

TOMAŽ OREŠIČ, DIRECTOR WESTERN & CENTRAL EUROPE, EFT GROUP



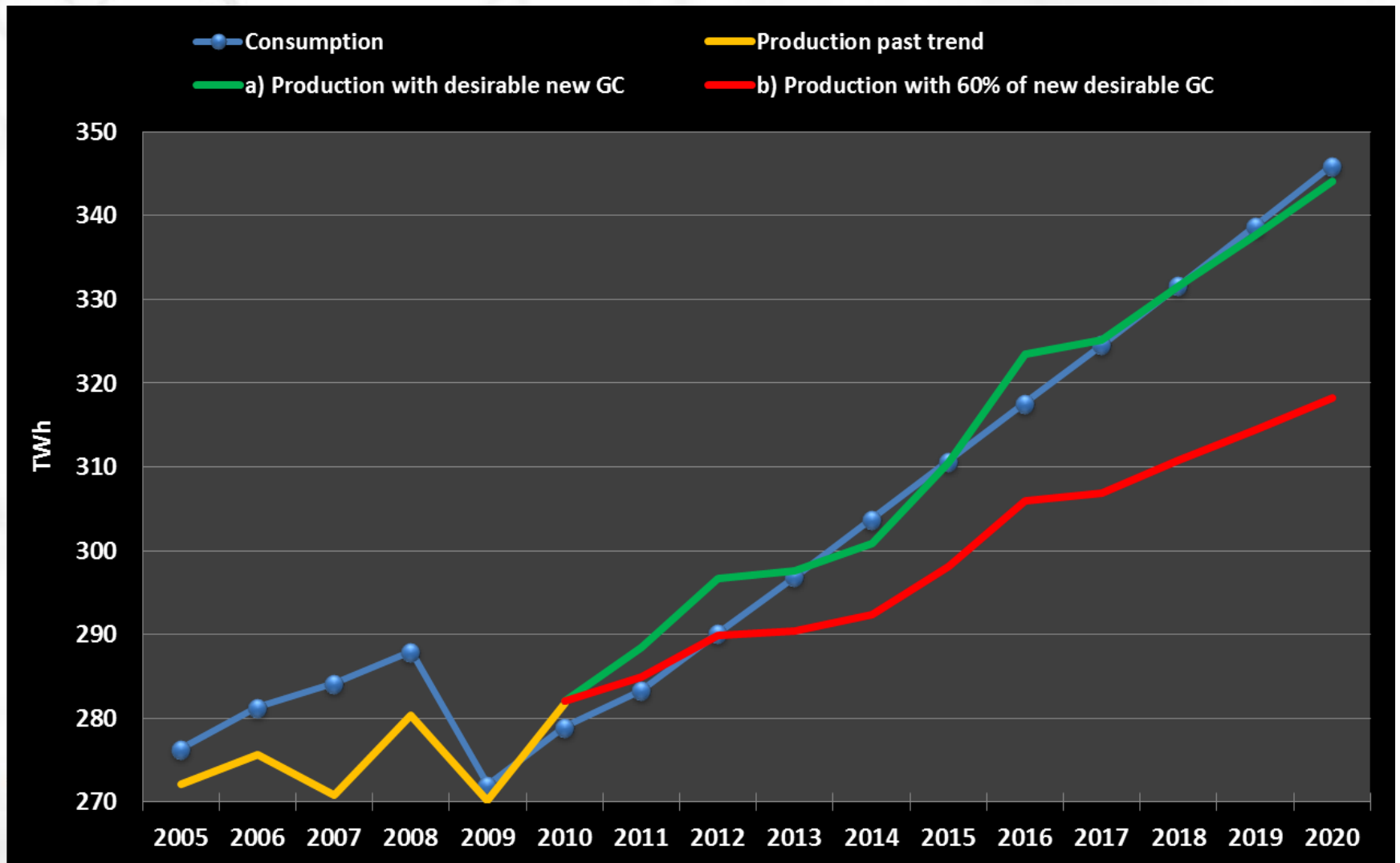
KEY CHALLENGES FOR SE EUROPE

LJUBLJANA, MAY 31st 2012

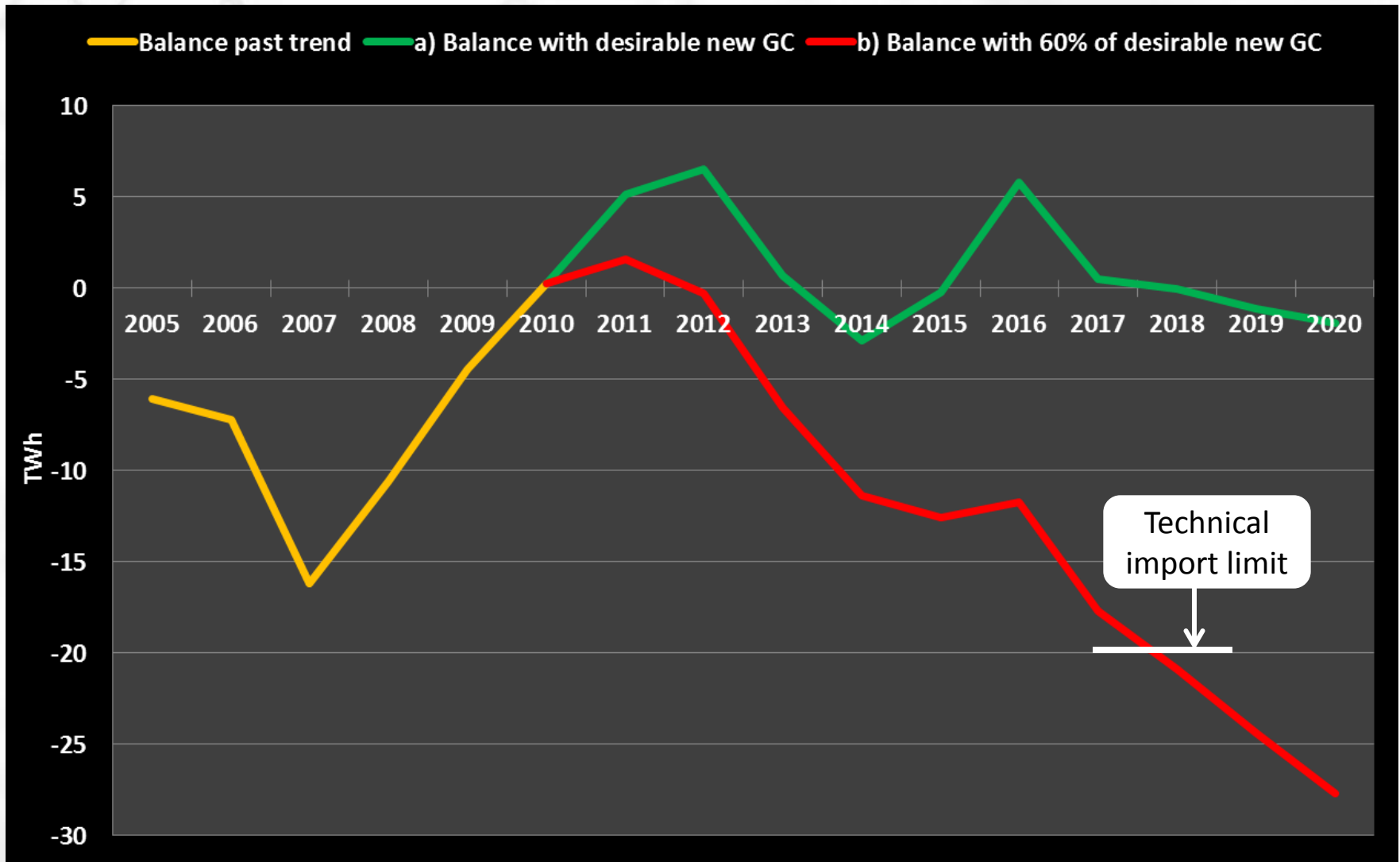
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- **Global conditions and EU energy policy challenges**
- **Investment decision in current economic and price conditions**
- **Capacity market / a way to (re)regulation?**
- **Security of supply and competitiveness or the renewables**
- **Economic growth or energy efficiency and global warming fight**
- **Market developments and energy balance in the SE region**
- **Investment needs and perspectives in the SE region**

Electricity consumption and production forecast



Electricity balances forecast



Generation investment needs

- Main drawbacks from previous years:
 - Large delay in construction of new facilities
 - Insufficient investment in rehabilitation and modernization
 - Modest investment in RES
- New generation capacities should be:
 - Economically-viable
 - Energy-efficient
 - Environmentally-acceptable

Investment needs and perspectives in the SE region

- Is there sufficient market demand for the investment?
- The region suffers the lack of financial resources!
- The need for cooperation:
 - Local utilities
 - States
 - Consultants and engineers
 - Institutional financing (EBRD, EIB, WB..)
- Non-working market mechanisms as the key problem
- Although the current credit rating are downgraded in most of the SEE countries, some fundamental Facilitating Investments in Electricity do persist.

Facts on SE European Energy Markets and Utilities

- the relative poverty of the regional countries represents a most serious burden for the development of the energy sector, and hence the normal development of the regional economy.
- the model of Public-Private partnership is the most effective way to stimulate the development of the energy sector in south-east Europe.
- It is clear that state owned energy monopolies in the region are not able to generate the required capital on their own to effect the needed investments in energy.
- Not only because of subsidised, non-economic prices of electricity, but also because of their inefficiency.

Conclusion

- Financing new projects can not be done without:
 - Support provided by European/International institutions
 - Improvement of investment environment in the region
 - Close cooperation between neighbouring countries on projects of common/regional interest
 - Strategic partnership with key power companies
 - Public-private partnership.
- Focus in the region is still on
 - Increasing sector efficiency
 - Attracting investments
 - Mutual market access

Thank you for your attention!

+386 2 6209782

tomaz.oresic@eft-group.net

www.eft-group.net

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