

Energy and Climate Technical Working Group – 1st Meeting

Vienna, 14 June 2018

MINUTES

OPENING

The **Energy Community Secretariat** welcomed participants to the first Energy and Climate Technical Working Group meeting (TWG). The TWG is meant to provide the necessary technical background to policy makers in Contracting Parties (CPs) to make informed decisions when advancing discussions on 2030 targets for renewables, energy efficiency and GHG emissions reduction as well as supporting them in the preparation of integrated National Energy and Climate Plans (NECPs).

The **European Commission** and the **Secretariat** informed participants of the adoption at EU level (June 13, 2018) of a 32% 2030 target for RES. Consequently, calculations presented in the study – based on an assumed 30% RES target – are to be revised. The Secretariat provided a brief summary of the discussions held at the Energy and Climate Committee on Recommendation 2018/01/MC-EnC and its Guidelines and introduced the work, objectives and deliverables produced so far by the Consortium (Technische Universität Wien, Joanneum Research, REKK) preparing the 2030 targets study. The Secretariat thanked TWG members for the written comments shared prior to the meeting. The agenda of the day was adopted.

METHODOLOGY TO ESTABLISH AND CALCULATE 2030 OVERALL TARGETS

TU Wien presented the general approach and the three main objectives of the study: 1. Design a EU-convergent methodology for 2030 target setting; 2. 2030 targets calculation; 3. Evaluation of the impact (cost and benefits) associated with the implementation of the targets. Results and calculations from step 2 were explained and discussed during the TWG while step 3 – currently in its preliminary phase of development - was introduced in the second part of the meeting. The approach assumed that 2030 RES and Energy efficiency targets at EnC Level are in-line with the increased ambition at EU level. It was noted that economic welfare is considered a key aspect of target setting for CPs.

On GHG emissions reduction target, **Joanneum Research** proposed a bottom-up approach, emphasizing the importance of ambitious targets, while acknowledging fairness and the low ETS readiness of most CPs. A parallel was drawn between Croatia's process of EU convergence and CPs current situations; in general, the study proposes that CPs with similar GDP/capita of EU MSs adopts a similar target for the non-ETS sector. For the level of ambition, it was proposed to look the EU 2020 and 2030 non-ETS effort sharing methodology, with a weighting based on the GDP/capita levels of CPs (treating Georgia, Moldova and Ukraine separately). National ambition levels move from a stricter 2030 methodology based targets (for higher income CPs) to the less ambitious 2020 methodology based targets (for lower

income CPs). NDCs of CPs were compared with the GHG emissions reduction targets proposed in the study; in most cases, proposed targets are slightly more stringent than NDCs. Special emphasis was put on carbon intensity as a crucial parameter to be considered in calculations as well as on the need for verified, well-established business as usual scenarios.

Montenegro asked for a comparison between the current approach (following the EU model) and the options discussed in previous meetings. Also, they inquired on the need to set targets at national level or at regional level, in the framework of the EnC. The Secretariat provided clarifications on the approaches proposed, indicating the importance of regional cooperation and for a EnC-wide target to be convergent with the EU approach, although it was also stressed that it is up to each national government to decide on its individual pledges.

Former Yugoslav Republic of Macedonia highlighted that although a 32% increase in RE from 2020 to 2030 has been agreed at EU level, the methodology on how to distribute the target among Member States (MSs) is still unclear. They suggested for the study to reconsider a GDP + flat rate approach at EnC level and emphasized the need of acknowledging differences in economic welfare between MSs and CPs.

The **European Commission** elaborated on the EU's methodology for target setting. The EU puts forward union targets while MSs propose their own plans to achieve them, following EU specific requirements. According to the Commission, GDP might not be the most suitable indicator to derive targets, however **potentials** of CPs could be considered.

Ukraine compared the study results with the calculations performed at national level, drawing the attention to the need for additional factors (e.g. political stability) to be taken into account. Ukraine suggested a CP-tailored approach, considering both regional cooperation and national political dynamics and allowing certain CPs to be more ambitious than others.

Bosnia and Herzegovina submitted written comments on the study, collected from a number of relevant national stakeholders. In general, Bosnia and Herzegovina noted that the targets indicated in the study were too ambitious; on GHG emissions, Bosnia and Herzegovina noted the big difference in comparison to their NDC (140% higher), one possible reason being taking 2005 as a reference year instead of 1990.

Albania pointed out that its electricity sector is almost completely decarbonized while their NDC needs to be reviewed to include LULUCF. The country has pledged to move ahead with preparations of NECP and thanked the Energy Community for its support. Albania also indicated that the country is considering the possibility of building new power plants.

Kosovo pointed out that proposed targets would be a heavy burden; economic welfare should be taken into account. Furthermore, it was noted that wind and hydro potentials have been largely explored in Kosovo, while geo-thermal and solar PV are considered too expensive. On GHG emissions reduction targets, Kosovo highlighted that it would be an opportunity for the country to set them for the first time, although challenges related to the lack of data and data quality were identified.

Former Yugoslav Republic of Macedonia expressed satisfaction with the proposed methodology and the fact that it is both aligned to the EU approach and adapted to CPs. The targets seem realistic, in some cases the country has even more ambitious national projections. It was indicated the need to review validity and adequacy of BAU scenarios for energy efficiency targets and adopt a comparable scenario analysis at the EnC level. With regard to RES, the country highlighted the strong dependence on biomass (around 60% of overall RES), mostly wood, the utilization of which should be abandoned in the near future due to its negative impact on air/health. The country has designed legislation aimed at decreasing biomass use; this may trigger a revision of current 2020 RES targets.

Montenegro is also in the process of passing legislation to decrease woody biomass utilization and this will have a significant impact on the overall target-setting picture. The country also clarified that the decrease of economic activity of the aluminum plant KAP in 2008 - the country's largest GHG emitter - was due to the financial crisis and not to the development of new technology. Low-emissions economic growth is currently being prioritized and an integrated pollution prevention and control law is under discussion. Efforts are ongoing to align the country's strategy to the obligations stemming from the PA and the EnC Treaty.

Georgia indicated that the country is prioritizing its obligations under UNFCCC and EnC Treaty and is appreciating the support provided for the facilitation of the NECP and target setting process. Georgia noted that both a pragmatic and forward-looking approach is needed and some key challenges, such as the absence of comprehensive modelling system at country level, are still lying ahead. The importance of ambition vs. fairness was mentioned, pointing to the fact that reducing GHG emissions would be a heavy burden for Georgia. The country is currently designing a climate action plan and updating its NDCs in cooperation with GIZ, while also recalculating 1990 emission levels under the 2nd BUR, where some gaps in estimations were identified. Finally, a project identification form (PIF) proposal was recently agreed by GEF, to launch activities on the integrated and enhanced transparency framework.

Serbia provided updates on its national energy development strategy until 2025, which includes projections until 2030 also on energy efficiency and RES, although targets are set only until 2020. Serbia is working on two IPA projects on climate; within this framework, a climate strategy and an action plan will be designed by 2019 and GHG emissions targets determined and provided to the UNFCCC. Within an IPA 2014 project, the country is also modelling (using Times) on energy planning and gathering as comprehensive data as possible. Serbia collected comments on the study from several stakeholders and sent them to the Secretariat, overall indicating a preference towards a GDP-based approach.

SOUND QUANTITATIVE BASIS FOR ENERGY AND CLIMATE POLICY ASSESSMENT

The **European Commission** presented the legal basis of the EU acquis on energy statistics. The critical relevance of a sound quantitative basis, data quality, time series and disaggregated data for modelling and monitoring progress was underlined during the presentation. While the Energy Community and Contracting Parties were praised for all efforts made thus far, countries were encouraged to align with EUROSTAT as early as possible, to improve timeliness and completion of reporting and to address the inconsistencies related to the contentious calculation of the calorific value of biomass.

Montenegro referred to data prepared by the national Statistics Agency being aligned with EUROSTAT, although they have experienced differences in data put forward by the Ministry of Economy, preparing the energy balance, and the Statistics Agency.

Serbia inquired on the 'Potentia' energy model and its implementation at EU level, while **Former Yugoslav Republic of Macedonia** and the **Secretariat** suggested to extend capacity building on energy modelling (Primes, Potentia) to CPs. The Commission clarified that the modelling currently designed for the Governance Regulation is not expected to be extended to CPs.

PRELIMINARY EVALUATION OF THE IMPACT (COSTS AND BENEFITS) ASSOCIATED WITH THE FULFILMENT OF THE TARGETS

TU Wien provided a preliminary evaluation of the costs and benefits associated with the fulfilment of the targets, presenting a first comparison of RES ambition exemplified for selected CPs with past and required future trends. The initial analysis on impacts of GHG targets looked at CPs individually, touching upon the socioeconomic impacts of NDCs implementation at EnC level (e.g. jobs lost or created), effects on GDP, impacts of technological and industrial development.

Ukraine asked for clarification on the way green jobs were estimated and expressed concerns on possible job losses in the process of coal phase-out. **Georgia** requested to further specify whether jobs created are short-term or long-term and administrative or rather technical. **Former Yugoslav Republic of Macedonia** pointed out that fossil fuel related jobs will be lost in the near future anyways, since the country's fossil fuel reserves are going to be depleted in about 10 years; this makes the need for requalification and just transition more urgent.

CAN Europe intervened with a comment on statistical inconsistencies in the coal mining related jobs and the misuse of these inconsistencies for political purposes. They reiterated the urgency of a just transition and requalification of human capacities working in the fossil fuel sector, since resource depletion, automatisisation, and job loss in this industry is inexorable.

The **Secretariat** supported the instances brought forward, acknowledging that the low-carbon transition in the EnC region is a challenging, but necessary process. Also, it requested the European Commission, if possible, to include CPs in the ongoing EU initiatives supporting tailor-made energy transition strategies and in particular the "Coal Regions in Transition Platform". The **European Commission** took note and referred also to the health costs linked to pollution and emissions.

RIPAP GAP ANALYSIS REPORT

Klimapolitika presented the main results of a study performed under RIPAP (Regional Implementation of the Paris Agreement Project) on gaps and needs for setting up national systems for projections, policies and measures. The fact that most of the Western Balkans still do not have a climate change law hinders a systematic approach to take off. In addition, inconsistencies have been detected between energy planning and the objectives put forward

in NDCs as well as considerable challenges regarding energy statistics and the collection of data, which makes energy modelling quite hard to be performed.

Gaps existing between transposition and implementation of legislation, as underlined also by the **Secretariat**, are often due to the lack of technical expertise and human capacity. The **Commission** encouraged CPs to undertake modelling with data at hand and further updating the models when additional data are available: energy modelling should be an ongoing exercise where data is continuously improved.

Georgia voiced concerns on ensuring buy-in from politicians to involve technical experts in modelling and developing this sector as needed, while **Serbia** highlighted that a multitude of scenario analysis can be produced and it is often hard at political level to choose which one to follow. What is key, however, is to have clarity on the objective to decarbonize the power sector for the whole region. Affordability and social economic benefits of RES should be assessed as well as the energy system's flexibility to have higher RES deployment levels.

The Federal Environmental Agency of Germany referred to the energy transition in Germany as a decentralised process, where regional and local actors play an important role. CPs were encouraged to follow up ongoing efforts with relevant legislation; information on existing needs for technical assistance in CPs will be communicated to the German government.

Montenegro shared updates on the preparation of a draft law on climate protection to be soon shared for comments with the Secretariat.

The **Association for Sustainable Development (ASOR)** and **CAN Europe** intervened with suggestions on decoupling and ensuring political engagement in the energy transition process, leveraging on accountability, socioeconomic benefits, energy poverty and health costs.

FOLLOW-UP:

- CPs to share written comments on the study, if not yet done;
- Revised study on calculations to be shared with TWG members (Sep 2018);
- Final deliverable on impact of costs and benefits to be finalized (Sept 2018);
- Upcoming Technical Working Group to take place on 9 October 2018, back to back with the Energy and Climate Committee (10 October 2018).