



# Civil Society Forum

of the Western Balkans Summit Series



# “Green Agenda: Energy Transition”

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The European Union (EU) has opted for a radical turnaround in the energy sector to reduce carbon dioxide (CO<sub>2</sub>) emissions. EU energy policy, including the adoption of the EU Green Deal, The Paris Climate Agreement, Sofia Declaration, and the adjusted legal mechanisms, set the goal of complete decarbonization of the energy sector by 2050. According to the latest views, a 55% reduction of greenhouse gas (GHG) emissions by 2030 is possible, compared to the reference year 1990. For the electricity sector (EES) this means a radical reduction in the use of fossil fuels and a shutdown of power plants producing electricity through these fuels by 2030, or complete cessation of production from thermal power plants (TPP) running on coal and natural gas by 2050.

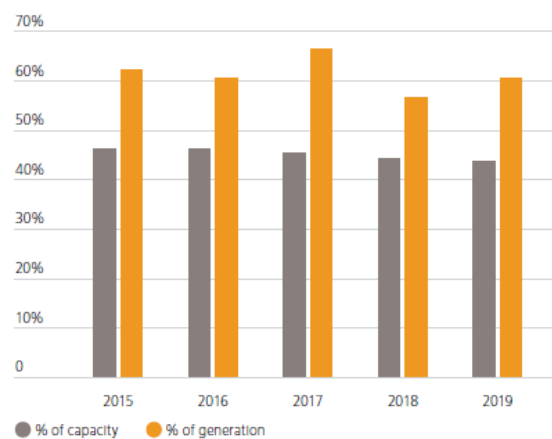
Opting for this policy, the EU expects that countries of the Energy Community, including Western Balkans countries (WB6) and especially those that have opted for future EU membership, adopt and implement this policy.

Moving away from fossil fuel electricity production, which accounts for two thirds of the region’s carbon dioxide emissions, is the most crucial and challenging task for the WB6 as they work toward carbon-neutrality by 2050, in line with the 2020 Sofia Declaration. The only exception is Albania where electricity production is 100% derived from renewables.

At present, fossil-fuel thermal power plants still account for the lion’s share, around 48%, of

capacity generation in the WB6. Throughout the region, coal-fired power plants constituted 43% of total electricity generation capacities and 61% of total electricity production in 2019. As no new coal-fired capacities have been put into operation and no existing ones have been decommissioned, the installed capacity of coal-fired power plants has remained constant at around 8.2 GW (Energy Community, 2021).

Share of coal-based capacity/production in total WB6 capacity/production (%)



Source: compiled and calculated by the Energy Community Secretariat

A comparison of electricity generation mix in WB6 countries and EU-28 is given in the following table. Except Albania, all other countries are highly dependent on electricity generation from coal-fired thermal power plants. The country with the highest dependency is Kosovo at 95%.

Electricity generation mix in WB countries (source: Esser et al., 2018)

Country	Coal	Hydro	Oil	Gas	Nuclear energy	Wind	Solar energy	Biofuels
Albania	0	100	0	0	0	0	0	0
Bosnia and Herzegovina	68	32	0.3	0.1	0	0	0.1	0
Kosovo	95	4.5	0.3	0	0	0	0	0
Macedonia	51	34	2	10	0	2	0.4	6
Montenegro	41	59	0	0	0	0	0	0
Serbia	69	29	0.1	0	0	0.07	0.03	0.09
EU-28	23	12	2	19	26	9.5	3.5	5

Note: sum for North Macedonia is not correct

The Western Balkans is endowed with significant hydropower, solar, wind, and bioenergy potential that are distributed across the region. The underlying resource base has the capacity to meet most of the projected increases in primary energy demand, provided adequate funds are directed to the upstream and midstream sectors. Currently, energy from renewable resources accounts for approximately 25% of total final energy consumption (TFEC) in the WB6 countries (World Bank, 2018). Most renewable energy is currently generated from hydro and traditional biomass resources, with a smaller role played by modern biomass and very little dependence on other renewable resources. The countries in the region have already embarked on the expansion of solar and wind generation potential. This is partly due to the steep reduction in capital costs of those technologies since 2014. A significant potential of renewable energy resources remains untapped.

The second pillar of energy transition is energy efficiency. The energy intensity of WB6 countries is very high compared to the average of the EU. These countries therefore have an efficiency potential unrivalled in Europe. Tapping it will contribute toward much needed economic growth and reduce reliance on fossil fuels (imported and domestic ones). According to the Energy Community Secretariat, the region's intensity is 1.65 to 3.3 times higher the average of EU 27 states. There are a number of reasons for the high energy intensity such as the degraded state of the energy infrastructure, high energy losses in transformation, transmission and distribution, and inefficiency in the end-use sector, especially in buildings.

The EU is ready to financially support the policy of decarbonization, not only in EU member states but with a special focus on the countries of the Western Balkans, too. This support, however, depends on the fulfillment of each country's obligations to decarbonization, and especially the fulfillment of obligations undertaken by ratifying the Energy Community Treaty. It is important to emphasize that the EU plans to have a selective approach to support in the coming period for WB countries, depending on the seriousness with which each country

approaches the fulfillment of its decarbonization obligations. Among other things, this means that if WB countries want to participate in the EU Green Deal program, they will finally have to establish an organized market for electricity and natural gas, regulate the natural gas sector, functionally separate energy companies, regulate the quality of oil and oil products, and other aspects of energy sector liberalization to which the region has committed itself on the basis of EnCT membership.

Future investments in energy infrastructure should be aligned with WB countries' obligations under the Stabilization and Association Agreement, Energy Community Treaty, Paris Climate Agreement, and Sofia Declaration.

At first glance, it is obvious that the above requirements represent a major economic, political, technical, and social challenge for WB6 countries. However, decarbonization is also a development opportunity. By joining the implementation of the international obligations, WB6 countries can build a modern, competitive, environmentally- and climate-sustainable energy system, which is a prerequisite for attracting foreign direct investment, especially in industrial production intended for export to the EU. This requires decisive and quick political decisions, defining a long-term vision and plans for energy transition, and reaching a social consensus on the transformation of the existing conventional energy model according to a modern model based on sustainable development.

The transformation of the energy sector, and especially the power system, began with the accession of countries in Southeast Europe to the Treaty establishing the Energy Community in 2006. With this Treaty, member states have committed themselves to gradually transpose parts of the *acquis* by transposing into domestic law the requirements and rules of relevant EU directives and regulations in the areas of: security of supply, competition, environmental protection, energy infrastructure, energy efficiency, and the use of energy from renewable sources. Based on the EnCT

Agreement, the countries of the region have joined the European market of networked energy sources - electricity and natural gas. Therefore, development trends in EU energy represent a strategic framework for defining energy policies in the EnCT member states.

The process of decarbonization in the energy sector, which needs to be realized by 2050, should be urgently planned and its systematic realization should start immediately. The energy transition will likely cause negative consequences for certain social groups, including job loss (especially due to the expected reduction of coal production and use). It is necessary to plan and implement fair transition programs, which could include the economic restructuring of regions significantly dependent on fossil fuels (especially economies that rely mainly on coal exploitation).

Decarbonization and digitalization are the foundational technologies of the "coming" industrial revolution, which will inevitably cause changes in both global and local socio-economic and political relations. Ultimately, the new industrial revolution will require a more comprehensive concept of development according to which the creation of economic values will be carried out with full respect for the social and natural environment.

Stakeholders in the energy transition have varying degrees of political and economic power. Understanding how political and economic factors influence clean energy transitions is crucial to effective policy formulation and facilitating transitions to sustainable energy systems. The current energy transition seems to be quite slow due to a lack of political will for faster energy transition. There are still huge amounts of hidden and non-hidden subsidies of fossil fuels in the WB6. Energy policy is under strong influence of companies dealing with fossil fuels and coal mine unions. One of the consequences is an implementation of fossil energy lock-in measures in the region (new TPPs, natural gas infrastructure, new equipment for coal mines, etc.). Structural dialogue between all stakeholders is needed to make energy transition socially digestible.

The energy transition should be fair (it is necessary to treat the "losers" of the transition humanely) and inclusive (it should include as many social actors as possible, especially citizens). Policies and measures that implement decarbonization in addition to contributing to sustainable development should be based on:

- smart management of natural and energy resources,
- environmental protection and management,
- use of clean (renewable) energy, and

at the same time, they should contribute to sustainable socio-economic development. Thus, sustainable development, in addition to the positive global effects on climate change and local effects on the environment, includes the creation of development opportunities for economic development and the creation of new and sustainable jobs. In countries such as BiH, this approach also enables the reduction of energy poverty and a harmonized management of the development in less-developed areas.

The decarbonization process must be started immediately. There is no time to wait. The next decade (2021-2030) is key to the success of this generational endeavor. It is time to take decisive action as climate change threatens to cause irreparable damage to the global ecosystem. Therefore, WB6 countries must immediately join the global process of energy transition and decarbonization.

If WB6 countries want to take part in the new development cycle – the EU Green Deal and the strategic documents (National Energy and Climate Plan, Nationally Determined Contribution, Low Emission Development Strategy) – they must plan ambitious goals for the decarbonization of the energy sector. The basis for this should be the achievement of a social agreement that the energy transition, which is in line with the goals of the Green Agenda for the WB and the commitment of the Sofia Declaration, is the backbone of the future development of energy and economy in WB6 countries.

The key challenge for WB6 countries is not natural but financial resources, i.e. how to

finance the transition from coal-fired electricity generation to renewable electricity generation. In the case of an inadequately managed decarbonization process, foreign exchange inflows from the export of non-competitive coal energy will dry up and there will be a need for additional foreign exchange to buy cheaper and globally acceptable energy from renewable sources. If decarbonization is neglected, WB6 companies will not be internationally competitive, but will also be unacceptable as members of modern value chains. Decarbonization so will offer a better positioning of WB6 firms in the new global economy supply chain caused by pandemic of COVID-19.

The European Commission adopted a comprehensive Economic and Investment Plan for the Western Balkans, which aims to spur the long-term economic recovery of the region, support a green and digital transition, foster regional integration, and spur convergence with the European Union. The Plan sets out a substantial investment package mobilizing up to EUR 9 billion of funding for the region. It foresees activities related to climate (including decarbonization, energy, and mobility), circular economy (addressing in particular waste, recycling, sustainable production and efficient use of resources), biodiversity (aiming to protect and restore the natural wealth of the region), as well as fighting air, water, and soil pollution, creating sustainable food systems, and supporting rural areas. In parallel with the Economic and Investment Plan to support the region, the European Commission also adopted guidelines for the implementation of the Green Agenda in the Western Balkans.

### **Working group concept:**

The working group is designed as an interactive discussion between facilitator, civil society, and think tanks from the Western Balkans on following topics:

- What are the key drivers for decarbonization at the local level (local communities)?
  - What would be the consequences of staying on fossil fuels for society and economy of the countries?
  - Why is a just transition important?
  - What are the most effective measures for decarbonization?
  - Which societal group/groups should initiate and lead the process?
  - Who are the potential losers of energy transition in WB, and what are the measures to mitigate or prevent such loss?
  - How do we initiate the transition of coal regions? What are the key steps to be undertaken?
  - How can we avoid unsustainable investments (new fossil fuel projects)?
  - Are current RES supporting schemes in WB countries fair? If not, what should be changed or improved?
  - What is the role of different RES in energy transition and is deployment of potential of all renewable energy sources in line of sustainable development of the Region?
  - What should be the role of ordinary citizens? How can they support energy transition?
  -
- What are the main challenges in energy transition?
  - What is the main obstacle to the energy transition?