

BEYOND BORDERS

**How Energy Union can turn the tide against
coal in the Western Balkans**



August 2015

Acknowledgments

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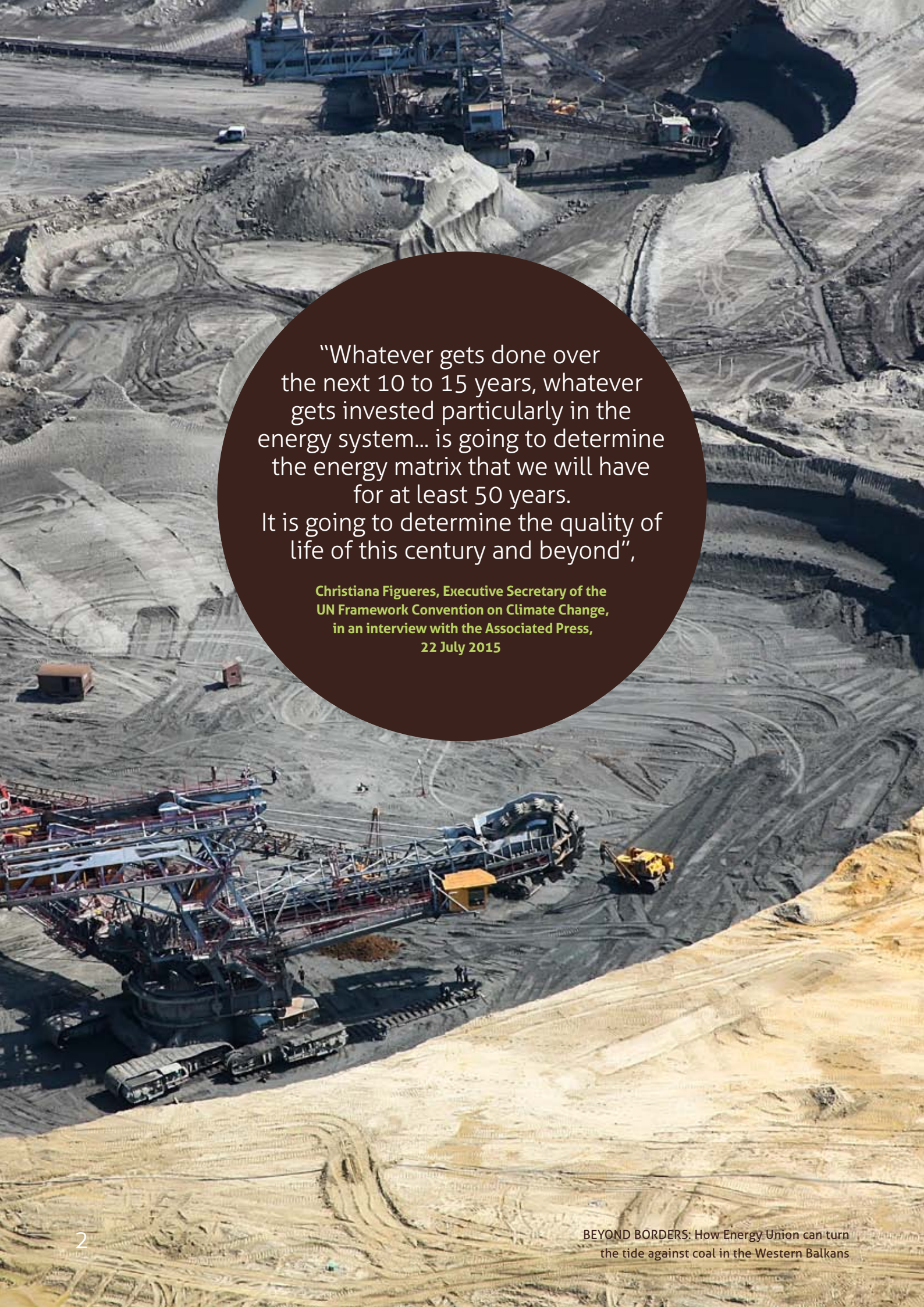
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HIGHLIGHTS

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- ➔ **The energy system in the Balkans is currently heavily reliant on coal. About 6 GW of additional coal power capacity are planned to be built by 2030.** Existing plants are old and pollute heavily. Health costs of air pollution are responsible for about 20% of national GDP in the region, on average.
 - ➔ **New coal power plants have caught interest of mostly Chinese investors.** Coupled with the lack of diligence by the local and national governments, this raises doubts whether the plants will be in line with the EU norms when it comes to environment, climate but also state aid.
 - ➔ **The Energy efficiency potential is the largest in Europe, and significant financing is available but not used up.** Energy poverty is another major problem, limiting opportunities for households to benefit from such incentives.
 - ➔ **2015 offers a number of opportunities for a transition beyond coal in the Balkans.** The shift can be brought by progressing on the enlargement process, the ongoing reform of the Energy Community Treaty on energy-related cooperation with the region, and countries' expected contributions to a new climate agreement to be signed in Paris in December. These opportunities should not be missed, for the well-being and prosperity of citizens in both the Western Balkans and the EU.
 - ➔ **The EU should use its influence to avoid carbon lock-in of the region, which will likely be fully integrated with the EU by 2030.** Enhanced cooperation with its strategic partners will bring the EU multiple benefits.
 - ➔ **The Energy Union framework, which calls for strengthening of the external dimension of EU energy policy, can provide the much needed boost for the EU's involvement in the region.** It has offered many avenues for advancing cooperation in the field of energy, including strengthening of the Energy Community Treaty. Further work is needed to accelerate the EU integration process and make it more transparent. Finally, the EU should push the countries to submit ambitious climate pledges ahead of Paris.



“Whatever gets done over the next 10 to 15 years, whatever gets invested particularly in the energy system... is going to determine the energy matrix that we will have for at least 50 years. It is going to determine the quality of life of this century and beyond”,

Christiana Figueres, Executive Secretary of the UN Framework Convention on Climate Change, in an interview with the Associated Press, 22 July 2015



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Foreword:

Momentum grows for 2015 to become a turning point

2015 is a truly exciting year for Europe. Given its wish to play a leadership role in the climate negotiations, the EU has intensified its climate and energy diplomacy efforts while juggling its domestic climate and energy policy developments. Domestic agenda culminated with the launch of the Energy Union Package¹ in February, when the European Commission presented a vision for reshaping the European energy system, indicating that Europe will move away from fossil fuel based economy.

At the same time, European companies felt the winds of change. They started adapting to these new circumstances. Examples of businesses pulling out of fossil fuels are piling up. Growing divestment movement contributed to this transition, forcing some big players – such as the Norwegian pension fund – to shift their investment portfolios.

Tectonic changes in Europe have the tendency to spill over to its immediate neighbours in the Western Balkans². This is particularly true for the energy sector, as cooperation between the EU and the region in this field is formalised through the Energy Community Treaty³. Therefore, the Energy Union Strategy took the region into account. The Commission called for further strengthening of the external dimension of EU energy policy, including the Energy Community. Moreover, the Strategy recognised the need to tap into the major unused energy efficiency and renewable energy potential in Southeast Europe.

In that sense, 2015 became crucial for the Western Balkans too. Decisions made this year will lay ground for reshaping its energy system over the next several years.

Heavy reliance on coal in the region should start declining thanks to the ongoing reform of the Energy Community Treaty, which aims at bringing about an integrated energy market between the EU on one side, and the Western Balkans and the Black Sea region on the other. The reform will partly be outlined at the Ministerial Council in Tirana in October and will continue through to 2017. It is expected that the Energy Efficiency Directive and further strengthening of the enforcement will be adopted, having major implications for regional and national energy planning.

Furthermore, accession countries are obliged to start tuning their energy sectors with the EU climate and environmental policies, if they want to enhance their prospects of becoming EU Member States in the next decade. Simultaneously, political leaders need to fight the so-called enlargement fatigue⁴ on both sides of the EU border.

To this end, the so-called Berlin process⁵ started last year with a high level conference hosted by the German Chancellor Angela Merkel. The process is aimed at reviving accession talks with the region and bringing about real change, through economic cooperation and the energy and transport connectivity agenda. It will continue in the coming years. At this year's meeting, the Western Balkans' leaders are expected to agree on a list of five priority energy infrastructure projects that will receive EU funding⁶ in 2016.

1 The Energy Union package was announced in February and adopted by the European Council in March 2015. More information available at: http://ec.europa.eu/priorities/energy-union/docs/energyunion_en.pdf.

2 By the Western Balkans we hereby refer to Albania, Bosnia and Herzegovina, Kosovo, FYR of Macedonia, Montenegro and Serbia. Term Kosovo is used without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence. Term Southeast Europe is used interchangeably, unless stated otherwise.

3 Energy Community Treaty was signed in 2006 with the main objective to create an integrated energy market between the EU and the Western Balkans and the Black Sea region. More information available at: https://www.energy-community.org/portal/page/portal/ENC_HOME.

4 Enlargement fatigue refers to some old European Union members' lack of enthusiasm about further eastward expansion. In the recent years, this notion has been present in the accession countries as well, referring to a decreasing interest of the public and political elites for the EU accession, due to lengthiness and the complexity of the process.

5 The Berlin Process is explained further in the report, in section EU Policy Tools to Engage with the Western Balkans.

6 Joint statement by the Western Balkans Energy Ministerial, Vienna, July 2015. https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3768160/Final_statement_150630.pdf



Kosovo A power station, described as the worst single-point source of pollution in Europe. It is expected to close by 2017.

Last but not least, the call to submit contributions to the global climate agreement, to be agreed on in Paris in December, means that the Balkan countries will need to do their share in the global effort to reduce CO₂ emissions. Serbia was the front-runner in the region and announced its first ever climate target during the high level conference on 11th June. If it is serious in its intent to join the EU before 2030, its national contribution needs to reflect a fair share of the EU 2030 target. At the moment, this is not the case and there are even indications that the very low-ambition target of 9.8% is based on the fiddled data⁷.

All these processes are closely tied to and can be boosted by the Energy Union agenda, given its wide scope and the clear acknowledgement by the Vice-President Šefčovič that *the Energy Union does not stop at EU borders*⁸.

The report before you explores the implications of the Energy Union Framework for the Western Balkans and proposes improvements to the existing tools for effective co-operation between the EU and its friends in the immediate neighbourhood.



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⁷ The Guardian. European Commission hails fiddled Serbian Climate Pledge. June 2015. <http://www.theguardian.com/environment/2015/jun/11/european-commission-hails-fiddled-serbian-climate-pledge>
⁸ Vice-President Maroš Šefčovič speech at the Riga conference, February 2015. http://europa.eu/rapid/press-release_SPEECH-15-4225_en.htm

Energy in the Western Balkans: A picture painted black



Nowadays, the non-EU part of the Western Balkans comprises six states: Albania, Bosnia and Herzegovina (BiH), FYR of Macedonia, Kosovo, Montenegro and Serbia. The total surface area is approximately 210 000 km² and is inhabited by almost 20 million people. According to the World Bank data, national economies are largely in the upper middle income range while their key features include both high energy intensity and high greenhouse gas emissions per capita.

Economies of the Western Balkans need proportionally more energy to create one dollar of GDP than their European and OECD competitors, meaning that the energy intensity of their

economies is higher. Their energy sectors produce more CO₂ per unit of energy consumed. Moreover, their economies emit more CO₂ per unit of GDP produced than the advanced economies of the EU and the OECD. Carbon and energy intensity of the Western Balkan economies is therefore high compared to competing economies, as presented in Table 1. The magnitude of difference depends on the data source and the units selected but it is significant even when most conservative values are used.

Coal heavily dominates the primary energy supply mix in the Western Balkan countries (see Table 2 and Figure 1). It is also the most dominant fuel in electricity production mix.

Table 1. Selected population, energy and carbon intensity data for the Western Balkan countries (Source: IEA)

	Albania	Bosnia and Herze- govina	Kosovo	Monte- negro	FYR of Macedonia	Serbia	OECD	EU 28
Population (million)	3.16	3.83	1.81	0.62	2.11	7.22	1254.56	507.4
Energy intensity TPES⁹/GDP PPP¹⁰ (ktoe/USD 2005)	0.18	0.24	0.18	0.16	0.15	0.21	0.13	0.12
CO₂/TPES (tCO₂/toe)	1.84	3.18	3.38	2.16	2.93	3.05	2.31	2.13
Carbon intensity CO₂/GDP PPP (tCO₂/USD 2005)	0.15	0.75	0.61	0.35	0.44	0.63	0.31	0.25

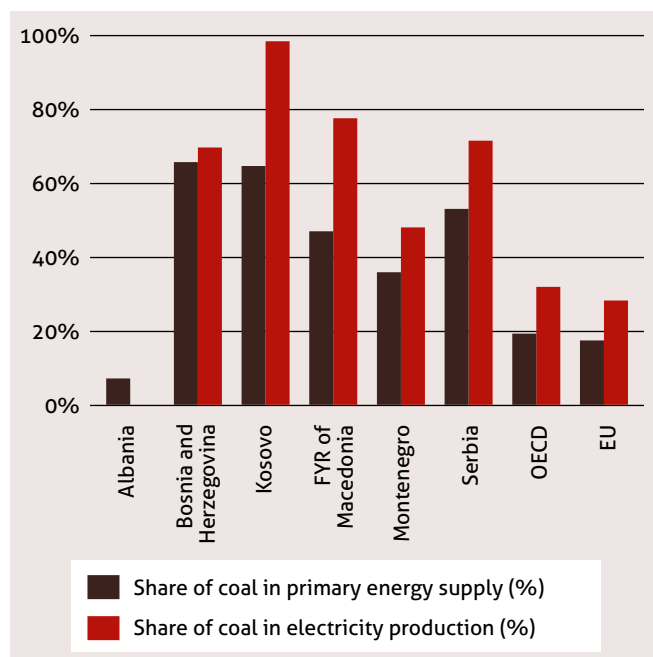
Table 2. Selected data from energy and electricity balances of the Western Balkan countries, EU and OECD (Source: IEA)

	Albania	Bosnia and Herze- govina	Kosovo	Monte- negro	FYR of Macedonia	Serbia	OECD	EU 28
Primary energy supply (ktoe)	2 075	6 670	2 369	1 062	2 968	14 462	5 249 703	16 43 593
Final consumption (ktoe)	1 905	3 213	1 258	734	1 874	8 593	3 582 490	11 39 245
Share of coal in primary energy supply (%)	7.81%	65.56%	64.71%	35.88%	47.27%	52.70%	19.43%	17.89%
Domestic electricity production (GWh)	4 725	14 082	5 943	2 844	6 262	36 799	10 848 843	3 295 430
Domestic electricity supply (GWh)	7 263	14 038	6 097	4 056	8 931	37 188	10 834 589	3 314 593
Final electricity consumption (GWh)	5 760	11 097	4 472	3 220	7 005	27 167	9 290 702	2 796 615
Share of coal in electricity production (%)	0.00%	69.50%	98.15%	48.07%	77.16%	71.56%	32.06%	28.37%
Energy industry own use (share of domestic supply %)	9.06%	10.29%	11.40%	3.48%	7.05%	11.86%	7.90%	9.26%
Losses (share of domestic supply %)	16.41%	10.66%	15.24%	17.14%	14.51%	15.08%	6.36%	6.37%
Share of residential sector in final electricity consumption (%)	52.95%	41.44%	54.65%	40.68%	46.57%	53.44%	31.52%	29.62%
Share of residential sector in final energy consumption (%)	26.61%	25.18%	37.68%	38.42%	27.80%	36.31%	19.47%	25.38%
Biomass share in residential energy consumption (%)	31.56%	21.76%	47.89%	58.51%	32.63%	30.26%	8.77%	13.58%

9 TPES – Total primary energy supply

10 GDP PPP – Gross domestic product at purchasing power parity rates

Figure 1. Coal in energy and electricity production in the Western Balkans, EU and OECD (Source: IEA)



Such carbon intensive energy mix is inefficiently transformed with high share of own consumption in the energy sector, and passed over to the consumers involving huge network losses, including illegal use. Residential consumption dominates in both final energy and final electricity consumption (Table 2 and Figure 2). In addition to the electricity, households use large quantities of fuel wood in inefficient devices. This practice provides for the largest share of domestic heat in almost all countries in the region.

Figure 2. Residential sector share in energy and electricity consumption in the Western Balkans, EU and OECD (Source: IEA)

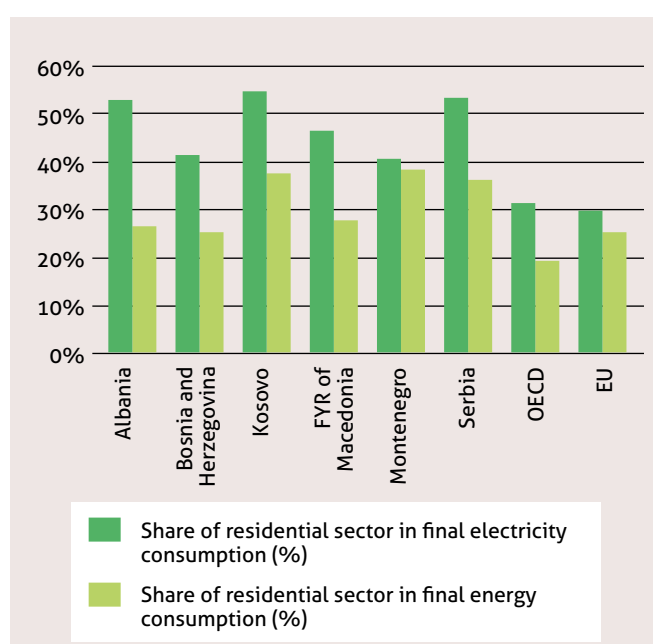
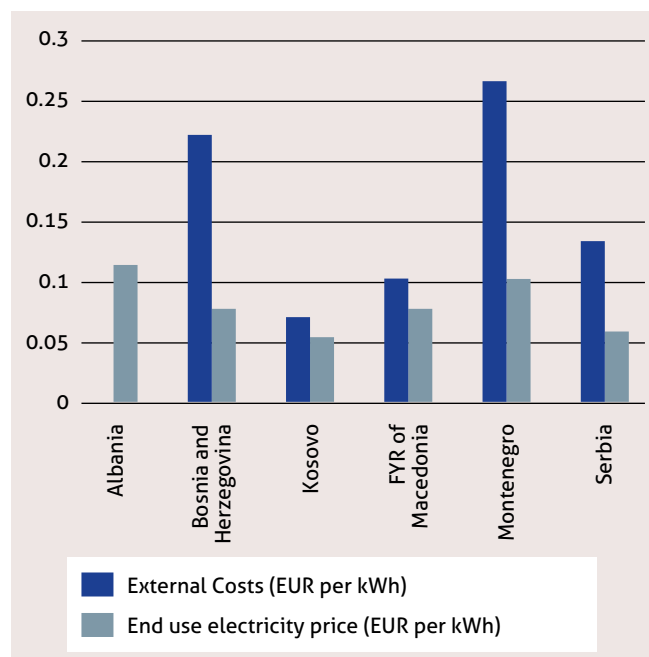


Figure 3. End use prices and external costs of electricity production in the Western Balkan countries (Source: SEEC)



Inefficiently and expensively produced energy is utilised in sectors with low purchasing power and with low added value.

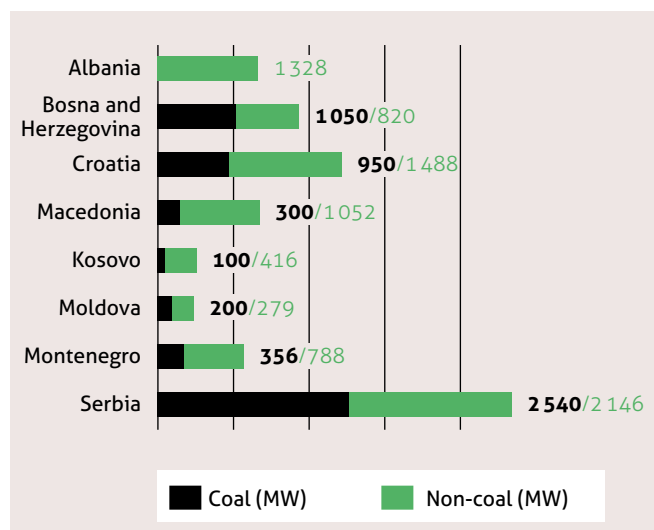
While direct costs of electricity production and consumption are comparatively high (even though not fully covered by the end use prices) external costs are even higher, as shown in the Figure 3 above.

External costs stem from air pollution, a major issue in the entire region. Health and Environment Alliance (HEAL) estimated that Serbia loses nearly 5 billion euros to air pollution from coal only. Moreover, the country has second-worst air pollution in Europe, according to the data¹¹ gathered for the European Environment Agency. The economic analysis¹² made by the World Health Organisation (WHO) puts this in an even harsher perspective: air pollution lowers the Serbian GDP by one third. In other countries, its impact is somewhat smaller, but still significant: 17% of GDP in Albania, 20% of GDP in BiH, 20% of GDP in Macedonia, 14% of GDP in Montenegro.

11 EMRC. Cost-benefit Analysis of Final Policy Scenarios for the EU Clean Air Package. 2014. http://www.iiasa.ac.at/web/home/research/researchPrograms/MitigationofAirPollutionandGreenhousegases/TSAP_CBA_corresponding_to_IIASA11_v2.pdf

12 World Health Organisation. Air pollution costs European economies US\$ 1.6 trillion a year in diseases and deaths. April 2015. [http://www.euro.who.int/en/media-centre/sections/press-releases/2015/air-pollution-costs-european-economies-us\\$-1.6-trillion-a-year-in-diseases-and-deaths,-new-who-study-says](http://www.euro.who.int/en/media-centre/sections/press-releases/2015/air-pollution-costs-european-economies-us$-1.6-trillion-a-year-in-diseases-and-deaths,-new-who-study-says)

Figure 4. Share of coal in planned generation capacity by 2020 (Source: Energy Community, CEE Bankwatch)



The data from these reports indicate that there is enough ground for radical shift away from coal (and in particular from lignite). Nevertheless, plans for future electricity generation, both those formally established in strategies that are currently in force and those reported in the media, envisage a continuation of the existing development pathway: building lignite plants with substandard efficiency.

The price of new coal generation capacity in the region will increase, as shown by a European NGO Change Partnership. Its analysis demonstrated that with the EU carbon emission permit prices of €5 per tonne of CO₂, the existing coal and gas power plants in the region will cost governments at least €575 million each year. New coal energy infrastructure would add an additional €133-317 million annually.

If carbon prices rise to €30 per tonne of CO₂, all these projects' carbon price will raise to €790 million or €1.9 billion every year.

It is worth emphasising that interested stakeholders and experts are largely excluded from energy policy planning processes in the Western Balkans. Therefore, their outcomes neither reflect true costs of the current paradigm, nor take proper notice of all benefits of alternative development pathways.



The biggest Polish coal mining company is facing major losses.

POLAND IS AN EXCEPTION

Most new coal power plants in the region are to be built in Bosnia and Herzegovina and Serbia. Both countries aspire to become EU Member States in the next decade. At the same time, they both behave as if the EU climate and energy targets did not exist, planning to add over 2 GW of new coal capacity each.


In unofficial discussions, decision makers and energy incumbents in the region often refer to Poland as an example that such energy choices are not in a contradiction to the EU membership. They look up to this coal-reliant EU Member State, and say 'If they can do it, so can we'. What they are not saying, is the scale of the problem that Polish coal industry is facing¹³. Polish mining companies are experiencing major losses while new units that are currently under construction might very likely be the last ones built. In fact, the planned projects are already being abandoned (such as Łęczna by Engie).

Moreover, Poland had much better geostrategic position in the moment of accession. Being already surrounded by the EU countries, the Balkans does not have similar leverage nor will it be treated with the same tolerance. This is already clear from the current pace of negotiations, with Croatia but also Serbia and Montenegro. The Western Balkans should not hope for long transitional periods to adjust the energy sector with the EU standards – nor should they, having in mind that Serbia has the second worst air quality in Europe¹⁴ while coal power plants in Kosovo are so polluting that they're causing Kosovo citizens to live 5 years shorter¹⁵.

¹³ The Economist. Poland's coal industry: The striking contrast. January 2015. <http://www.economist.com/news/europe/21639232-striking-contrast-polands-coal-industry>.

¹⁴ HEAL. Air Pollution and Health in Serbia: Facts, Figures and Recommendations. 2014. http://www.env-health.org/IMG/pdf/heal_briefing_air_serbia_eng.pdf; EMRC (2014). Cost-benefit Analysis of Final Policy Scenarios for the EU Clean Air Package. http://www.iiasa.ac.at/web/home/research/researchPrograms/MitigationofAirPollutionandGreenhousegases/TSAP_CBA_corresponding_to_IIASA11_v2.pdf.

¹⁵ Balkan Insight. EU official says Kosovo's failure to close high-polluting power plant puts EU funds set aside for that purpose at risk. February 2014. <http://www.balkaninsight.com/en/article/eu-slams-kosovo-on-not-stopping-air-pollution>.



Kolubara coal power plant in Serbia. Every second light bulb in Serbia is lit by the electricity produced by this complex.

It's complicated: EU – Western Balkans relationship

Throughout the history, the Balkans have been at a crossroads between the East and the West. The same can be observed nowadays. The political leaders in the Western Balkans are using the balancing strategy, trying to maintain good relations with the EU and the US on one side, and China, Russia, Turkey and Arab countries on the other. With the most recent Ukrainian energy crisis, this has been increasingly evident.

Sitting on the fence or just flirting with the East?

Soon after the crisis in Ukraine started, the EU conducted a Gas stress test¹⁶, an exercise aimed at identifying countries most dependent on Russian gas. According to this test, Serbia, Bosnia and Herzegovina and FYR of Macedonia, were all rated as highly vulnerable to another tap closure, as they are fully reliant on Russian gas dispatched via Ukraine. However, this was not perceived as a big threat in Serbia at the time. Given the country has long-lasting good relations with Russia, it was getting ready for South Stream pipeline construction. South Stream was promoted as a highly important project for Serbia, as it was allowing the country to access Russian gas via the Black Sea, bypassing Ukraine. The hopes were high and the Russians were perceived as confidants, having already invested in Serbia's oil sector. Just a few months later, the Russians announced South Stream cancellation. Serbia has imposed no sanctions upon Russia since the beginning of the war with Ukraine, but the trust built over the years has been undermined.

This new situation has opened up space for US companies to offer LNG dispatch to Serbia and the wider region via planned Krk terminal in Croatia. Serbian government has expressed its interest¹⁷ in this cooperation, confirming its strategy to balance and work with partners both in the east and the west.

In parallel, the Greek economic crisis escalated, allowing for geopolitical plays to interfere with the European energy sector. Greece tried to leverage Europe by having numerous exchanges with Putin. This prompted previously started discussions about the Turkish Stream, another alternative route for Russian gas to Europe, via Turkey and Greece. The EU leaders have not been widely supportive of this project so far, but the Greeks and the rest of the Balkan leaders still express interest¹⁸ in this idea.

Chinese involvement is growing

Well before the latest Ukrainian crisis was in sight, Chinese investors started finding their way into the Balkan energy market, notably by investing in coal. Chinese companies and investment banks have been expressing interest in numerous new coal projects in the Balkans, including Serbia, Bosnia and Herzegovina and Montenegro. Their first project is currently under construction – a 300 MW coal fired power plant Stanari in Bosnia and Herzegovina. This project has already been contested by NGOs on environmental grounds¹⁹ resulting in the revision of the environmental permit²⁰. It is still not in line with the EU Industrial Emissions Directive. The Chinese have been successful in Serbia as well, as the Serbian government agreed to take a loan from the Chinese Exim Bank for construction of 350 MW coal fired plant Kostolac B3²¹, amounting to US\$608 million.

16 European Commission. Gas stress test results. October 2014. http://europa.eu/rapid/press-release_IP-14-1162_en.htm

17 Dtt.net. Serbia admits interest on US LNG, EU gas pipeline projects. February 2015. <http://www.dtt-net.com/en/?page=view-article&article=7805>

18 Balkan Insight. Gazprom in Talks with Serbia on Turkish Stream Pipeline. June 2015. <http://www.balkaninsight.com/en/article/gazprom-resume-talks-with-serbia-on-turkish-stream-pipeline>; InfoBalkans. Bulgaria Interested in Turkish Stream, Russian Official Says. July 2015. <http://www.infobalkans.com/2015/07/06/bulgaria-interested-turkish-stream-russian-official-says>

19 CEE Bankwatch. Stanari power plant in Bosnia allowed to pollute 2-10 times higher than EU limits, new expert analysis shows, November 2013. <http://bankwatch.org/news-media/for-journalists/press-releases/stanari-power-plant-bosnia-allowed-pollute-2-10-times-high> Energy Community. Permit of TPP Stanari to be reviewed after legislative amendment in Bosnia and Herzegovina. July 2015. https://www.energy-community.org/portal/page/portal/ENC_HOME/NEWS/News_Details?p_new_id=11281

21 CEE Bankwatch. Kostolac B3 lignite plant loan agreement bypasses public debate and contains unacceptable conditions. January 2015. <http://bankwatch.org/news-media/blog/campaign-update-kostolac-b3-lignite-plant-loan-agreement-bypasses-public-debate-and->

Protest against Stanari power plant in Bosnia and Herzegovina.



EU losing leverage?

While the EU had to focus on its internal challenges and the Ukrainian crisis, eastern influence in the neighbourhood has risen. As a recent report²² on enlargement obstacles indicates, the region has looked eastward for purely pragmatic reasons – new readily available investments. The prospective EU membership is still high up on their agenda but without tangible progress, it's losing its reforming power. The EU needs to demonstrate that it is serious about the integration of the Balkans, and that the countries are seen as a long-term partner.

Why still bother with the Balkans?

The Western Balkans countries have always been more than just neighbours to the EU: they have been its strategic partners in many areas, including trade, foreign policy, education and energy. As immediate neighbours, they have been of crucial importance in ensuring peace and stability at the EU border. This cooperation has witnessed many challenges, particularly in times of turmoil in the Western Balkans, during Yugoslavia's break-up in the 1990s. However, peace has been restored and all the countries have – to a greater or lesser extent – chosen the road of reform and recovery.

In 2003, at the Thessaloniki Summit, the EU leaders committed themselves to help the integration of the remaining Western Balkan states into the European Union. The promised EU membership is highly conditional – it is only granted if countries meet all economic and political criteria, particularly in the areas of democracy, human rights and the rule of law. More than 10 years later, the Western Balkans still struggle with the very same issues. Human rights, freedom of the media and corruption are among the most pressing problems.

Although some obstacles still remain and general progress is slow, the EU accession and the requirement for regional cooperation have been the key drivers for change in these countries. The EU supports the accession process through the Instrument for pre-accession assistance (IPA), which will provide several billion euros of financial aid to the region by 2020. Additionally, the EU currently almost fully finances the functioning of the Energy Community. Finally, in times when the EU is developing a strengthened joint energy policy through an Energy Union, a strong and stable partnership with its immediate neighbours is essential for success.

22 Balkans in Europe Policy Advisory Group. Keep up with Keeping up. 2015. <http://balkanfund.org/wp-content/uploads/2015/06/Keep-Up-With-Keeping-Up-s.pdf>

Energy Union: A chance to boost EU's involvement in the region

The crisis in Ukraine not only brought the Energy Union²³ idea back to life, but was also the key driver for ensuring that the Energy Union became one of the top priorities for Jean Claude Juncker's European Commission. Naturally, the concept, transposed later in the Energy Union package, has quickly shown its implications for the Western Balkans.

23 First proposed in 2010 by Jerzy Buzek and Jacques Delors, under a title of the Energy Community. It should be distinguished from the actual Energy Community Treaty agreed in 2005.

ENERGY UNION: DISCREPANCY BETWEEN THE VISION AND IMPLEMENTATION²⁴

The Energy Union package consisting of Energy Union Communication and a Roadmap was launched in February 2015 and approved by the European Council in March. The Energy Union Strategy set out a vision for Europe. It declared the EU's determination to decarbonise by 2050 and enable the transition to a low carbon economy by ending support to fossil fuels, including coal. Such vision came across as a bold plan, to the Union whose most influential members are still heavily reliant on coal (such as Poland, Germany and the United Kingdom).

Unfortunately, a closer look at the Strategy and the planned actions showed a different picture. Since the Energy Union resulted from the gas crisis, a strong gas agenda is evident in all actions planned in the short term. The Southern gas corridor appears to be the flagship project of the new Commission, together with the planned higher utilization of liquefied natural gas (LNG) and the expansion of cooperation with potential gas suppliers other than Russia. Furthermore, capacity markets that are currently under consideration might enable European coal facilities to live a longer life than it was initially planned, and benefit along the way.

Moreover, the *indigenous fuel* formulation crept into the Council conclusions²⁵ on the Energy Union. Spear-headed by Poland, EU's rare coal addict and shale enthusiast, this unfortunate formulation calling for higher use of indigenous fuels as a means to achieving energy security, opened space for some of the most polluting and dangerous technologies to continue benefiting from EU money.

24 The following section was initially published in August 2015 in The Perspectives, a magazine published by the Heinrich Boell Foundation, office for Serbia, Montenegro and Kosovo.

25 European Council. Conclusions on the Energy Union. March 2015: <http://www.consilium.europa.eu/en/press/press-releases/2015/03/conclusions-energy-european-council-march-2015/>

How can the Energy Union help clean up energy systems of the Western Balkans?

Energy Union is based on three key objectives of the EU energy policy: security of supply, sustainability and competitiveness. To reach these objectives, the Energy Union framework is based on five mutually supportive dimensions: energy security, solidarity and trust; the internal energy market; energy efficiency as a contribution to the moderation of energy demand; decarbonisation of the economy; and research, innovation and competitiveness. Only by working on these dimensions jointly, can the EU and the Western Balkans move towards a joint market, with numerous benefits along the way.

The Energy Union Strategy and the Roadmap provide sufficient grounds for such cooperation. First and foremost, they have emphasized the need to urgently tap into the major unused energy efficiency and renewable energy potential in Southeast Europe.

This has so far been overshadowed by the Central East South Europe Gas Connectivity (CESEC) initiative. The CESEC High Level Group was established with the objective to create a regional priority infrastructure roadmap and to speed up its implementation. The group has been looking into a wider Southeast European region (comprising of both EU and non-EU countries), but the non-EU countries had not been involved in its discussions from the beginning. Western Balkan leaders were, however, invited to sign the list of selected priority projects that came out from CESEC initiative, enabling further development of gas infrastructure in the region. The list was agreed in Dubrovnik in July this year. Large part of its funding will be coming from the EU funds.

As in the EU, the Energy Union activities in the Western Balkans have so far been focused on gas. This dominance of the gas agenda shows the short-sightedness of both EU and non-EU governments. By pushing CESEC initiative and LNG terminals as the solutions, they are treating symptoms but not the root cause of the problem – dependency on foreign suppliers of energy. At the same time, they are risking to push the Balkans further away, closer to the eastern partners offering real investments and alternative solutions for the gas issues, instead of seemingly empty promises of a better future in the EU. Moreover, such strategy clashes with the EU's own long term climate objectives.

Therefore, the CESEC group should urgently be expanded to also look into other solutions for the region, namely energy efficiency measures and deployment of renewables. Non-EU countries should be involved in such group and its planning from an early stage. This will help build trust among partners on both sides of the EU border.

This is not the only avenue that the Energy Union Roadmap has offered to the region. It also lays out a plan to pursue climate and energy diplomacy efforts, ahead of the next UN climate conference in December in Paris. The Roadmap has also envisaged strengthening of the ECT, which is absolutely necessary. These opportunities are elaborated in the sections further below.

Clearly, there is enough grounds to use the Energy Union as the basis for re-engaging with the Balkans and promoting positive solutions, instead of pushing them to become the dumping ground for dirty energy projects. Members of the European Parliament have already called for this²⁶. Now is the time for the European Commission to respond accordingly. Some of the most promising avenues for their work include improvements of market integration, energy efficiency as well as regional cooperation.

²⁶ Balkan Insight. MEPs Urge 'Cleaner Energy' Reforms in Balkans. March 2015. <http://www.balkaninsight.com/en/article/meps-urge-energy-community-to-protect-balkans-from-dirty-energy>

“Nowhere else in Europe does energy efficiency have such great potential than in the Energy Community Contracting Parties.”

Janez Kopač, Director of the Energy Community Secretariat, June 2015

Integrated energy market based on the same environmental and social standards

The central issue of both the Energy Community and the Energy Union is the energy market. While the European Union, together with EU policy in general, strives to achieve the completion of an internal EU energy market, the Energy Community goes a step further, by enabling that market to be integrated with the Western Balkans, Moldova and Ukraine. Moreover, creation of integral market in the ECT context is clearly connected to the creation of social stability and economic development.²⁷

The benefits of joint market within the EU have been widely discussed. It should bring energy prices down while helping improve energy security across Europe and enabling smoother decarbonisation and wider use of renewables. With this in mind, an Energy Union that will seek to create such market beyond the borders of the EU should have been great news for the ECT countries, paving the way towards a better and cleaner energy future also in the region. However, for this to happen, the countries should have the same environmental and social standards as the EU. Unfortunately, as determined by the currently weak ECT rules, they don't.

In such circumstances, the risk of the Balkans becoming the dumping ground for dirty energy projects unveils again, as European and other investors may further invest in coal and benefit from lower environmental and social standards. By supporting market integration on such grounds, the EU risks being seen as a promoter of dirty projects in the region. This might further diminish the already shaken support to the EU integration.

Thus, the EU must demonstrate true solidarity, one of the founding principles of the EU as well as the Energy Union strategy. Citizens of the Western Balkans know they can rely

on the EU in difficult times. The recent floods that the Balkans experienced have proved this, as the EU and its Member States sent instantaneous support. This solidarity should be confirmed by the EU support only to projects that bring truly sustainable development of the region and are in accordance with EU policies. This way, the citizens will see tangible benefits of the EU integration process.

Energy efficiency key to energy security and tackling energy poverty

Since the beginning of the Ukrainian crisis, energy security has been discussed solely in the context of Russian gas supply. However, the region's gas supply problem is overstated. Share of gas in the Serbian energy mix sums up to 11%, and Serbia is the biggest importer of Russian gas in the region. In peak winter times gas is mostly used for heating poorly insulated homes via inefficient heat-only district heating systems. Combined debt of largest industrial consumers and district heating system users according to the Serbian media exceeds €500 million²⁸. It means that relatively small quantities of gas are consumed by those who cannot anyhow pay for it.

The real potential for tackling energy security rests on the implementation of energy efficiency measures. In addition to the large potential for improvements on the supply side, there are vast opportunities on the demand side as well. Main devices for provision of domestic heat in the region – combined heating and cooking stoves using solid fuels – are completely outdated in technological sense. Their efficiency does not exceed one half of the efficiency of modern stoves, such as those certified by the US Environmental Protection Agency.

The most recent study of the Energy Community Secretariat showed that also the buildings sector has significant energy efficiency potential in the Western Balkans. This sector constitutes 50% of total energy consumption and has an esti-

²⁷ Energy Community Treaty, 2005 reads "Determined to create a stable regulatory and market framework capable of attracting investment in gas networks, power generation and transmission networks, so that all Parties have access to the stable and continuous gas and electricity supply that is essential for economic development and social stability.."

²⁸ Example from the Serbian media (in Serbian cyrillic), translates to Serbiagas piling up debts. August 2015. <http://www.srbijadanas.net/srbijagas-gomila-dugove/>

“Just as our ‘four freedoms’, Schengen and the introduction of the euro have all delivered both concrete benefits to our citizens, as well as a more profound sense of our European community, so can the energy union. This will happen only as long as we truly understand that our energy policy must serve our fundamental value of solidarity.”

Jerzy Buzek, MEP, Chair of the ITRE Committee and the lead author of the Energy Community reform report, to the Parliament magazine, 7 January 2015



Energy efficiency and renewables could create thousands of jobs in the region.

mated potential for energy savings of between 20 to 40%. It is thus clear that energy crisis could be solved much easier by investing in buildings renovation, rather than new gas pipelines, from Russia or other suppliers. The same study quotes that the Western Balkans has a potential for energy savings amounting to €805 million by 2020. The ECT data also show that only one-third of the €700 million available from international financial institutions and the European Commission for energy efficiency is being used.

At the same time, boosting the implementation of energy efficiency measures will be crucial for protecting vulnerable consumers of the region. In many countries of the region, market integration may bring higher rather than lower energy prices. At the moment, half of the citizens in the ECT countries fall below the fuel poverty line²⁹. This is why state support will be needed, to kick-start broader implementation and offset negative impact of market integration on energy prices.

The assistance should be clearly focused on energy efficiency, rather than on income based financial support to households. The latter keeps households in energy poverty as the intervention remains insufficient to provide for adequate energy purchase. This means that they have to compromise with other services and goods and risk serious health problems and social exclusion. Field work and in-house interventions are needed to truly eradicate energy poverty.

Regional cooperation hand in hand with decarbonisation

The Energy Union Strategy recognised the crucial role regional cooperation will have in completing the energy market. Integration of regional markets is seen as a step towards achieving the full integration of the European energy market. It must not be forgotten that regional cooperation will also be essential for achieving security of supply and decarbonisation. Regional cooperation, including cross-border energy trading, allows for a cost-effective integration of renewables

as well as other benefits, including creation of new jobs and avoiding stranded assets. Numerous studies published recently prove this point.

Research conducted under Intelligent Energy Europe³⁰ showed that trading in renewable energy in the wider region (with the EU Member States, not within the Western Balkans only) has the potential to create 14 000 jobs annually and bring significant stimulus for investments, by 2030. UNDP data³¹ show that new Member States, such as Croatia, already reap these benefits: renewable energy trading brings 6 000 jobs annually and 3 billion euro in new investments.

Another analysis³² showed that if energy export plans of the Western Balkan countries are pursued, they should be coordinated at a regional level; otherwise there is a great risk of stranded assets. Without cooperation, the region will have to compete with other nearby exporters and may face major losses in the planned investments.

Finally, the energy model for Southeast Europe³³ proved that the clean energy pathway, in accordance with the EU Energy roadmap 2050³⁴ is more cost-effective for the region than the business-as-usual scenario, reliant on coal. Again, cooperation would be necessary to achieve this and to balance the use of renewable power across the region.

29 A person or a household is considered to be in fuel poverty if it spends more than 10% of its net income on energy.

30 The Better Project. Western Balkans-EU Action Plan for Renewable Energy Cooperation. March 2015. <http://www.better-project.net/sites/default/files/D7.2.%20Western%20Balkans-EU%20Action%20Plan%20for%20Renewable%20Energy%20Cooperation.pdf>

31 UNDP Croatia. No country is an island. October 2014. <http://www.undp.org/content/brussels/en/home/presscenter/articles/2014/10/23/no-country-is-an-island-new-energy-opportunities-in-the-west-balkans.html>

32 CEE Bankwatch. Electricity export ambitions may prove risky for Western Balkans, shows new study. March 2015. <http://bankwatch.org/news-media/for-journalists/press-releases/electricity-export-ambitions-may-prove-risky-western-balka>

33 WWF EPO. EU energy roadmap more cost effective for South East Europe than current policies, shows new energy model. June 2015. http://wwf.panda.org/who_we_are/wwf_offices/romania/?248251/EU-energy-roadmap-more-cost-effective-for-South-East-Europe-than-current-policies-shows-new-energy-model

34 The European Commission. EU Energy Roadmap 2050. 2011. https://ec.europa.eu/energy/sites/ener/files/documents/2012_energy_roadmap_2050_en_0.pdf

EU policy tools to engage with the Western Balkans

The European Union already engages with the Western Balkans through different channels, including the Energy Community Treaty and the EU accession negotiations. The practice has shown that these two processes sometimes contradict each other, thus the Energy Union could be an ideal platform to bring coherence in EU's involvement in the region, in the areas of climate and energy. This is both necessary and urgent, given the region's vulnerability to climate change demonstrated by the intensity of recent floods. With the quest for more coal on one hand, and necessity to tune energy sectors with the EU environmental and climate policies, the Western Balkans are currently at a crossroads, choosing between the Road to the EU and the Road to Nowhere³⁵. It is an imperative to carefully plan further policies and actions in order to avoid dangerous lock-in in carbon intensive infrastructure for the coming decades.

1. The Energy Community Treaty

The first progress and post-1990s war cooperation in the Western Balkans – like in the EU – started around economy and energy. Today's European Union developed from the European Coal and Steel Community established in 1951. Similarly, the Energy Community Treaty (ECT) was one of the first formal cooperation treaties signed in the region, after the 1990s Yugoslavia break-up.

The ECT entered into force in 2006 in order to facilitate the extension of the EU energy market to Southeast Europe. Its goals are to complete an integrated energy market, bring investments, enhance security of supply and improve environmental conditions in the region. This was supposed to be achieved by the adoption of the EU legislation in energy and related areas (competition, environment etc.). According to the ECT data³⁶, some 25 laws have been incorporated

into the Energy Community's legal framework to this date, covering gas, electricity, security of supply, renewables, oil, energy efficiency, environment, competition and statistics.

With such an ambitious goal, the Energy Community Treaty is often cited as *one of the most successful tools of EU external energy policy*³⁷. This statement disregards the fact that the implementation of the agreed laws turned out to be cumbersome³⁸, particularly after the economic crisis that hit Europe in 2008–2009. According to the estimates³⁹ made for the ECT Secretariat, aging power plants and energy infrastructure in the ECT countries require nearly 30 billion euros of investments to be made fit for linking up with the EU market. When the ECT was first agreed, the Balkan leaders were hoping that Europe will deliver a large part of these funds. Once the crisis broke, it was clear that this – as well as the quick accession to the EU – is not going to happen.

Moreover, ever since its inception, the lack of a strong enforcement mechanism has remained the key impediment to the realisation of the goals set by the Energy Community. Without direct penalties or a court to sanction them, the Energy Community countries in the Western Balkans have been successful in avoiding the full implementation of the obligations they undertook.

Nonetheless, the Energy Community stayed a valuable driver for change in the region. It is now undergoing a reform that should lead to a stricter enforcement mechanism. In addition, the ECT countries will hopefully start improving energy efficiency after the Energy Efficiency Directive will become part of the ECT legal framework in October. The countries are also expected to prepare for complying with the Large Combustion Plants Directive. Further reform measures are expected over the next two years, all the way through to 2017.

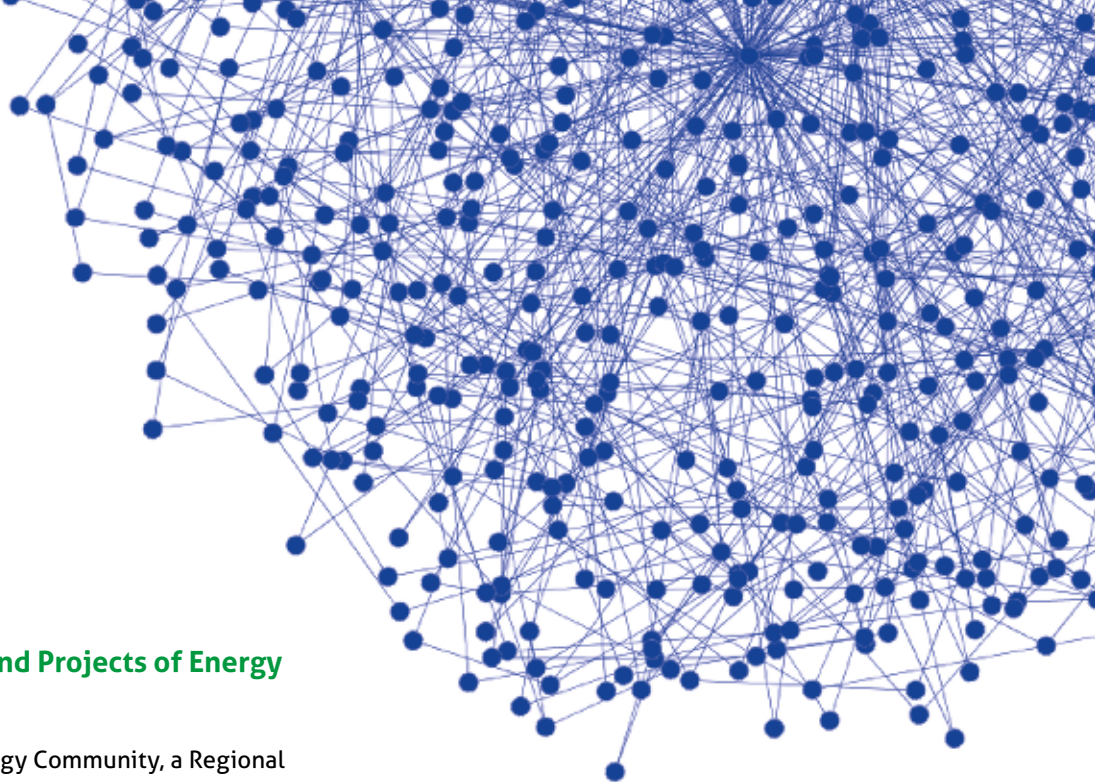
35 WWF EPO. EU energy roadmap more cost effective for South East Europe than current policies, shows new energy model. June 2015. http://wwf.panda.org/who_we_are/wwf_offices/romania/?248251/EU-energy-roadmap-more-cost-effective-for-South-East-Europe-than-current-policies-shows-new-energy-model

36 Energy Community website. https://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/What_we_do

37 Energy Community. Report of the High Level reflection group. June 2014 <https://www.energy-community.org/pls/portal/docs/3178024.PDF>

38 Energy Community Secretariat. Annual implementation report. August 2014 <https://www.energy-community.org/pls/portal/docs/3356393.PDF>

39 Energy Community. Energy Strategy of the Energy Community. 2012 <https://www.energy-community.org/pls/portal/docs/1810178.PDF>



Regional Energy Strategy and Projects of Energy Community Interest

Within the framework of the Energy Community, a Regional Energy Strategy⁴⁰ was developed, together with a list of Projects of Energy Community Interest⁴¹ (PECIs). They mirror the concept of Projects of Common Interest (PCIs) in the EU with a notable difference that they can concern electricity generation projects, excluded from funding under PCIs.

Regional Energy Strategy was agreed in 2012 while PECI list was adopted in 2013. The regional energy strategy focused on gas and electricity infrastructure and prioritised several coal power plants as PECIs, while it completely overlooked the fact that in the EU energy strategies have to be in line with its climate policies. This is linked to the fact that, even though the ECT countries have renewable energy targets comparable to the EU ones, they only have a low ambition indicative energy efficiency target (9% by 2018) and no climate targets to this date. Therefore, PECI list sends signals to potential investors to invest in lignite. Such investments are not eligible for funding from the international financial institutions, such as the European Investment Bank. Therefore, they will most likely be subsidized by both potential non-EU investor countries and host states in the Western Balkans. This also means there is a risk that an outdated and polluting technology will be used. Such environment may facilitate numerous and voluminous damages to public goods and deserves increased attention.

Objectives and actions planned by the strategy have not been achieved while the initially agreed deadlines have largely been exceeded. In the meantime, the EU adopted the 2030 targets and developed the Energy Union Strategy. The Paris conference in December is expected to deliver a global climate agreement, marking a high time for the ECT to reflect the climate pledges in the ECT framework in order to ensure coherence among different processes.

Moreover, as stated in the recent analysis⁴² by Change Partnership, the ECT contracting parties have revised or are currently revising their national energy strategies, providing another good reason for the Regional Energy Strategy update. Most importantly, a revised regional energy strategy should also tackle other environmental and social issues flagged in this report, such as air pollution and transparency. The strategy and PECIs list thus need to be revised and tuned with the Energy Union vision and the 2030 targets, as well as with broader EU legislation concerning environment, competition and transparency.

The work of the ECT is almost fully funded⁴³ by the EU – so both the carrot and the stick are at the disposal of EU decision-makers. It is high time that the EU stopped tolerating excuses for non-compliance, and work together with the region on sustainable solutions, such as energy efficiency and small scale renewables. Greater transparency of such processes is essential. Besides civil society, much stronger role should be given to the holders of sovereignty of citizens of the Western Balkans – the national parliaments. A step in the right direction is the establishment of the Energy Community Parliamentary Assembly⁴⁴.

40 Energy Community. Energy Strategy of the Energy Community. 2012. <https://www.energy-community.org/pls/portal/docs/1810178.PDF>

41 Energy Community. PECI list. 2013. https://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/Instruments/Investments/PECIs/List_PECI

42 Change Partnership, commissioned by CEE Bankwatch. Climate Change: Time for the Energy Community to Take Action <http://bankwatch.org/sites/default/files/EnCom-strategy-climate-action.pdf>

43 Energy Community, Budget breakdown. https://www.energy-community.org/portal/page/portal/ENC_HOME/SECRETARIAT/Budget

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2. EU Accession & The Berlin Process

The EU accession has been the main driver of reforms in the region in the past decade. All Western Balkan countries have applied for the EU membership while only Montenegro and Serbia have formally started negotiating. The interest of the other countries have been acknowledged, so they all have either candidate or potential candidate country status, despite the slower progress. They are all benefiting from European development assistance and different cooperation programmes, including the Energy Community.

However, even the accession front-runners (i.e. Serbia and Montenegro) are extremely resistant to change. Experience with the accession process in the Balkans has so far shown that the governments are prone to use all possible opportunities to delay reforms. This is the case with the ECT, which provides ground for granting the countries transitional periods needed to clean up their fossil fuel reliant energy system, upon their accession to the EU.

These two processes could develop hand in hand. The ECT should be used to raise ambition within the accession countries, instead of being an excuse for doing less.

In addition, different parts of the European Commission often send conflicting messages to the accession countries (e.g. when it comes to energy and climate policy), thus creating space for domestic political manoeuvres. The plan⁴⁵ of the Commission President Juncker to overcome the silo-mentality and to create the overarching Energy Union with a forward looking climate policy should be the key signal for this practice to be dismissed.

The European Commission can address these shortcomings through better coordination between the enlargement policy and the external dimensions of the energy, climate, competition and environment policy. If the EU institutions send a unique message to the countries, their national political elites will need to comply.

TRANSPARENCY NEEDED

The EU accession processes of Montenegro and Serbia have so far been much different when it comes to transparency. While Montenegro has opened the process to civil society and keeps the public informed, Serbia has done quite the opposite. The recent case of the consultation on the Post screening document on Environment and Climate policy, prepared by Serbia – although a step in the right direction – has shown a lack of true commitment to opening the process up. Stakeholders were given less than two weeks to comment on the 300 pages long document, crucial for the continuation of the negotiations in this area. This is far away from the EU's policy of allowing 12 weeks for comments in the formal public consultation process.

Greater transparency will enable better stakeholder engagement and thus result in their buy-in as well as a wider public support for the EU integration. Over time, greater transparency and cooperation lead to increased trust between the civil society and the policy makers. Such cooperation and trust, coupled with the diversity of skills and expertise present in the civil society in the region, can only result in the better quality of the region's EU integration.

A step in the right direction is surely the initiative of the German Chancellor Merkel. In the summer of 2014, she hosted the first Western Balkans conference of the so-called Berlin process, aimed at showing commitment to the further enlargement of the European Union, despite little progress of certain countries (especially Bosnia and Herzegovina and FYR of Macedonia). The conference underlined the importance of making this initiative periodical, as well as finding the right instruments to enable the implementation of joint projects in the region. The conference conclusions emphasised the need for sustainable economic development, one that will also provide legal certainty and zero tolerance to corruption⁴⁶. The role of the ECT was recognised and the Ministers have committed to overcome the implementation issues. These words now need to be put into action both in Vienna, at the next conference of the Berlin process in August and in Tirana, during the ECT Ministerial Council in October.

⁴⁵ Jean Claude Juncker. Political Guidelines. 2014. <http://www.eesc.europa.eu/resources/docs/jean-claude-juncker---political-guidelines.pdf>

⁴⁶ Group of Ministers. Conclusions of the Western Balkans Conference in Berlin. August 2014. http://www.bmeia.gv.at/fileadmin/user_upload/Zentrale/Aussenpolitik/Erklaerung_Englisch.pdf

Wind turbines in Greece. The substantial wind potential in the Western Balkans remains under-developed.

“The focus of the European energy system must shift from the supply side to the demand side, and from an unsustainable production model to one aimed at reducing consumption. Relying on more decentralized generation, domestic resources and an effective demand management, the project must reflect the ongoing democratization of the energy market.”

Opinion by Jacques Delors, Sami Andoura, Jean-Arnold Vinois, published by Euractiv.com on 26 February 2015



Climate diplomacy should yield tangible results in the region

The Energy Union Roadmap includes a plan for intensive climate and energy diplomacy efforts, led by the Commissioners and the European External Action Service (EEAS). These aim at encouraging countries to submit their climate pledges in the run up to the next climate summit in Paris in December. These efforts should have naturally first been capitalized in the EU's immediate neighbourhood. However, this has not been the case so far.

As all of the Western Balkans countries seek to join the EU well before 2030, their climate pledges (formally known as Intended Nationally Determined Contributions – INDCs) should be in line with the EU's target, which is currently to reduce emissions by at least 40% by 2030, compared to 1990 levels.

The European Commission leads the accession negotiations and publishes annual Progress reports for all countries, where it evaluates the progress a country has made towards the alignment with the EU and ask for further improvement. In the Progress reports⁴⁷ for 2014, the Commission was very specific and asked all the accession countries to put forward their pledges to the 2015 Climate Agreement. The deadline for submissions was the end of the first quarter of 2015. The pledges were to be consistent with those of the EU and its Member States.

In practice, the Balkan countries clearly need more political pressure from the EU, as the March deadline has passed with no contributions from the Balkans. A step forward was made at the end of June, when Serbia submitted its INDC. The pledge itself has caused a lot of controversy⁴⁸. It is still questionable, and at best, very unambitious.

What is a fair target for the accession countries in the Balkans?

Due to the lack of data, it is still fairly difficult to give a straightforward answer to this question. It also depends on the equity parameters we take into account and the level of ambition of the GHG emissions reduction target.

However, given the fact that most of the countries of the Western Balkans are expected to become the EU Member States before 2030, their targets should be comparable to the probable economy-wide targets for the poorest EU Member States.

This EU-wide target is translated into national goals by applying the overall reduction of the industrial emissions covered by the Emissions Trading Scheme (ETS) to all EU Member States in the same way (-43% of ETS emissions in 2005), combined with the likely target using a GDP per capita parameter for the emissions outside the ETS (the so-called Effort Sharing Decisions emissions covering transport, buildings and agriculture).

The result of this calculation indicates that even the poorest EU Member States will have to take on substantial reductions of their greenhouse gas emissions, starting from -25% to -65%, compared to 1990. Given that most Balkan countries have a GDP per capita lower than the poorest EU Member States, their commitment might be slightly below -25% but there is not much differentiation to be expected. Moreover, the GDP per capita of both Serbia and Montenegro – which are the most advanced in the accession process – is already now comparable to that of Bulgaria. This shows that Serbian climate pledge of about 10% emission reduction compared to 1990 is far too low and is not compatible with the country's choice to join the EU in the next decade.

The following table shows the reduction pathways for the EU poorest Member States until 2030:

⁴⁷ Directorate General for Neighbourhood Policy and Enlargement Negotiations. Strategy and Progress reports, details available at http://ec.europa.eu/enlargement/countries/strategy-and-progress-report/index_en.htm

⁴⁸ The Guardian. European Commission hails fiddled Serbian climate pledge. June 2015. <http://www.theguardian.com/environment/2015/jun/11/european-commission-hails-fiddled-serbian-climate-pledge>

Table 3. The reduction pathways for the poorest EU Member States until 2030

(Source: EEA EU Greenhouse Gas Data Viewer and ETS Data Viewer, GDP per capita (PPP) by the World Bank)

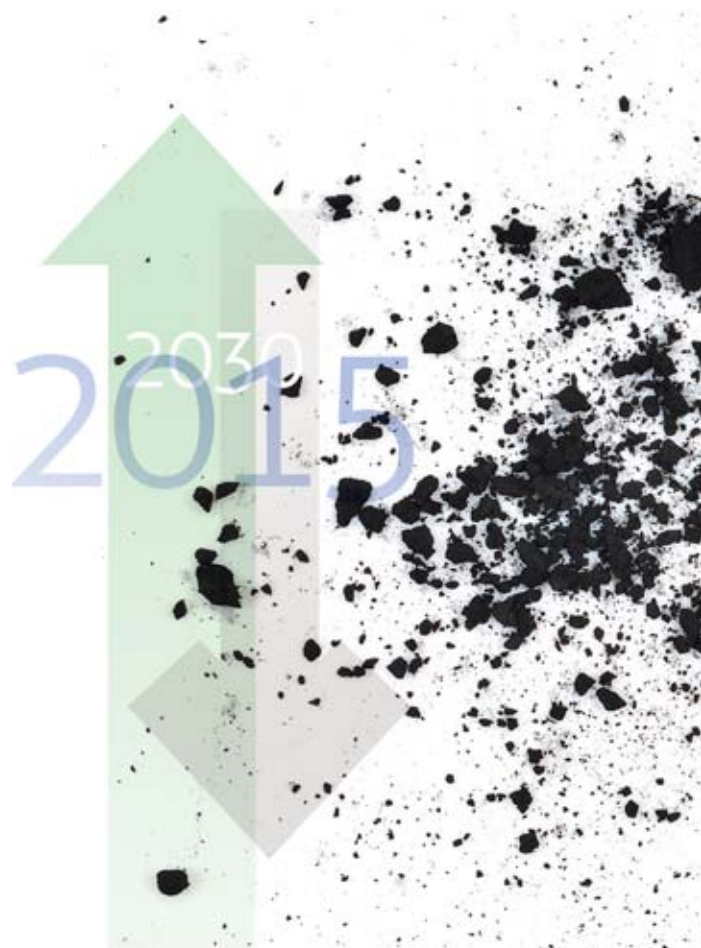
	GDP per capita (PPP) in 2013, in current international \$	Emissions (in million tonnes CO ₂ eq)	Emissions (in million tonnes CO ₂ eq)	ETS sector (in million tonnes CO ₂ eq)	Non-ETS sector (in million tonnes CO ₂ eq)	ETS sector (in million tonnes CO ₂ eq)	Non-ETS sector (in million tonnes CO ₂ eq)	TOTAL emissions (in million tonnes CO ₂ eq)	% of emissions reduction	% of emissions reduction
		1990	2005	2005	2005	2030	2030	2030	1990	2005
Bulgaria	15 732	109.824	63.86	37.82	26.04	21.56	25.78	47.34	-56.90	-25.87
Latvia	22 568	26.213	11.06	2.85	8.20	1.63	7.71	9.34	-64.38	-15.55
Lithuania	25 453	48.721	23.32	6.60	16.72	3.76	15.38	19.14	-60.71	-17.91
Romania	18 974	257.688	141.34	73.14	68.20	41.69	66.83	108.52	-57.89	-23.22
Croatia	21 350	31.98	30.73	12.43	18.30	7.08	16.65	23.74	-25.77	-22.75
Hungary	23 334	97.60	78.38	29.80	48.58	16.98	44.21	61.19	-37.31	-21.93
Poland	23 690	466.37	398.83	221.29	177.54	126.14	161.56	287.69	-38.31	-27.87
TOTAL		1 038.398	747.504					556.96	-46.36	-25.49

Montenegro and Serbia – the most advanced countries in the EU accession negotiations – have their relative GDP per capita values at a level similar to Bulgaria (see Table 4. below). Given that Bulgaria needs to make reductions of almost 60% compared to 1990, it is clear that these two countries would be facing a substantial target to reduce their greenhouse gas emissions well below their 1990 levels, but also below their 2005 levels.

Table 4. GDP per capita (PPP) in the Western Balkans

(Source: The World Bank)

Country	GDP per capita (PPP) in 2013, in current international \$
Albania	9 931
Bosnia and Herzegovina	9 535
FYR of Macedonia	11 612
Montenegro	14 132
Serbia	13 020



Recommendations for European policy-makers

1

Recommendations regarding the Energy Union

Demonstrate true solidarity, one of the founding principles of the EU as well as the Energy Union strategy. Citizens of the Western Balkans know they can rely on the EU in difficult times. The recent floods that the Balkans experienced have proved this, as the EU and its Member States sent instantaneous support. This solidarity should be confirmed through the EU support given only to projects that bring truly sustainable development of the region and are in accordance with EU policies. This way, the citizens will see tangible benefits of the EU integration process. The EU should not be seen as a promoter of dirty projects in the region, as this might further diminish public support to the EU membership.

Under the Energy Union umbrella, involve stakeholders from the Western Balkans in EU climate and energy planning that has implications for them, such as the CESEC initiative. Expand CESEC so it has a wider role of looking into opportunities to advance and use vast untapped potential of energy efficiency and renewable energy sources in the region. Involving non-EU countries in these discussions will show them that they are taken seriously, as equal partners. This will also help regain trust in the accession process, both in the EU and the Western Balkans region.

2

Recommendations regarding the Energy Community Treaty

Ensure that the reform of the Energy Community leads to meaningful improvements. Cosmetic solutions are not enough and will lock the ECT into another ten difficult years. A truly reformed enforcement mechanism, together with political will, is needed to deliver the ECT objectives. If necessary, condition IPA II and energy infrastructure funding by compliance with the ECT legislation. Additional safeguards should be added to ensure SEE countries develop legislation in a transparent manner, by involving civil society.

Revise the Regional energy strategy and PECIs list in order to align them with the EU 2030 targets and the Energy Union vision. This means operationalisation of the energy efficiency first principle in the ECT countries and decarbonisation of the energy system by promoting small scale, decentralised renewables. This could be facilitated at the national level, by channelling state support away from fossil fuel industry towards sustainable energy solutions. Implementing these proposals will bring a major co-benefit: significantly reducing dependency on foreign suppliers of energy thus improving energy security across Europe.



3

Recommendations regarding the EU accession

Bring clarity and coherence between the EU accession and other policy processes, as well as across different EU policies. The EU Commission should ensure that it sends clear and coordinated messages to enlargement countries, meaning that climate, competition and environmental rules cannot be compromised for the sake of an (potentially) unfair energy market. Once the EU institutions send a unique message towards these countries, their national political elites will be left with fewer excuses for non-compliance.

Increase transparency of the EU accession processes. Greater transparency will enable better stakeholder engagement and thus result in their buy-in as well as a wider public support for the EU integration. Over time, greater transparency and cooperation lead to increased trust between the civil society and the policy makers. Such cooperation and trust, coupled with the diversity of skills and expertise present in the civil society in the region, can only result in the better quality of the region's EU integration.

4

Recommendations for the Paris climate summit

Ensure that Western Balkans countries submit fair and ambitious climate pledges, in line with the EU 2030 target, or ramp them up during the next climate summit in Paris. Most of the Western Balkan countries are yet to submit their INDCs. The EU can ensure these are of good quality, by using different available political and economic tools it has. This is the only way to demonstrate true commitment to both climate and action and the EU accession process. The case of Serbia, when it seemed as if the EU supported a low ambition target for a future member, must not be repeated.

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Scottish coal plant Longannet, due to close
in March 2016. Carbon pricing and air
pollution rules are already transforming
energy system in the UK.





Climate Action Network Europe is Europe's largest coalition working on climate and energy issues. With over 120 member organisations in more than 30 European countries – representing over 44 million citizens – CAN Europe works to prevent dangerous climate change and promote sustainable climate and energy policy in Europe.

CAN Europe is a regional node of Climate Action Network, a worldwide network of over 900 Non-Governmental Organizations (NGOs) in more than 100 countries working to promote government, private sector and individual action to limit human-induced climate change to ecologically sustainable levels. CAN is based on trust, openness and democracy.

The vision of CAN is a world striving actively towards and achieving the protection of the global climate in a manner that promotes equity and social justice between peoples, sustainable development of all communities, and protection of the global environment. CAN unites to work towards this vision.

CAN's mission is to support and empower civil society organisations to influence the design and development of an effective global strategy to reduce greenhouse gas emissions and ensure its implementation at international, national and local levels in the promotion of equity and sustainable development.

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