BELARUS COUNTRY PROFILE

Overview

Belarus has a population of approximately 9.70 million, with a GDP around USD 60,302 million. The total primary energy supply in 2007 was 28.05 Mtoe (million tons of oil equivalent), of which 2.0% is coal/peat, 5.3% is combustible renewable and waste (including biomass, biogas and waste), 62.7% is natural gas and 30.0% is oil. Net imports are around 23.76 Mtoe. CO₂ emissions are 62.70 (measured as Mt of CO₂).

1. Institutional structure

The ministries with primary responsibility over the energy sector are the Ministry of Energy (MEN) and the Ministry of Economy (ME). Meeting national energy needs and ensuring security of supply are the main responsibilities of the former, whereas the latter has jurisdiction over economic regulation. Gas, power and heat tariffs are regulated by the government for the residential sector, and by the ME, through its Price Policy Department, for all other categories of consumers. The ME approves tariffs in coordination with the energy sector enterprises/associations, SIE Belenergo and SIA Beltopgaz, both controlled by the MEN, which submit to the ME their expected costs and mark-ups.

Belenergo and Beltopgaz were established in their current form pursuant to the Decree of the President of the Republic of Belarus No. 289 dated 5 May 2006 “On the structure of the Government of the Republic of Belarus”. They are complex enterprise structures, made up of a large number of subsidiaries and divisions, which control the entire electricity and gas chain, including transmission and distribution networks.

The Law of Belarus “On State Service” prohibits civil servants from undertaking any other job or commercial activity, except for academic research and teaching.

2. Electricity sector

a. Market framework

The Belarusian electricity market is a vertically integrated monopoly run by the state-owned Belenergo.

Transmission and dispatch through the Unified Electricity System of Belarus is performed by RUE “ODA” (Operation and Dispatching Administration), which is part of Belenergo. At the regional level, generation, transmission, distribution and supply are carried out by integrated regional utilities, which are part of Belenergo.

The electricity system is mostly gas fired and provides the country with approximately 90% (2008) of its electricity usage while the remaining 10% is imported from Russia, Ukraine and Lithuania.

There are no wholesale transactions due to the market structure.

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85 Information herein is drawn primarily from answers by the Ministry of Economy to questionnaires provided for this project.
b. Network access and tariffs

In Belarus there is no regulated Third Party Access (TPA) to the electricity transmission and distribution networks and no market opening time frame has been announced.

In principle, for authorised consumers that seek access to the networks, and have complied with the national unified technical conditions established by Belenergo, the law establishes non-discriminatory conditions.

Only all-inclusive end-user supply tariffs are set up; generation, transmission and distribution components are not itemised. Belenergo performs tariff calculations annually according to the methodology set by the MEN and the ME. Tariff levels are approved by the government for residential consumers and by the ME for all other consumers.

As for non-residential consumers, the following differentiated categories are currently in force: industrial consumers with a connected capacity of 750 kVA or more (tariff comprises two components: installed capacity and energy components); industrial consumers with connected capacity below 750 kVA (tariff comprises only the energy component); railroad transport; municipal transport; non-industrial consumers (which are state-controlled organisations, public utilities and other organisations determined by the government), and agricultural consumers.

The tariffs of the residential sector are uniform across the country.

Subsidised tariffs are provided for domestic and agricultural consumers as well as for some enterprises, the list of which is drawn up by the Council of Ministers.

An electricity grid code has yet to be adopted. Technical relations between energy suppliers and consumers are determined according to the Rules of Electricity and District Heating approved by the MEN.

c. Operational environment

Belenergo monitors medium and long term supply and demand balance, and submits fuel and electricity forecasts to the ME and the MEN.

With respect to future demand, Belenergo prepares plans for the development of generating facilities and networks and supervises the execution of those plans.

Maintenance and monitoring of the networks is performed by the regional electricity grid companies, all subsidiaries of Belenergo, which also are responsible for the quality of service.

The notion of supplier of last resort is not applicable in Belarus due to the monopoly structure of the electric sector.

Belenergo reports to and appears before the ME at least annually; though in practice this is done quarterly or more often depending on the requests of the ME. Belenergo may also be required to report before the Parliament.

The legislation does not require the Price Policy Department of the ME to publish an annual report on its regulatory activity or to hold public consultations and hearings. Regulatory decisions can be appealed to the Council of Ministers of Belarus.
Foreign investment in generation capacity is not formally restricted; whereas the electricity network system (transmission and distribution) is required to be entirely state-owned by the law.

3. Gas sector

a. Market framework

The Belarusian gas sector consists essentially of two companies: Beltransgaz, which owns the high-pressure transportation, transit and storage systems, and is responsible for new construction and maintenance; and Beltopgaz, which is responsible for gas distribution and domestic retail sales. Gazprom sells gas to Beltransgaz under contracts concluded annually; Beltransgaz resells gas to Beltopgaz, which through its subsidiaries (regional distribution companies) resells the gas to end users in all sectors.

In 2003 Beltransgaz was transformed from a state concern into a joint stock company almost entirely state-owned. In 2007, under an intergovernmental agreement, 12.5% of Beltransgaz was sold to Gazprom. Gazprom’s share was increased to 25% a year later; by 2010 it will be 50%. Beltopgaz remains a 100% state-owned enterprise, managed by the minister of energy and overseen by ME. Its gas division consists of seven regional companies, overall operating about 35,000 km of medium and low-pressure pipelines.

Belarus’ gas consumption is around 20-21 bcm/year, nearly all of which is imported from Russia. Gas is Belarus’ predominant fuel, with a share in the energy balance of about 65%. The share of gas in the fuel balance of Belenergo, which produces all country’s power, was around 97% in 2006.

There are no wholesale transactions due to the market structure.

b. Network access and tariffs

In Belarus there is no TPA to the gas transmission and distribution networks and non-discriminatory access to transmission and distribution networks is required by legislation. No market opening time frame has been announced.

Separate tariffs for transportation and distribution are not established. There are general tariffs instead. Gas tariffs are regulated by the government for the residential sector, and by ME for all other categories of consumers. More specifically, the Government defines the prices at which Beltopgaz and its subsidiaries sell gas to residential consumers; the ME regulates the remaining prices (sales of Beltransgaz to Beltopgaz and a limited number of other customers) and transportation tariffs.

The state can support gas consumers (other than residential) by means of discounted gas prices, as well as by granting them the right to delayed or restructured payment; in the latter case Beltopgaz is granted the right to carry over corresponding amounts of debt.

Technical relations between gas suppliers and consumers are determined according to the Rules for Use of Gas and other regulatory technical documents.
c. Operational environment

In the gas sector, Beltopgaz performs the corresponding role and functions of Belenergo concerning the monitoring of supply and demand balance, the development plans and the maintenance of distribution networks. Beltransgaz is responsible for the transmission system and storage.

The notion of supplier of last resort is not applicable due to the market structure.

Similarly to the electricity sector, the transmission and distribution networks, as well as storage and other transportation facilities, are exclusively state owned.

4. Renewable energy sources/energy efficiency

The law “On Energy Saving”, entered into force on 15 July 1998 and last amended on 20 July 2006, defines energy efficiency as “a priority of the national policy of the Republic of Byelorussia” and entrusts the government and other state authorities to issue regulatory acts aimed at promoting rational use of energy sources. In fact, the most important energy task Belarus faces up is to prevent its gas consumption from growing. Realistically this will only be achieved by way of improved energy efficiency and conservation, especially in the power sector.

The law assigned a particularly relevant responsibility to the State Committee for Standardisation, which, through its Energy Efficiency department implements the state policy on efficient use of energy resources, develops and manages energy saving programmes (primarily directed at the industrial sector) and issues technical norms and standards for the energy sector.

The promotion of energy efficiency is basically carried out through grants and soft loans to energy inefficient companies which intend to implement energy saving projects.

At present a specific law on renewable energy sources is under preparation. The Government has set a target of 25% of total electricity and heat production by means of local fuels and renewable energy by 2012.

Electricity production from renewable energy sources is promoted through special purchase tariffs, which are set by Decree No. 91 of the Ministry of Economy, dated 31 May 2006.

There is no national law on combined heat and power generation. The Law "On Environment Protection” requires that, for any new economic activity that may have adverse effects on the environment, an environmental impact assessment has to be carried out and mitigation measures identified.

On 8 August 2005 (Decree of the President of Belarus No. 370), Belarus ratified the Kyoto Protocol to the United Nations Framework Convention on the Climate Change. The Ministry of Natural Resources and Environmental Protection was designated as the authority responsible for implementation of the related obligations.


Emissions of dust, nitrogen oxide and sulphur dioxide emissions nitrogen dioxide and sulphur dioxide emissions are taxed.

5. Conclusion
Belarus performs weakly with respect to its grouping (Group C), significantly below average for electricity and slightly below average for gas. Within its Group, Belarus has an electricity sector score of 0.411 relative to a Group C average score of 0.461. Belarus has a gas sector score of 0.379 relative to a Group C average of 0.399.

The absence of an independent regulatory authority and the prominent role of the state-controlled Belenergo and Beltopgaz in the tariff setting process for electricity and gas contribute largely to reduce the score given to institutional infrastructure and regulatory framework. Similarly, the vertically-integrated monopolies which characterise the electricity and gas sectors, as well as the absence of a market opening time frame, penalise the score given to market structure.

Belarus is largely dependent on gas imports, all of which currently come from Russia. Although gasification brought the benefits of using a relatively ecologically clean and efficient fuel, it also brought the burden of an increasing supply cost and the risk of facing supply cuts. The most important task that Belarus faces in the energy sector in the medium term is to prevent the growth of its gas consumption. This can only be achieved through improvement in energy efficiency and conservation, particularly in the power sector. To this respect, the target set by the Government of 25% of total electricity and heat production by means of local fuels and renewable energy by 2012 seems to be a step in the right direction.

**Electricity spider graph – Belarus**

Note: The diagram presents the electricity sector results of Belarus, in accordance with the benchmarks and indicators identified in the assessment model. The extremity of each axis represents an optimum score of 1.0, that is, full compliance with international best practices. The fuller the “web”, the closer the overall electricity regulatory framework approximates international best practices. The results for Belarus are represented by the thick bold line. For comparison purposes, the shaded area presents the electricity sector average of the Group C countries.
Electricity Sector - Comparative view of Group C countries

Gas spider graph - Belarus

Note: The diagram presents the gas sector results of Belarus, in accordance with the benchmarks and indicators identified in the assessment model. The extremity of each axis represents an optimum score of 1.0, that is, full compliance with international best practices. The fuller the “web”, the closer the overall gas regulatory framework approximates international best practices. The results for Belarus are represented by the thick bold line. For comparison purposes, the shaded area presents the gas sector average of the Group C countries.
Gas Sector - Comparative view of Group C countries