

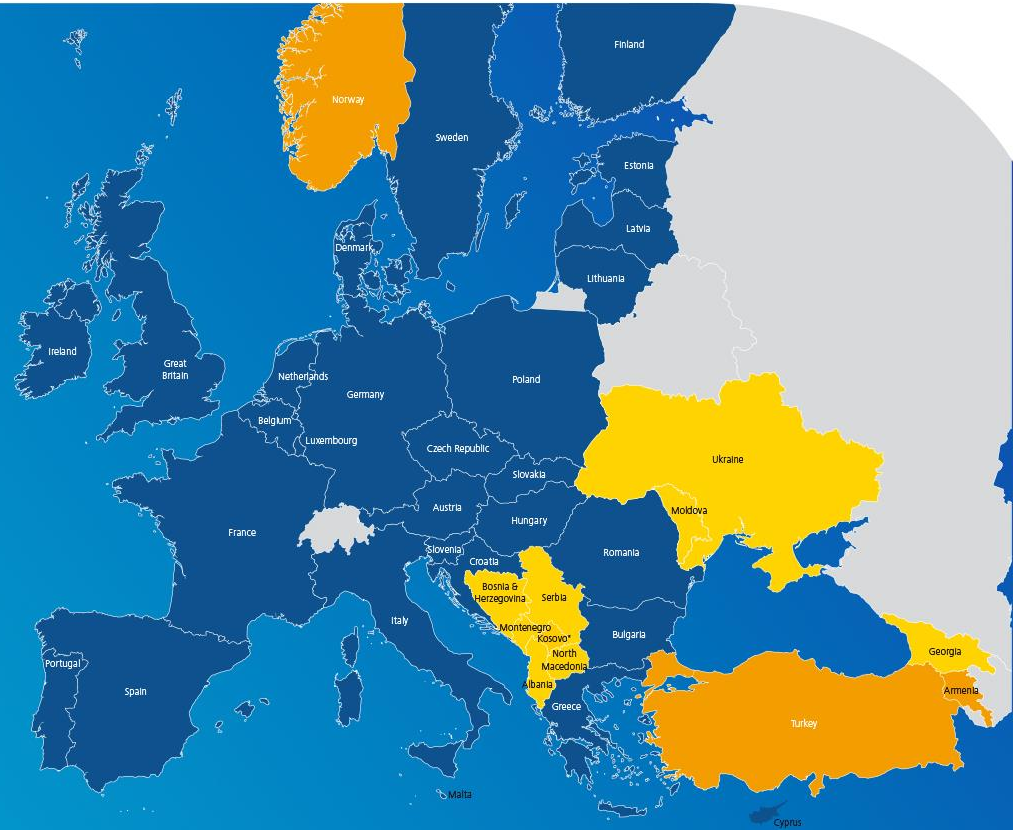
# **THE ENERGY COMMUNITY**

## **WB6 Energy Sector Reform**

Jasmina Trhulj, Energy Community Secretariat  
Skopje, 26<sup>th</sup> September 2019

# OUR MEMBERS

- Contracting Parties
- European Union
- Observers





# THE ENERGY COMMUNITY AT A GLANCE

- ☀ International organization established in 2005 by the Treaty establishing the Energy Community;
- ☀ Extends the EU internal energy market to South East Europe and beyond to create a sustainable pan-European Energy Market;
- ☀ Instrument to assist countries in the EU's neighbourhood to reform their energy markets in line with EU law and principles;
- ☀ Treaty obligations are binding and backed up by a strong institutional setting and dispute settlement mechanism;

# ENERGY COMMUNITY GOALS

- ✿ Establish a stable regulatory and market framework capable of attracting investment in power generation and networks;
- ✿ Create an integrated energy market allowing for cross-border energy trade and integration with the EU market;
- ✿ Enhance the security of supply to ensure stable and continuous energy supply that is essential for economic development and social stability;
- ✿ Improve the environmental situation in relation with energy supply in the region and foster the use of renewable energy and energy efficiency;
- ✿ Develop competition at regional level and exploit economies of scale.



# MAIN AREAS OF WORK

Statistics



Electricity



Renewable energy



Value added tax



Competition/  
state aid



Environment



Cyber security



Regulator




Gas



Climate



Energy efficiency



Oil



Security of energy supply

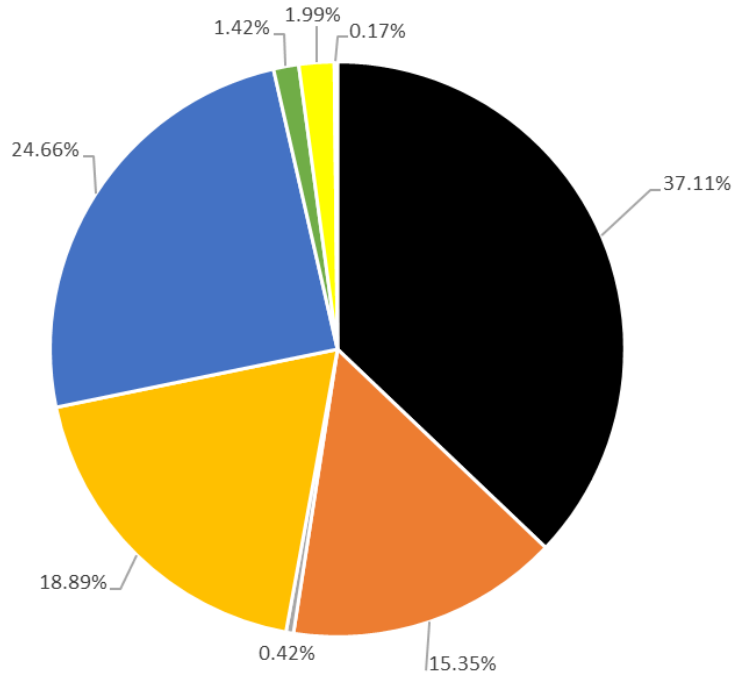


General services



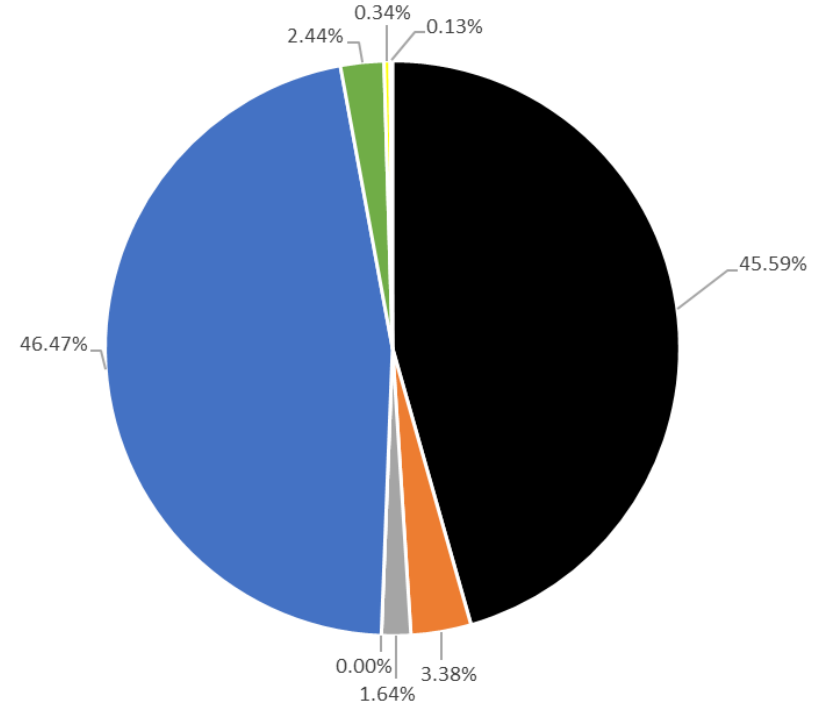
# Installed electricity production capacity (2018)

## Energy Community (73 GW)



- coal fired
- gas fired
- oil fired
- nuclear
- hydro
- wind
- solar
- other biomass

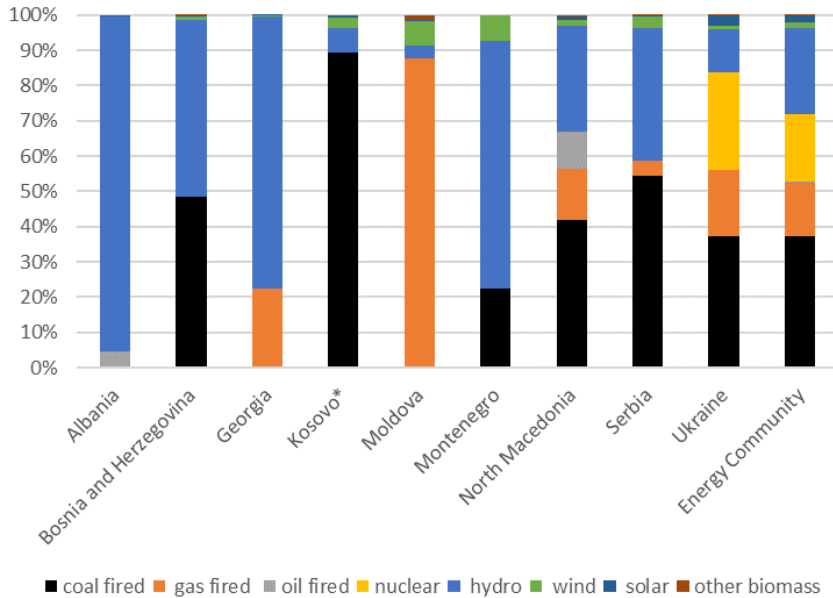
## Western Balkan (8.5 GW)



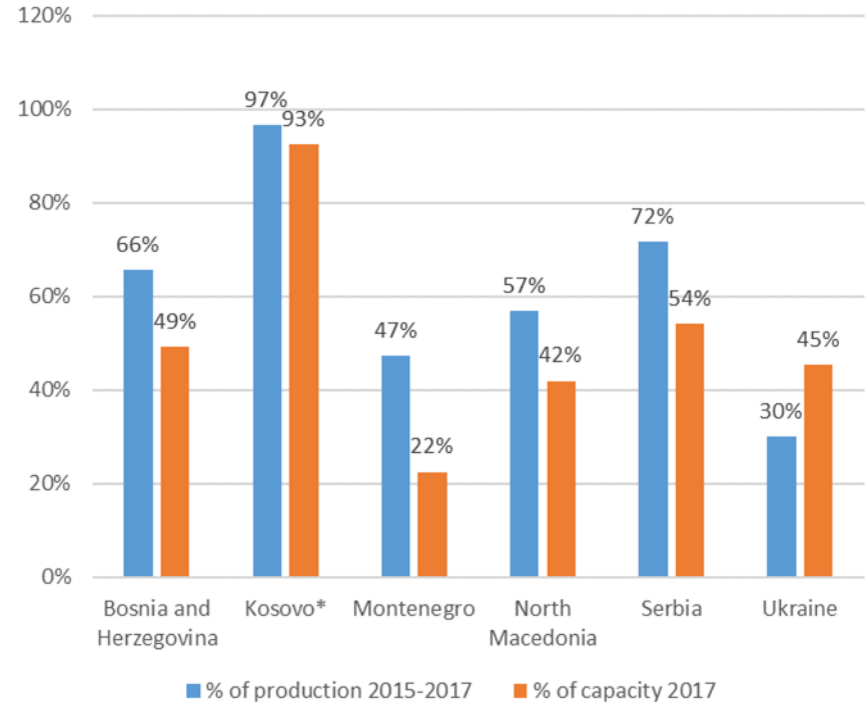
- coal fired
- gas fired
- oil fired
- nuclear
- hydro
- wind
- solar
- other biomass

# Share of coal-based capacity and production in generation mix of EnC CPs

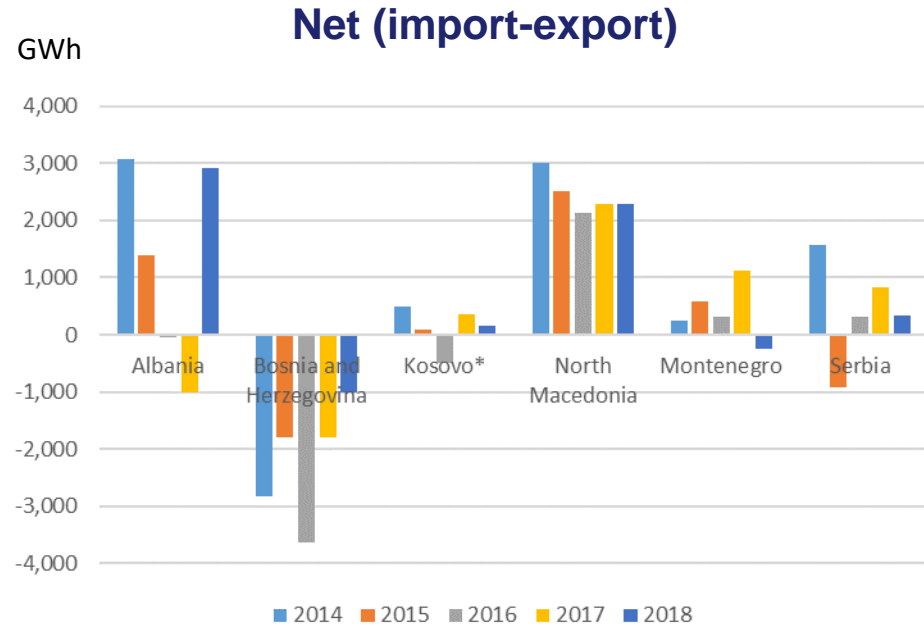
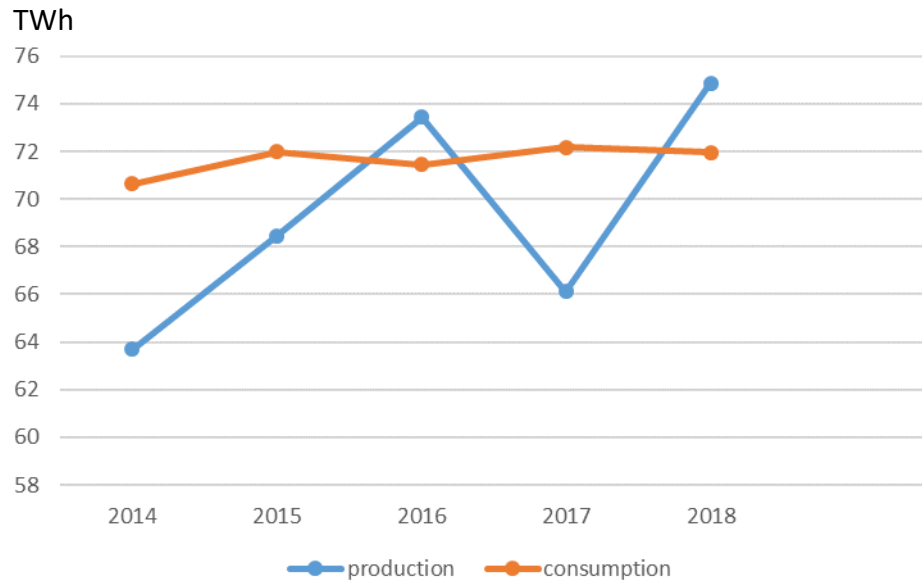
Generation capacities in the Energy Community, 2018



Share of electricity from coal

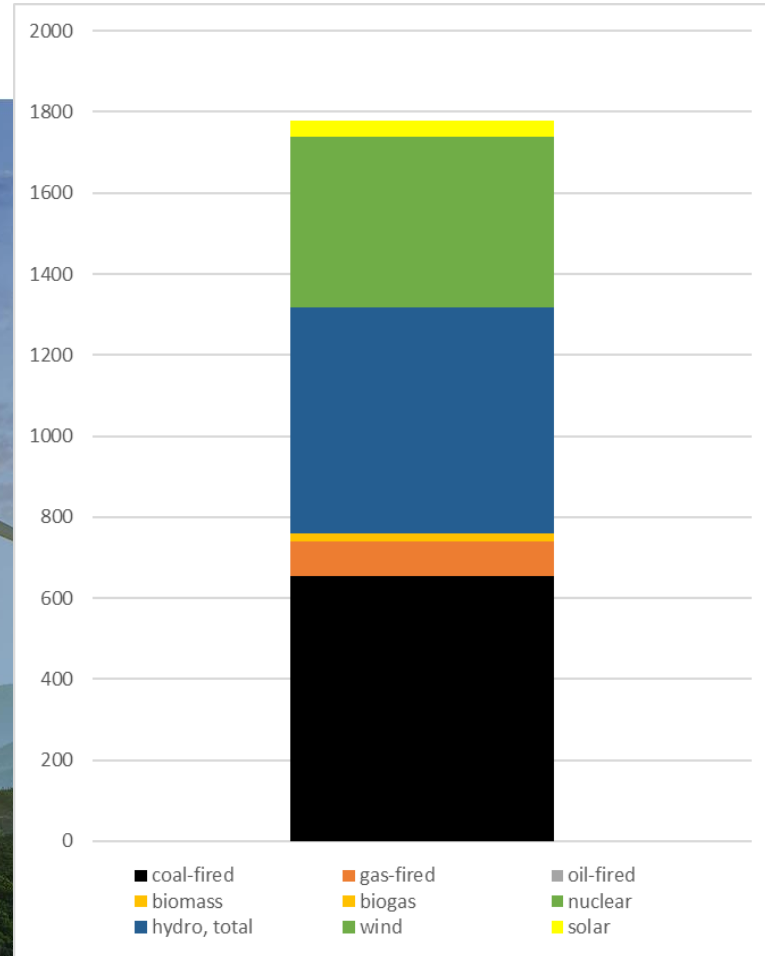


# Western Balkan 6 Energy Balance (2014-2018)



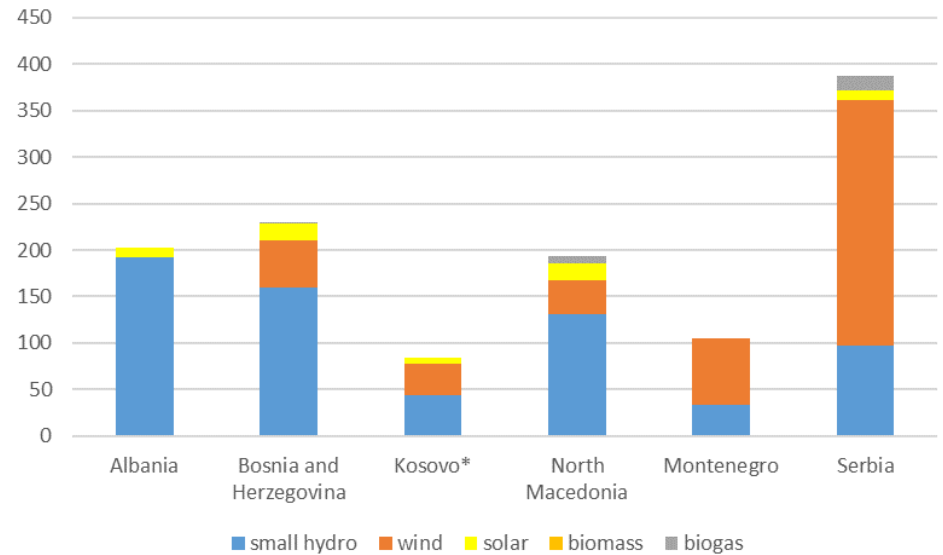
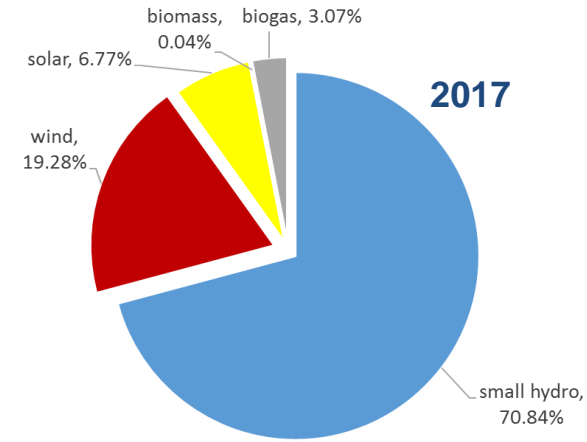
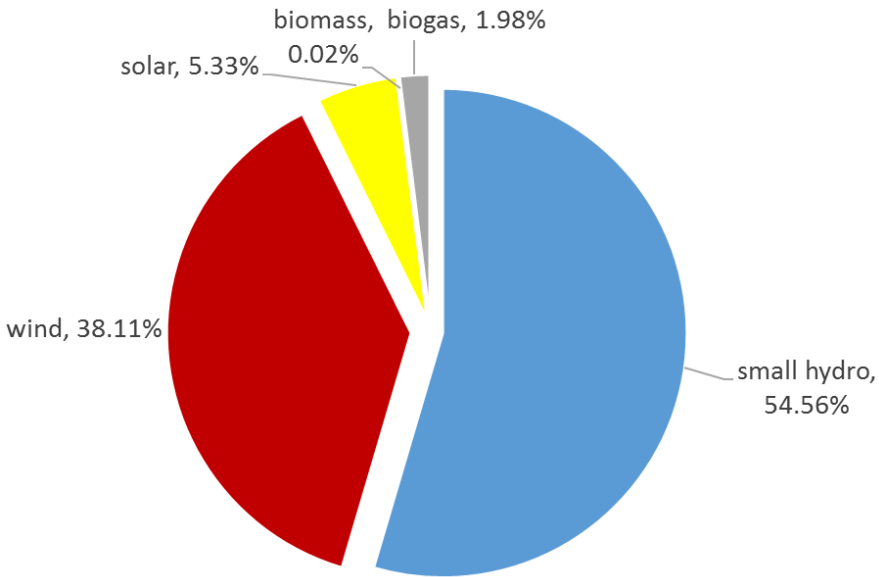


# Western Balkan Installed capacity change 2014-2018



## Western Balkan 6

### Installed capacity from small RES (2018)



## Large Combustion Plants Directive kicked-in in 2018

- ☀ As of 1 January 2018, Contracting Parties are implementing the Large Combustion Plants Directive for existing plants and stricter emission limit values for new plants (or completely retrofitted plants) under the Industrial Emissions Directive
- ☀ Necessary investments are estimated at EUR 6 bill (5 bill in UA)
- ☀ National Emission Reduction Plans (NERP) adopted by BA, KS\*, MK, UA
- ☀ As of 2019, Contracting parties to report on the implementation of NERP
- ☀ Opt-out (limited lifetime derogation) → 20,000 operational hours between 2018-2023, afterwards: shut-down
- ☀ Thermal capacities to be opted-out:
  - BA, ME, RS, UA (total 3166 MWth)
- ☀ Planned coal-fired capacities –
  - Bosnia and Herzegovina – Tuzla 7 (450 MW)
  - Kosovo\* signed a contract for new TPP Kosova e Re (500 MW)
  - Serbia – Kolubara B (350 MW), Kostolac B (3rd unit - 350MW)
- ☀ ECS has state aid and competition concerns





# ENERGY TRANSITION IN THE ENERGY COMMUNITY CHALLENGES

## ☀ MOVING AWAY FROM COAL

High coal subsidies

No carbon pricing

## ☀ INCREASING RES PRODUCTION

Expensive feed-in tariffs

Auctions are slowly taking off

Country risk – high cost of capital

## ☀ ELECTRICITY MARKET INTEGRATION

Lack of legal certainty on EU MSs – EnC CPs market integration

Slow national market reforms

Energy Community Secretariat has just published:

## **Study on direct and selected hidden subsidies to coal electricity production in the Contracting Parties\***

- ☀ EUR 2.4 billion of direct and certain types of indirect subsidies annually
- ☀ EUR 1.2 billion of direct subsidies 2015-2017 (EUR 400 million annually on average)
- ☀ Indirect subsidies:
  - *Non-payment of CO2 emissions*
  - *Operation at a low or negative level of profitability*
- ☀ EnC CPs TPPs charging less than 40 EUR/MWh would likely incur operational losses in a competitive environment
- ☀ Without direct and indirect subsidization of electricity generated from coal and other market distortions, and in particular cross-subsidization between industry and households, the price of electricity to supply households and industry would need to be increased by some 15% to 52%

\* [https://www.energy-community.org/dam/jcr:23503de3-fccd-48f8-a469-c633e9ac5232/EnC\\_Coal\\_Study\\_062019.pdf](https://www.energy-community.org/dam/jcr:23503de3-fccd-48f8-a469-c633e9ac5232/EnC_Coal_Study_062019.pdf)

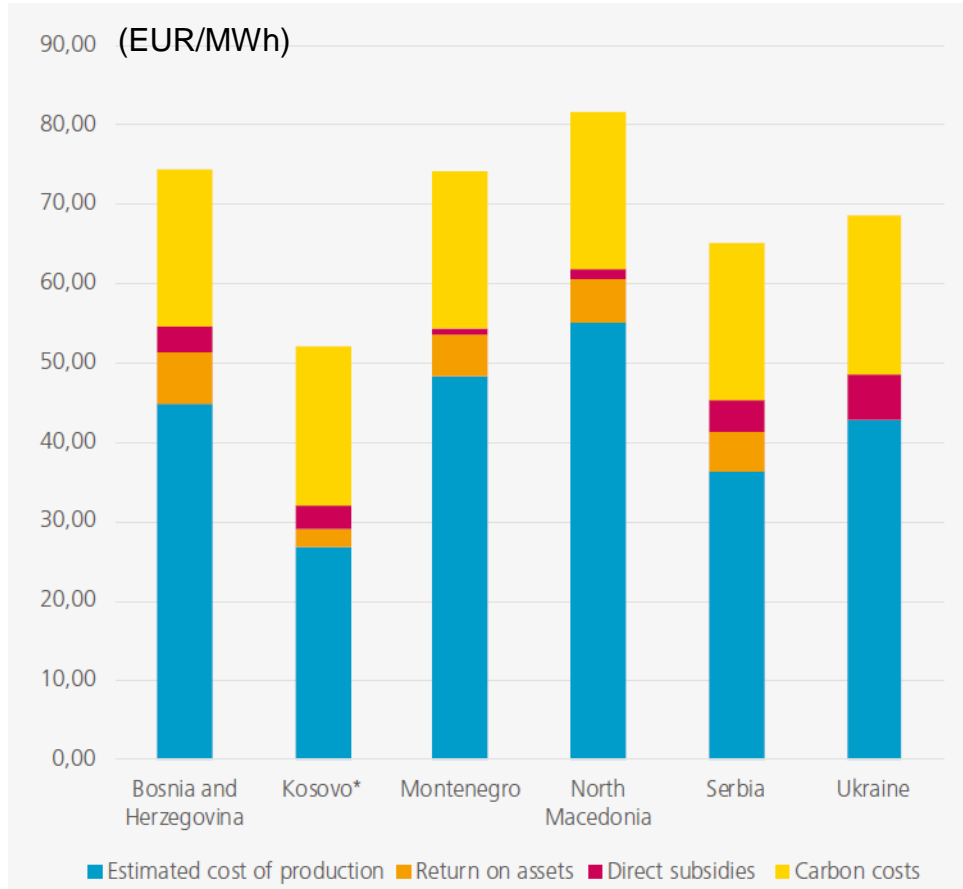


### **Rocking the Boat: What is Keeping the Energy Community's Coal Sector Afloat?**

Analysis of Direct and Selected Hidden Subsidies to Coal Electricity Production in the Energy Community Contracting Parties

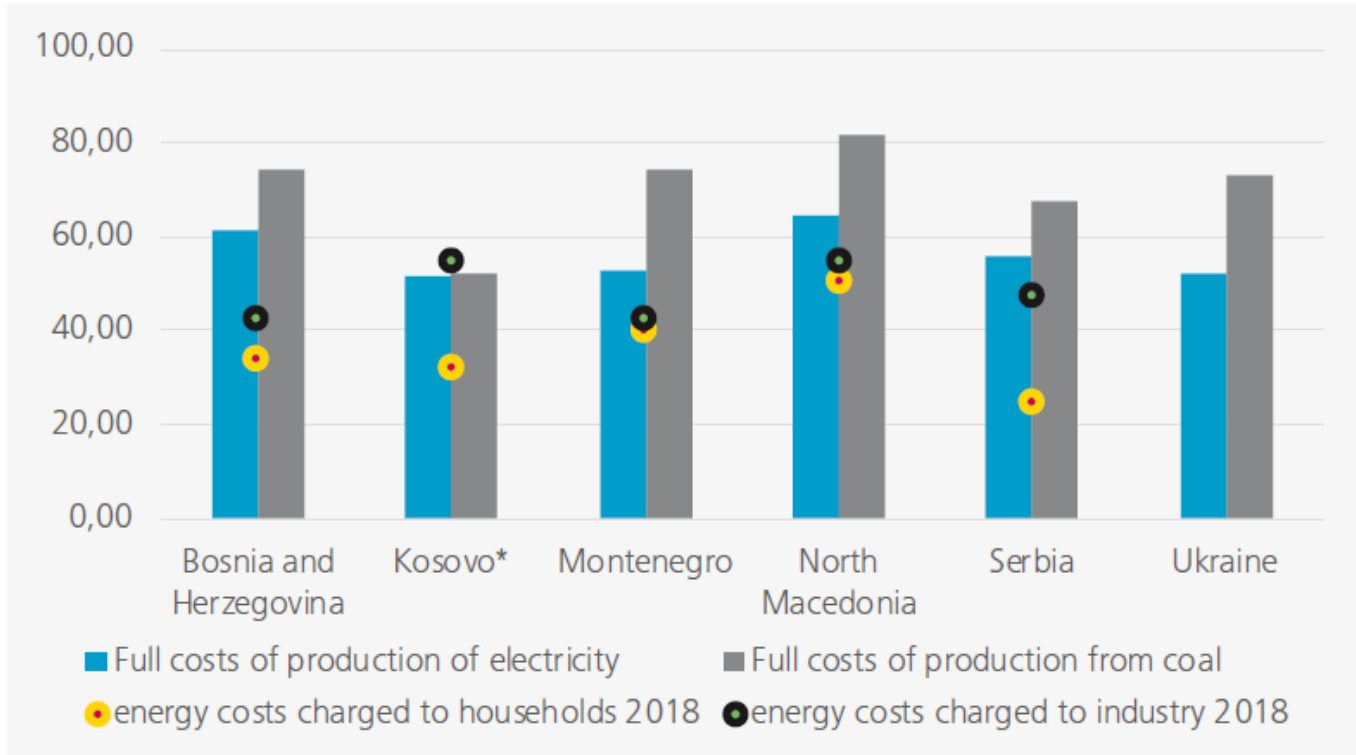
Energy Community Secretariat  
September 2019

## Full costs of coal-based electricity production





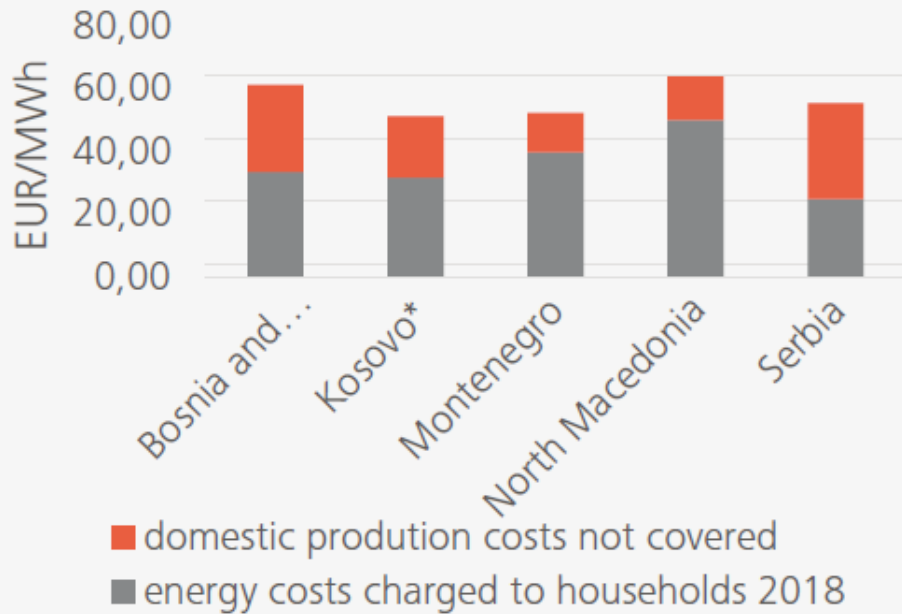
# Costs of electricity produced vs. end-user prices



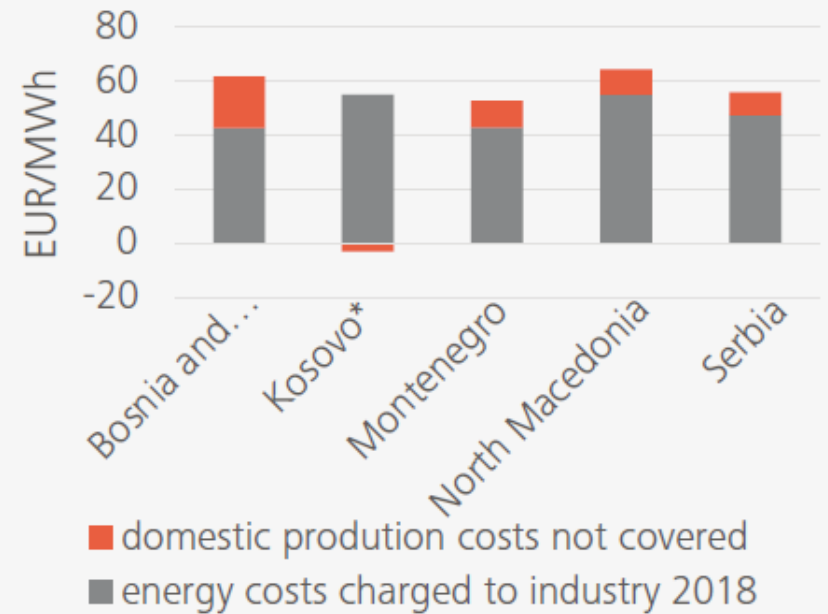
Source: Eurostat data for end-user prices

## Increase of energy component in end-user prices

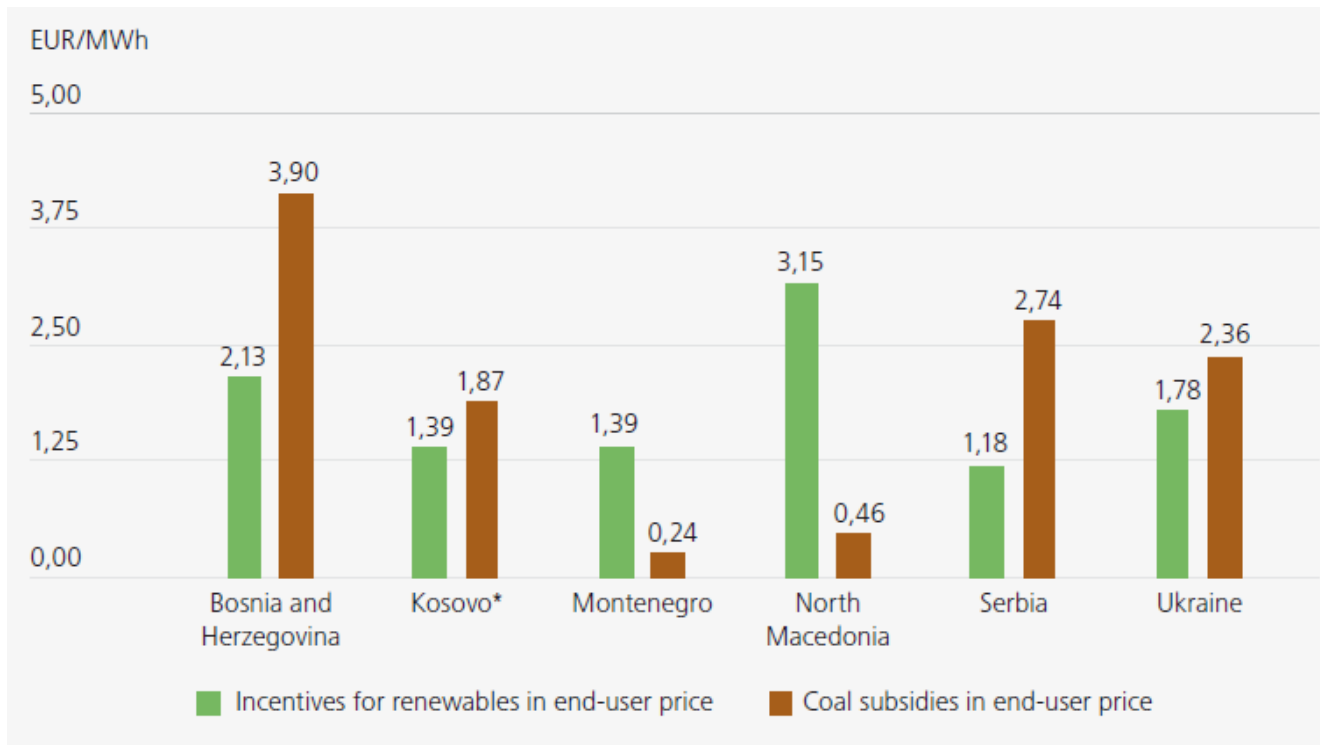
Energy component in prices charged to households (Band DC)



Energy component in prices charged to industry (Band IC)



## Subsidies for electricity from coal and RES in 2017 end-user prices





## Carbon pricing in EnC

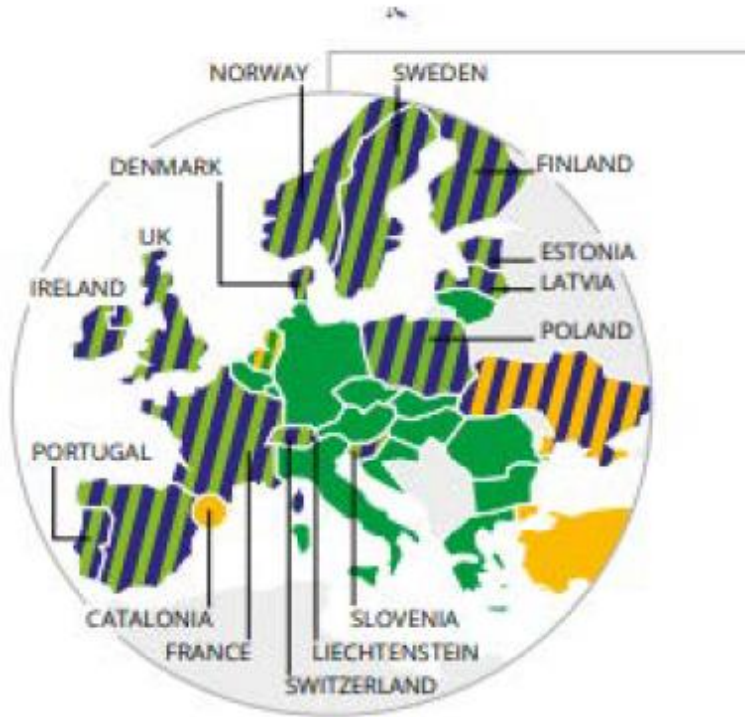
**Implementation of EU ETS mechanism in the Energy Community is not realistic at this stage**

**EnC CPs have no carbon pricing mechanism except:**

- **Ukraine, coal tax UAH 10/tCO<sub>2</sub>e (around €0,35/tCO<sub>2</sub>e);**
- **Montenegro imposed an excise tax on the burning of coal at €0.15/GJ (to be doubled as of 1.1.2020)**

**To ensure a level playing field with markets where a carbon price is paid, a carbon pricing mechanism will have to be introduced**

**Carbon pricing mechanism that would be fit for the Energy Community is to be proposed**



Tally of carbon pricing initiatives implemented or scheduled for implementation

-  ETS implemented or scheduled for implementation
-  Carbon tax implemented or scheduled for implementation
-  ETS and carbon tax implemented or scheduled
-  Carbon tax implemented or scheduled, ETS under consideration
-  ETS or carbon tax under consideration
-  ETS implemented or scheduled, carbon tax under consideration

# Feed-in tariffs in EnC

Contracting Party	PV	Wind	Biomass	Hydro	Biogas	Waste	Geothermal	PPA	Links	
Albania	<b>5,99</b> Auction results	<b>7,6</b>	-	<b>5,63</b>	-	-	-	15 yrs.	<a href="http://www.ere.gov.al/doc/Tarifate_e_mirat_uara nga ERE Prill - Dhjetor2017.pdf">http://www.ere.gov.al/doc/Tarifate_e_mirat_uara nga ERE Prill - Dhjetor2017.pdf</a> ; <a href="http://www.ere.gov.al/doc/VENDIM_NR.12_0_2017.pdf">http://www.ere.gov.al/doc/VENDIM_NR.12_0_2017.pdf</a>	
BiH- FBiH	<b>27,2 - 15,78</b>	<b>17,86 - 7,1</b>	16,1 - 11,61	<b>14,84</b> - 6,33	<b>36,37</b> - 14,26	-	-	12 yrs.	<a href="http://www.ferk.ba/_ba/images/stories/2017/prilog_1_odluka_gc_bs.pdf">http://www.ferk.ba/_ba/images/stories/2017/prilog_1_odluka_gc_bs.pdf</a>	
BIH- RS	FiT	15,06 - 10,3	8,45	<b>21,53</b> - 11,55	7,87 - 6,36	<b>12,28</b>	-	-	15 yrs.	<a href="http://www.reers.ba/sites/default/files/FeedInPrices_RES_290616.pdf">http://www.reers.ba/sites/default/files/FeedInPrices_RES_290616.pdf</a>
	FiP	11,07 - 6,32	4,21	8,1 - 7,32	3,63 - 2,12	-	-	-		
Kosovo*	13,64	8,5	<b>7,13</b>	6,747	-	-	-	12 yrs. except hydro 10 yrs.	<a href="http://ero-ks.org/2016/Vendimet/V_810_2016_eng.pdf">http://ero-ks.org/2016/Vendimet/V_810_2016_eng.pdf</a>	
FYR of Macedonia	16 - 12	8,9	15	12 - 4,5	18	-	-	15 yrs. - PV, biomass, biogas; 20 yrs. – wind, hydro	<a href="http://shpp.moepp.gov.mk/Upload/Document/EN/uredba-za-povlasteni-tarifi.pdf">http://shpp.moepp.gov.mk/Upload/Document/EN/uredba-za-povlasteni-tarifi.pdf</a>	
Montenegro	Market price	9,61	13,71 - 12,31	10,44 - 6,8	15	9	-	12 yrs.	<a href="http://www.oie-res.me/index.php?page=uredbe-i-pravilnici">http://www.oie-res.me/index.php?page=uredbe-i-pravilnici</a>	
Serbia	14,6 - 9	9,2	13,26 - 8,22	12,6 - 7,5	18,33 - 15	8,57	8,2	12 yrs.	<a href="http://www.mre.gov.rs/doc/efikasnost-izvori/Uredba%20o%20podsticajnim%20merama%20ENG20092016.PDF">http://www.mre.gov.rs/doc/efikasnost-izvori/Uredba%20o%20podsticajnim%20merama%20ENG20092016.PDF</a>	

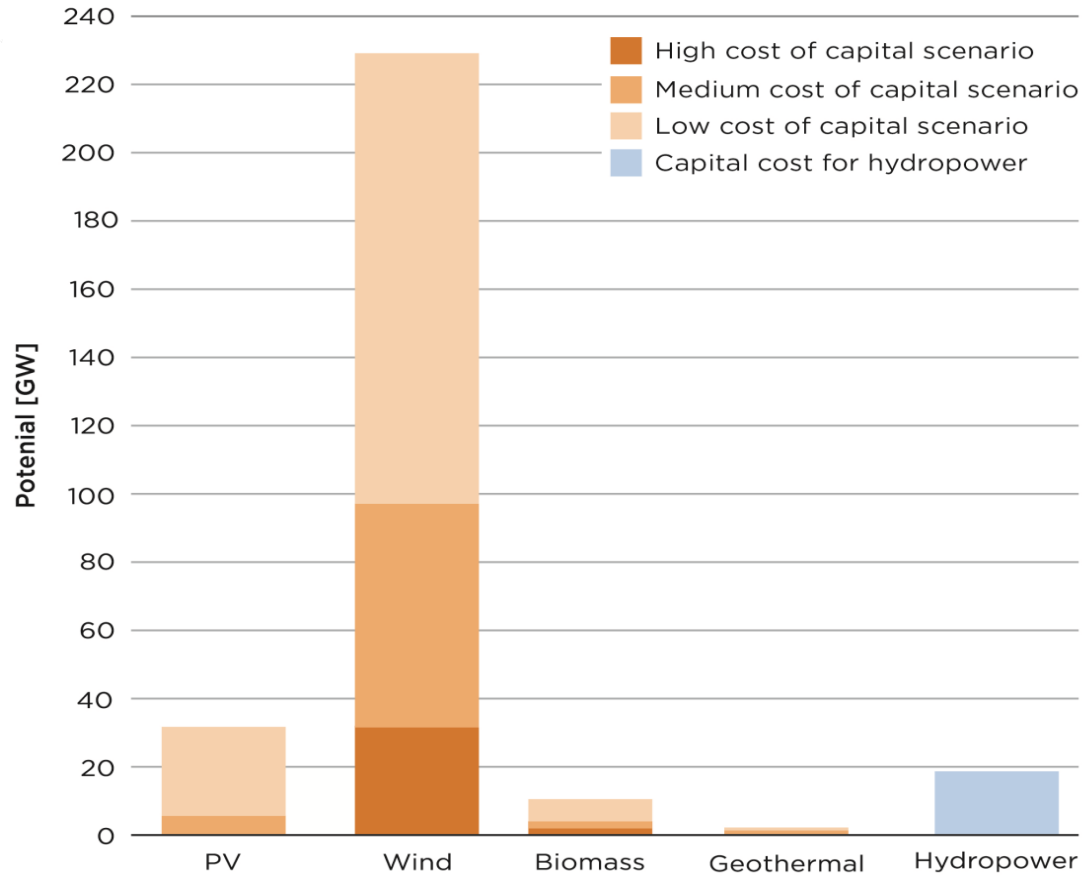
Lowest FIT value of RES technology

Highest FIT value of RES technology



**Wind Park Bogdanci, North Macedonia (36.8 MW)**

## Impact of cost of capital in CESEC region







**Berlin process**

Political commitment to improve connectivity in Western Balkans

**WB6 MoU on regional electricity market development**

WB6 and 15 EU MSs signatories

**Grant Contract EU-ECS**

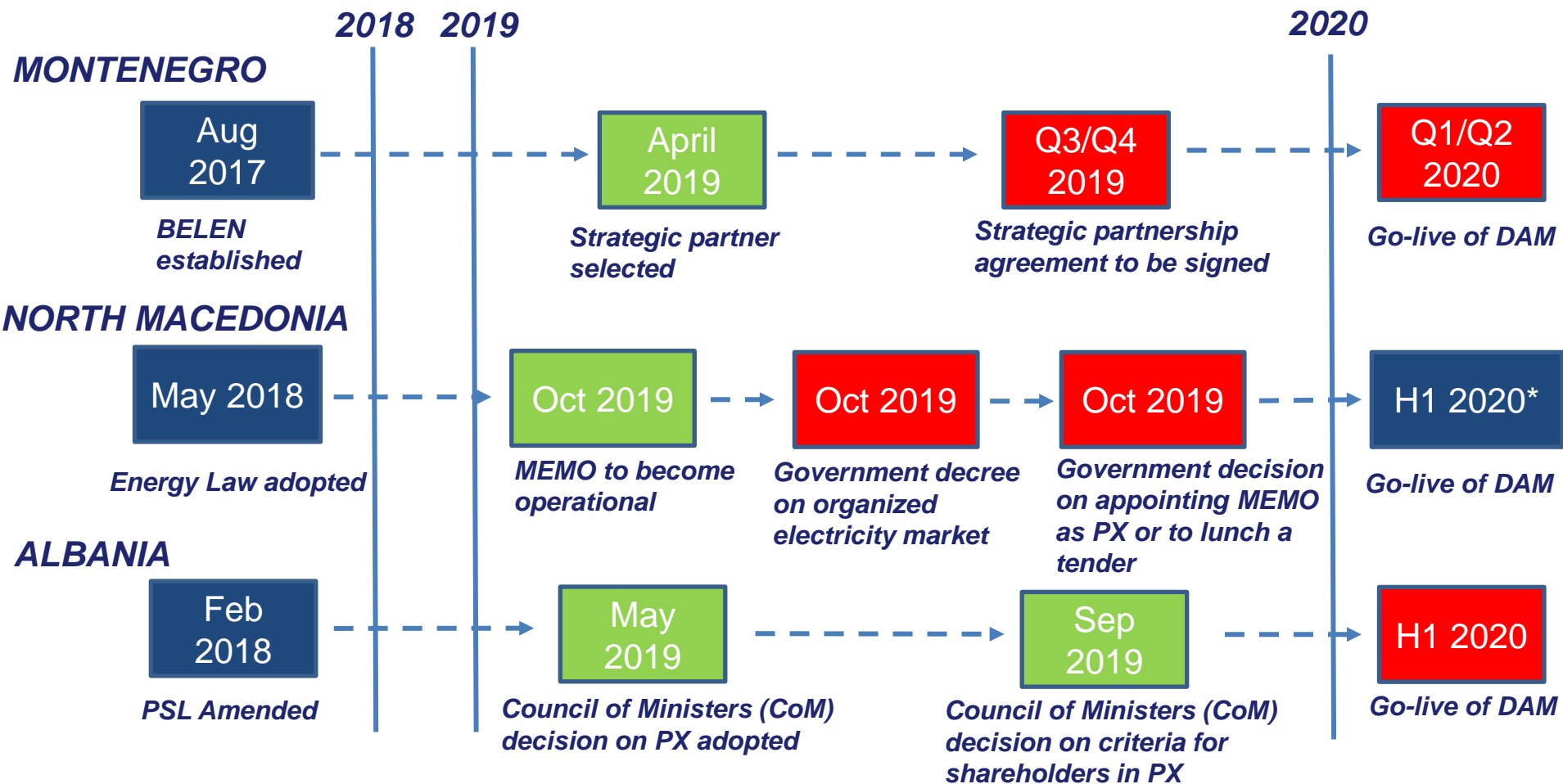
Financial support to connectivity EUR 1 mill.

**Grant Contract extended**

6 June-6 Dec 2019

**Western Balkans 6 Initiative**

# Day-ahead market establishment – moving forward

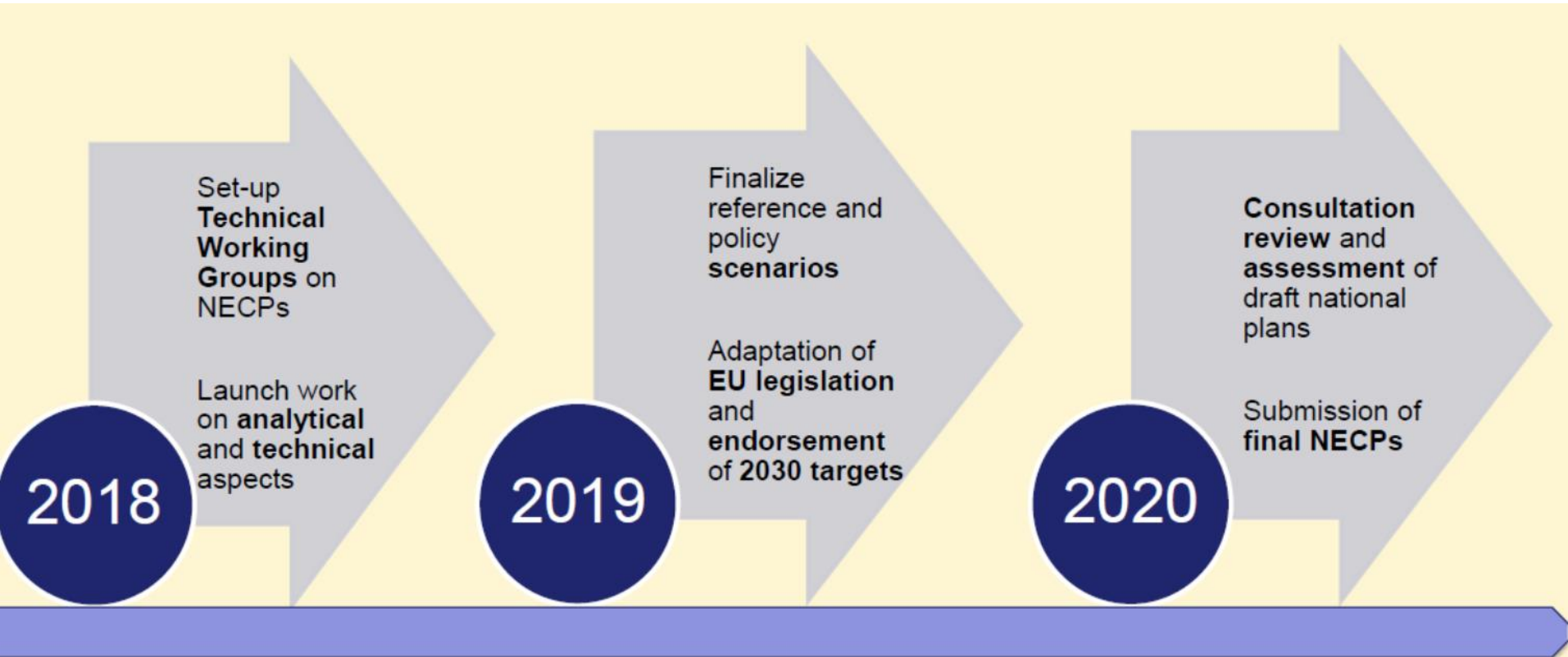


# CLEAN ENERGY PACKAGE ON THE WAY TO THE ENERGY COMMUNITY

Study on 2030 EE, RES and GHG emissions reduction targets for the Energy Community completed

EE Directive, RES Directive and Governance Regulation with 2030 targets for the Energy Community Contracting Parties to be proposed for adoption in December 2019

Clean Energy Package to be implemented





- ☀ **High-level Policy Talk on Coal Regions in Transition and the Energy Community held in Natolin, Warsaw in 13<sup>th</sup> September 2019**
- ☀ **Event co-organised by:**
  - *Energy Community Secretariat*
  - *European Commission*
  - *World Bank*
  - *College of Europe,*
  - *under the auspices of the COP24 Polish Presidency*
- ☀ **More than 80 participants including:**
  - *Ministers and Deputy Ministers, mayors and other representatives of local governments from coal regions, industry, NGOs, social partners and academia from the Energy Community and the European Union*









**THANK YOU**  
**FOR YOUR ATTENTION**

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## GET IN TOUCH

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