In December 2014, the Government of Montenegro adopted the National Action Plan for the Use of Energy from Renewable Sources.¹⁷ This document specifies that electricity production will be based on the construction of small hydropower plants, wind farms, solar power plants and the use of various forms of biomass, while in the total energy consumption, the share of electricity is defined at 51.4%. Additionally, the share of heating and cooling in total energy consumption is set at 38.2%, and the share of traffic at 10.2%.

¹³ It refers to the share of energy from renewable sources in the final gross energy consumption of a member state

¹⁴ Heating and cooling production mainly relates to solid biomass, which includes wood and agriculture biomass, while energy in transportation mainly refers to biofuels

¹⁵ Decision number 2012/04/MC-EnC from October 18, 2012, adopted at the Ministerial Council of the Energy Community; the Energy Community of South East Europe has its headquarters in Vienna and was established by the Treaty in 2005, which established the electricity and natural gas market; the signatories of the Treaty are Montenegro, Serbia, Croatia, Bosnia and Herzegovina, Macedonia, Bulgaria, Romania and Albania, as well as the then United Nations Interim Mission for Kosovo

¹⁶ Annex I of the Directive 2009/28/EZ of the European Parliament and Council from April 23, 2009

¹⁷ Information of the Government of Montenegro with the National Action Plan for the Use of Energy from Renewable Sources from the Government session held on December 11, 2014; link: http://www.gov.me/sjednice_vlade/93

The National Action Plan **envision**s a set of incentive measures for electricity producers from the renewable sources, such as incentive prices for electricity, priority in its delivery, exemption from charging for system balancing services.¹⁸ Regarding the construction of small hydropower plants, the document estimated that the cost of incentive measures by 2020 will reach an annual sum of EUR 26.7 million.

| Technology | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------------|---------|-----------|-----------|------------|------------|------------|------------|
| Small HP (up to 10MW) | 208.800 | 7.229.236 | 8.059.764 | 11.913.222 | 24.626.213 | 26.251.966 | 26.777.005 |

Table1: Assessment of subsidies for small hydropower plants; Source: National Action Plan for the Use of Energy from Renewable Sources

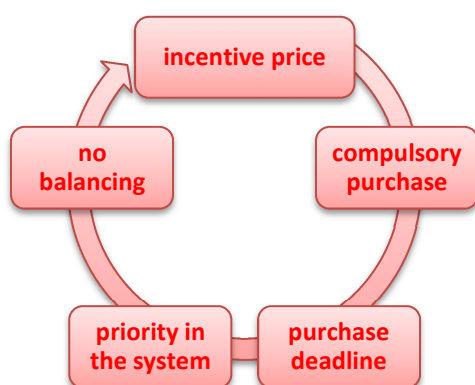
The incentives for the price of electricity are paid by consumers through electricity bills, and they will continue do so even after 2020, bearing in mind the fact that **the Government of Montenegro has guaranteed electricity producers from SHP electricity purchase with subsidies for a period of 12 years.**

The EU Directive requires local development and employment

The EU Directive pointed out that the opportunities for growth and job creation which investments in renewable energy production bring are very important, as well as that local development, export and employment opportunities should be taken into account when giving priority to the development of the market for renewable sources.

The National Action Plan of Montenegro from December 2014 does not contain figures on the potential creation of new jobs. The document states that "the possibility of opening new jobs, as a result of the increased use of renewable energy sources, has not been specifically analyzed for Montenegro".

At the end of 2015, the Parliament of Montenegro, at the proposal of the Government, adopted a new Law on Energy¹⁹, by which the production of electricity from renewable sources was declared public interest.



Also, **the incentive measures for electricity producers from renewable sources are legally standardized:** compulsory purchase of electricity, incentive prices at which this energy is purchased, period of validity of compulsory purchase of electricity, the exemption from payment of system balancing services, the priority in taking over the produced electricity in the system, as well as other measures in accordance with the law.

The incentive price for electricity from renewable sources is determined by the Government.

¹⁸ System balancing implies that the production and consumption of electricity in one system must be balanced, and in order to achieve such goal, the financial responsibility is foreseen for each market participant that causes a disturbance in the production or consumption of electricity than the one reported

¹⁹ Law on Energy, the Official Gazette of Montenegro no 05/16; link: <http://www.sluzbenilist.me/SluzbeniListDetalji.aspx?tag={9B568CB4-0A0A-433E-A917-0D3801C0951F}>

In this way, **Montenegro has provided enormous benefits to producers of electricity** from renewable sources, **much wider than stipulated by the EU Directive**. Namely, the Directive provides an opportunity for producers to have preferential access to the electricity network and to sell and transfer electricity, but it indicates that this does not imply that states have any obligations to support or introduce compulsory procurement for energy from renewable sources. This is exactly what Montenegro did, because the electricity produced in the SHP is purchased by the Montenegrin Electricity Market Operator²⁰, and then it is taken over by a national energy company Elektroprivreda Crne Gore (EPCG), as a majority state-owned company.

In addition, one of the targets of the EU Directive is the sustainable increase in transmission and distribution of electricity produced from renewable sources without affecting the reliability and security of the network system. However, in Montenegro, it has never been officially announced to what extent and how a large number of SHPs will affect the reliability and security of the electricity network.

The privileged electricity producers were further favored in mid 2016 when the Energy Regulatory Agency adopted a methodology for using the distribution system²¹, which did not identify them as distribution system users, even though they were connected to it. In practice, this means that they do not pay any fees for the use of the distribution system, thus, they are favored compared to the electricity producers connected to the transmission system, to which the obligation to pay for the use of transmission capacity was introduced.

The Progress Report on Implementation of the National Action Plan for the Use of Energy from Renewable Sources by 2020²², adopted by Montenegro's Government in February 2017, states that the national target of 33% of energy from renewable sources is almost reached. The document states that in 2015 the target was 31.7%, while the data for 2016 and 2017 will be known only in early 2019.

National target in 2015 was 31.7% of energy from renewable sources

IV: COMPANY OWNERS IN CHARGE OF BUILDING SHPs MOSTLY CLOSE TO THE FORMER PRIME MINISTER AND DPS: In addition to the previously built small hydropower plants owned by EPCG, **in mid-2017, there were 10 SHPs in private ownership in Montenegro, for whose electricity the consumers paid incentive compensation through their electricity bills.**²³ First such SHP began working in 2014, the next year there

were six more in the plant, two started to produce electricity in 2016, and another one by mid-2017.



SHP map in mid-2017; source: COTEE

²⁰ Link: <http://www.cotee.me/>

²¹ Methodology for determining the regulatory permitted income and prices for the use of the electricity distribution system, the Official Gazette of Montenegro no 43/16; link: <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag={85B17A92-D824-41AD-AEF0-EBD59CEE791B}>

²² The Progress Report on Implementation of the National Action Plan for the Use of Energy from Renewable Sources by 2020, discussed at the session of the Government of Montenegro held on February 2, 2017; link: http://www.gov.me/sjednice_vlade_2016/11

²³ Montenegrin Electricity Market Operator Report for August 2017, link: <http://www.cotee.me/index.php/desavanja/112-mj-izvi-avgust-2017>

Six operating SHPs are owned by the company "Hidroenergija Montenegro" from Berane²⁴, whose founders are natural persons Ranko Ubović and Aleksandar Mijajlović and the company "Hemera Capital"²⁵ from Podgorica, owned by Oleg Obradović, known for the Telecom affair, one of the country's largest corruption scandals²⁶, who was once in the Board of Directors of Prva banka, where the largest shareholder is Aco Đukanović²⁷. Ubović was convicted of tax evasion.²⁸

Two SPHs are owned by the company "Igma Energy" from Andrijevica²⁹, owned by the company whose founder is Igor Mašović, brother of the Mayor of Andrijevica Srđan Mašović, member of the ruling DPS.³⁰ One SPH, for whose electricity the consumers already pay a subsidized price, is owned by the company "Sinergy" from Podgorica³¹ behind which are several natural persons, but also the company headed by Vuk Rajković, best man of the former Prime Minister of Montenegro and DPS leader Milo Đukanović.³²

Finally, another SPH, which started operating mid-2017, is owned by the company "Kronor"³³ behind which are the companies of Montenegrin construction businessmen Žarko Burić and Željko Mišković³⁴, as well as Predrag Bajović, who is married to a sister of the former Montenegrin Prime Minister, Igor Lukšić, also a DPS member³⁵.

All these companies have the right to build new SHPs on other rivers as well, both independently and in consortia. Out of that, "Hidroenergija Montenegro" is allowed to build 13 more hydropower plants, "Sinergy" three, "Igma Energy" two, "Kronor" one, while "Normal Company" owned by Žarko Burić has the right to independently build another one.

²⁴ Central Registry of Commercial Entities of the Tax Administration website, search done on September 28, 2017; link: <http://www.pretraga.crps.me:8083/Home/PrikaziSlog/2>;

²⁵ Central Registry of Commercial Entities of the Tax Administration website, search done on September 28, 2017; link: <http://www.pretraga.crps.me:8083/Home/PrikaziSlog/1>

²⁶ "Telecom" Affair refers to the sale of Montenegrin Telecom in 2005, while the U.S. Securities and Exchange Commission found that the fictitious consulting contracts, which included Oleg Obradović, served for the alleged bribery of Ana Kolarević on behalf of her brother, Milo Đukanović; article at the Vijesti Portal, March 27, 2014 under the title "Afera Telekom: Oleg Obradović ključni igrač da se za posao angažuje Kolarević"; link: <http://www.vijesti.me/vijesti/afere-telekom-oleg-obradovic-kljucni-igrac-da-se-za-posao-angazuje-kolarevic-190247>

²⁷ Aco Đukanović is a brother of the former Montenegrin Prime Minister Milo Đukanović

²⁸ Article in the newspaper Dan from April 4, 2017, under the title „Ubović kažnjen 60.000 eura“; link: <http://www.dan.co.me/?nivo=3&rubrika=Hronika&datum=2017-04-04&clanak=593089>

²⁹ Central Registry of Commercial Entities of the Tax Administration website, search done on September 28, 2017; link: <http://www.pretraga.crps.me:8083/Home/PrikaziSlog/1>

³⁰ Article in the newspaper Dan from May 10, 2017, under the title "Mašoviću dozvola za drugu elektranu"; link: <http://www.dan.co.me/?nivo=3&rubrika=Ekonomija&clanak=597993&datum=2017-05-10>

³¹ Central Registry of Commercial Entities of the Tax Administration website, search done on September 28, 2017; link: <http://www.pretraga.crps.me:8083/Home/PrikaziSlog/5>

³² Article in the newspaper Dan from October 8, 2016, under the title "I rođak i kum dobili koncesije"; link: <http://www.dan.co.me/?nivo=3&rubrika=Ekonomija&clanak=567573&datum=2016-10-08>

³³ Central Registry of Commercial Entities of the Tax Administration website, search done on September 28, 2017; link: <http://www.pretraga.crps.me:8083/Home/PrikaziSlog/1>

³⁴ Žarko Burić is the owner of the company "Normal Company", which privatized the majority of the hotels of the former tourist giant in Podgorica, Hotel and Tourist Company "Crna Gora", and the Special State Prosecutor's Office launched an investigation against Burić and several state officials for selling the "Zlatica" camp in Podgorica; Željko Mišković is the owner of the company Kroling, which, according to the data of the Public Procurement Directorate, in five years performed works granted by the state worth around EUR 12 million

³⁵ Article in the newspaper Dan from August 15, 2015, under the title „Lukšićev šura gradi mini-elektranu“; link: <http://www.dan.co.me/?nivo=3&rubrika=Ekonomija&clanak=505736&datum=2015-08-15>

Another construction businessman and a business partner of Milo Đukanović, **Tomislav Čelebić**³⁶, is in the business of SHP construction as well. The Special State Prosecutor's Office initiated an investigation into the contracts concluded by the Police Directorate with Čelebić's company for construction of the police building in Podgorica.³⁷

Furthermore, to show that the **electricity production business is driven by people close to DPS leader Milo Đukanović** - the company "Hydra" from Podgorica³⁸ appears in the consortium with "Igma Energy" for the construction of two new hydropower plants, where half of the ownership belongs to **Milovan Maksimović, his cousin**³⁹. In addition, **Blažo Đukanović, son of Milo Đukanović**, also has the right to build two SHPs. With the company of the younger Đukanović, "BB Hidro"⁴⁰, where he has half of the ownership, the Government concluded a concession contract.

| PERSONS | CONNECTION |
|--------------------|---|
| Oleg Obradović | Prva banka owned by Aco Đukanović |
| Blažo Đukanović | Son of Milo Đukanović |
| Milovan Maksimović | Cousin of Milo Đukanović |
| Vuk Rajković | Best man of Milo Đukanović |
| Tomislav Čelebić | Business with Milo Đukanović |
| Igor Mašović | Brother of a DPS member |
| Predrag Bajović | Brother-in-law of the former Prime Minister Igor Lukšić |

Table 2: Some of the owners of the companies building SHP and their connection to the Government

In addition, **the Government has also enabled the construction of SHPs to the companies behind which are persons connected with the controversial business**. Thus, the construction of SHPs was granted to the company "MN Power"⁴¹, owned by the wife of **Nenad Mićunović, nephew of the controversial businessman Branislav Mićunović**⁴². Mićunović was indicted in Italy for international smuggling of cigarettes.⁴³

The construction of two mini power plants was also allowed to the Podgorica-based company "Industriaimport-Industriaimpex"⁴⁴, headed by **Sreten Đikanović and Janko Radunović**. This company has a half of "Proinvest" ownership, and due to its business and suspicion of frauds, the Special State Prosecutor's Office filed criminal complaint.⁴⁵

³⁶ He is part of the consortium with "Synergy" and football player Stefan Savić for the construction of SHP in Mojkovac; he is a business partner with Milo Đukanović in the private university "University of Donja Gorica" Podgorica

³⁷ Article at Vijesti Portal from October 28, 2013 under the title "Sumnjivi ugovori Veljovića: Dva puta platilo isti posao za novu zgradu policije"; link: <http://www.vijesti.me/vijesti/sumnjivi-ugovori-veljovica-dva-puta-platio-isti-posao-za-novu-zgradu-policije-157255>

³⁸ Central Registry of Commercial Entities of the Tax Administration website, search done on September 28, 2017; link: <http://www.pretraga.crps.me:8083/Home/PrikaziSlog/2>

³⁹ Article in the newspaper Dan from October 8, 2016, under the title „I rođak i kum dobili koncesije“; link: <http://www.dan.co.me/?nivo=3&rubrika=Ekonomija&clanak=567573&datum=2016-10-08>

⁴⁰ Central Registry of Commercial Entities of the Tax Administration website, search done on September 28, 2017; link: <http://www.pretraga.crps.me:8083/Home/PrikaziSlog/1>

⁴¹ Central Registry of Commercial Entities of the Tax Administration website, search done on September 28, 2017; link: <http://www.pretraga.crps.me:8083/Home/PrikaziSlog/1>

⁴² Article in the newspaper Dan from December 10, 2015, under the title "Firma Branovog sinovca gradi dvije mini elektrane"; link: <http://www.dan.co.me/?nivo=3&rubrika=Vijest%20dana&datum=2015-12-10&clanak=523246>

⁴³ Article at Vijesti Portal from May 9, 2013, under the title "Mićunović, Barović i ostali optuženi mogu biti izručeni Italiji"; link: <http://www.vijesti.me/vijesti/micunovic-barovic-i-ostali-optuzeni-mogu-biti-izruceni-italiji-127475>

⁴⁴ Securities Commission website, search done on September 28, 2017; link: <http://www.scmn.me/fajlovi/INPX201706.pdf>

⁴⁵ Article in „Monitor“ weekly from February 3, 2017; link: http://www.monitor.co.me/index.php?option=com_content&view=article&id=7431:aferra-proinvest-tajkunska-posla-i-dravni-pomagaj-&catid=5190:broj-1372&Itemid=6563

Moreover, the concession for the construction of SHP was also granted to the company "Power AB Group"⁴⁶, owned by **Dragan Andrijašević**, who was once convicted of tax evasion.⁴⁷

4.7 million Euros received for subsidies

According to data provided to MANS by the Montenegrin Electricity Market Operator, from mid-2014 until September 2017, based on subsidies, the amount of 4.667.365⁴⁸ Euros was paid to owners of ten SHPs producing electricity. Out of this amount, "Hidroenergija Montenegro" received 3.465.827 Euros, "Cronor" 435.026 Euros, "Synergy" 396.981 Euros, and "Igma Energy" 369.531 Euros.

Subsidy amount is determined on the basis of the Decree on tariff system for determining the incentive prices for electricity produced from renewable energy sources and high efficient cogeneration⁴⁹, adopted by the Government of Montenegro. On the other hand, the owners of the SHP are obliged to pay a concession fee of an average five or six percent of the annual electricity production.

To show that the SHP owners are not favored solely on the basis of subsidies and a number of other incentive measures, there is the example of "Hidroenergija Montenegro" which, at the end of 2013, received from the state Investment and Development Fund⁵⁰ a loan of five million Euros for the construction of mini power plants in Berane.⁵¹

Loans from the Investment and Development Fund represent the state aid, as they are approved at significantly lower interest rates than the market ones. Berane-based company was granted a loan with a grace period of two years.

At the same time, data from the Tax Administration show that **in four years**, starting from 2014, the state **received 433.487 Euros**⁵² based on the concession fee for the use of water energy potential for electricity production in small hydropower plants.

| YEAR | FEE/EUR |
|--------------|---------------------|
| 2014 | 5.803 |
| 2015 | 29.840 |
| 2016 | 195.217 |
| 2017 | 202.627 |
| TOTAL | 433.487 Euro |

Table 3: Paid fee, Source: Tax Administration

⁴⁶ Central Registry of Commercial Entities of the Tax Administration website, search done on September 28, 2017; link: <http://www.pretraga.crps.me:8083/Home/PrikaziSlog/1>

⁴⁷ Article in the newspaper Dan from June 10, 2017, under the title „Koncesija osuđenom za utaju poreza“; link: <http://www.dan.co.me/?nivo=3&rubrika=Ekonomija&clanak=602108&datum=2017-06-10>

⁴⁸ Response of the Montenegrin Electricity Market Operator from November 1, 2017, submitted on the basis of the Law on Free Access to Information, MANS numbers 17/114198-114200 and 17/114201-114209

⁴⁹ Decree on tariff system for determining the incentive prices for electricity produced from renewable energy sources and high efficient cogeneration, the Official Gazette of Montenegro no. 33/16, link: <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag=%7BBE72989B-E5EA-4453-AE3C-76D13CB5448E%7D>; Decree on amendments to the Decree on tariff system for determining the incentive prices for electricity produced from renewable energy sources and high efficient cogeneration, the Official Gazette of Montenegro no 03/17, link: <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag=%7BB1399BC2-FA7C-43D0-B5F8-3F66069A507E%7D>

⁵⁰ Link: <http://www.irfcg.me/me/>

⁵¹ Decision on approval of direct long-term loan to the company "Hidroenergija Montenegro" LLC from Berane number 0202-5/199 as of November 26, 2013

⁵² Tax Administration's response to the request for free access to information as of November 9, 2017; MANS number 17/115002-115005

V:CITIZEN PROTESTS AGAINST CONSTRUCTION OF SHP: In mid-2017, citizens in the north of Montenegro, in the areas where the construction of SHP is planned or already started, began protests against the construction of new mini power plants and demanded that a moratorium be declared on their further construction.⁵³



From one of the citizens' protests, June 2017

The locals indicated that they had been facing a number of problems, from destroyed roads, forests and devastated environment, to disappearance of watercourses used for living needs and flooding of agricultural land. They pointed out that during the construction of SHP, pipes are used to fetch water from springs and watercourses, which is then dragged to the turbines for kilometers, in order for them to gain strength and power and

produce larger amounts of electric energy.

Citizens emphasize that investors do not respect the biological minimum of the river, thus, in Berane, where "Hidroenergija Montenegro" has SHPs, 6 kilometers-long river disappeared.

Citizens also pointed out that there were no general benefits for local communities or employment.

*Author: MANS Investigation Center
Podgorica, Novembar 2017*

⁵³Article in the newspaper „Dan“ from July 6, 2017, under the title „Nema gradnje prije razgovora“, link: <http://www.dan.co.me/?nivo=3&rubrika=Regioni&clanak=605741&datum=2017-07-06>; article in the newspaper „Dan“ from June 16, 2017 under the title „Tajkuni opustošili šumu, Murinjani će braniti vodu“, link: <http://www.dan.co.me/?nivo=3&rubrika=Regioni&clanak=602971&datum=2017-06-16&najdatum=2017-06-16>; article in the weekly „Monitor“ from March 24, 2017 under the title „Gradnja mini hidroelektrana nekad i sad: Pionire elektrifikacije zamijenili tajkuni“, link: http://www.monitor.co.me/index.php?option=com_content&view=article&id=7527:gradnja-mini-hidroelektrana-nekad-i-sad-pionire-elektrifikacije-zamijenili-tajkuni-&catid=5279:broj-1379&Itemid=6656