



THE WORLD BANK

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Steering Through Crises: Managing the Energy Crisis in the Western Balkans



Spotlight | Managing the Energy Crisis in the Western Balkans

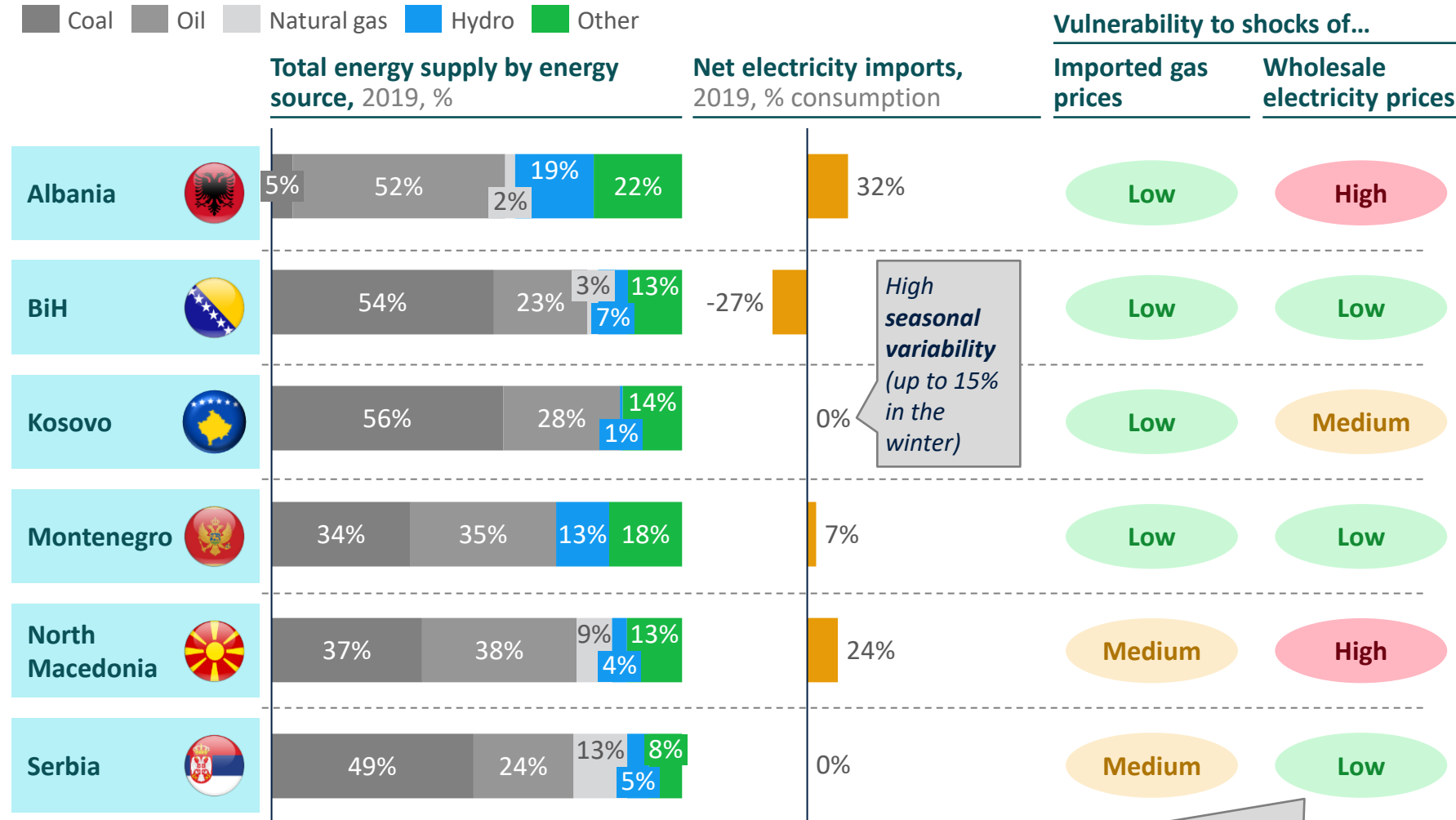
Some countries are vulnerable to price shocks of imported electricity and gas and have a limited ability to absorb them

The actual impacts felt by utilities and consumers vary across countries

Governments have implemented measures to mitigate the energy price hikes in the short term...

... but they also need to focus on improving long-term energy sector sustainability and accelerating the green energy transition












Vulnerability | Several countries show high vulnerability to increases in electricity import prices, while vulnerability to natural gas price shocks is more limited



Limited ability to absorb energy price shocks

- Residential consumers already spending a high share of their budget on energy
- Industrial consumers often penalized by their high energy intensity

Price Shock Impacts | Different levels of vulnerability are translating into different impacts on energy utilities and consumers

Segment	 Impact of electricity price increases	 Impact of natural gas price increases
Utilities and network operators 	 <ul style="list-style-type: none"> • Electricity suppliers and transmission/distribution system operators in net importing countries incurring huge losses and liquidity issues 	 <ul style="list-style-type: none"> • Utilities relying on imported gas purchased on the wholesale market facing steep cost increases • District heating and Combined Heat&Power plants running on gas also incurring higher generation costs
Households and small commercial consumers 	 <ul style="list-style-type: none"> • Residential consumers with regulated tariffs being protected to some extent from the increase in wholesale electricity prices • Rising pressure for tariff adjustments 	 <ul style="list-style-type: none"> • District heating tariffs increased (or at risk of being increased) in some countries • Limited or no impact on regulated gas tariffs so far
Industrial consumers 	 <ul style="list-style-type: none"> • Industrial consumers being directly hit by the price increases, especially in net importing countries 	 <ul style="list-style-type: none"> • Gas tariffs for open market consumers likely to increase in countries relying on gas imports, cost absorption by government occurring

Government Response | Governments are taking action to mitigate the impacts of the energy price hikes, but to different extents depending on the country's specific situation

Types of measures adopted	Examples
1 Financial support to the power sector	<ul style="list-style-type: none">• Liquidity and guarantees offered to power and gas utilities through a dedicated fund• Direct budget transfers to the power sector
2 Mitigation of the impact of energy price increases on consumers	<ul style="list-style-type: none">• Reduction of VAT and excise taxes on energy products• Cap on electricity prices• Expansion of social assistance programs for energy vulnerable customers• Subsidized credit lines and liquidity loans offered to companies
3 Reduction of energy demand	<ul style="list-style-type: none">• Launch of awareness-raising campaigns to promote energy savings• Introduction of block tariffs to discourage the use of electricity at peak times

Policy Recommendations | Several short-term and long-term policy options are available to address the crisis while also helping accelerate the green energy transition

- Signs that the energy crisis might **slow down the green energy transition**
- Governments need to balance **short-term mitigation measures with long-term actions** to improve **energy sector sustainability** and accelerate the **green energy transition**

Short-term measures to mitigate the impacts

- 1 Provide **tax breaks, discounts on utility bills, or emergency income support** to vulnerable households and industrial customers
- 2 Introduce **liquidity programs** through public banks to support SMEs and critical industries
- 3 Step up **surveillance of energy markets**
- 4 Accelerate energy efficiency measures through **awareness campaigns**

Long-term measures to build resilience

- 5 Diversify the **sources of natural gas imports** and expand **storage capacity**
- 6 Foster **regional integration** of the energy markets
- 7 Scale up investments in **energy efficiency, renewable energy, battery storage, biogas** and new technologies like **green hydrogen**
- 8 **Enhance the financial sustainability** of utilities, while protecting energy vulnerable consumers



Thank you!

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