



5th Meeting - Energy and Climate Committee

Vienna, 25 March 2020

DRAFT MINUTES

OPENING

This was the fifth meeting of the Energy Community Energy and Climate Committee (ECC). The meeting was held digitally as part of the Secretariat's response to the COVID-19 situation and measures issued by the Austrian authorities. The Energy Community Secretariat's Director, Janez Kopac, and the Chair, Connie Hedegaard, welcomed participants, praising the good turnout – above 70 participants – given the challenging circumstances.

PART I – UPDATES AT EU LEVEL– ART.6 OF THE PARIS AGREEMENT – NDCs REVISION IN EnC CPs

The **European Commission** presented the latest legislative packages and policy framework at EU level, including the Green Deal, which aims at making the EU the first climate neutral continent. The recently proposed Climate Law was also discussed, along with the European Long Term Strategy (LTS), both to be adopted later this year, before COP26. Science shows that there is an emissions gap, which countries have to close, even if they implement their current Nationally Determined Contributions (NDCs). Therefore, it has been agreed that more ambitious 2030 and 2050 targets have to be put forward in 2020. The Commission will present an impact assessment on more stringent EU 2030 GHG emission reduction targets in September 2020. On this basis, current targets can be amended (hopefully around -50 -55%) and hopefully be included in the draft Climate Law above mentioned, for MSs to adopt. Based on this, amendments to the Emissions Trading System (ETS) and other climate legislative packages will be made, in order to put plans into actions. Furthermore, the Commission will put different support measures and fiscal stimuli in place to support the economic recovery and the green transition. Investments are needed in energy infrastructure, digitalization, energy efficiency, renewables, mobility to assist green recovery and low carbon transition. Since there will be no intersessional UNFCCC meeting held in June 2020, COP26 is expected to be challenging.

At COP26 the last part of the Katowice Rulebook, namely proper accounting rules under Article 6, have to be agreed. EU negotiators agreed that it doesn't make sense to have weak rules, such as carry-over of units or double counting. Instead, robust accounting rules and environmental integrity are needed for companies to be able to draw up investment plans. On the basis of EU's own experience, an increased ambition is needed to support investments. In Madrid a lot of good work has been done in order to come to an agreement during COP26; it is absolutely crucial that future rules and mechanisms under Article 6 will work both for the buyer and the seller.

Moldova submitted in 2019 its second Biennial Update Report (2BUR), which comprised calculations related to emissions up to 2030. The second NDC (NDC2) has been submitted towards the UNFCCC Secretariat on 4th March 2020 already. It raised its ambition in comparison to the first document and has two main components: mitigation and adaptation. The country's new economy-wide unconditional target is to reduce its greenhouse gas emissions by 70 per cent below its 1990 level in 2030, instead of 64-67 per cent as committed in NDC1. As to the new economy-wide conditional target, instead of 78 per cent as committed in NDC1, the reduction commitment expressed above could be increased in NDC2 up to 88 per cent below 1990 level, provided a global agreement addressing important topics including low-cost financial resources, technology transfer, and technical cooperation, accessible to all at a scale commensurate to the challenge of global climate change, is

insured. In the scenarios included in the document, one can see that while the economy and GDP is growing, the GHG intensity is dropping. Moldova is planning to finalize also its LTS up to 2050 based on these 2030 targets. On the adaptation component, the country faced a number of challenges; this part of the document has more of a qualitative than quantitative nature. Among the priorities, there are capacity building, starting from high-level decision-making down to the local level; and sector-specific climate investment on cross-sectoral aspects. The second National Adaptation Plan (NAP) planning process was also put together, along with an agriculture specific plan. After implementing the first NAP, Moldova can share its experience, for example on the financial aspects of implementing adaptation measures. The document has a separate section on Monitoring, Reporting and Verification (MRV) and all measures have indicators to track their implementation. Although challenging, work on NDC2 was also enjoyable, since it gathered the perspectives and insights of different stakeholders and experts.

Georgia explained that the draft NDC2 already exists; it has been internally validated and shared with other line ministries. The public discussions that were supposed to take place in March, however, have been postponed for the time being. Compared to NDC1, the second has increased mitigation target and new methodologies. NDC1 leveraged on a Business as Usual (BAU) approach, while in NDC2, a base year approach is used. Georgia also prepares a Climate Action Plan 2021-2030 (CAP) with the support of GIZ, whereas both the mitigation and adaptation chapters of the NDC are aligned. The CAP has measures for 7 sectors which were discussed in separate working groups with broad stakeholder consultations. Both chapters of the updated NDC are enhanced compared with the first NDC. Since the country didn't want to have a lengthy document, it is more a commitment oriented paper. According to the latest plans, the updated NDC will be adopted by September this year.

Ukraine has reported that has already started updating their NDC with the support of EBRD and Sweden. The final report on calculations and Policies and Measures (PaMs) is expected in the coming weeks, in order to start the process of consultations. A working group with different stakeholders (ministries, NGOs, businesses, other government entities, etc.) has met four times to discuss the document. The modelling exercise will also be used for the Green Energy Transition Vision 2050 and the Ukrainian NECP. There are three scenarios: BAU, with current measures, and the 1,5 C scenario with decreasing emissions by 95%. The major changes are in the second and third scenarios, mostly related to energy mix and emission reductions. While until 2030 both scenarios look similar, after 2030 the third scenario is the most ambitious. The preliminary draft should have been delivered already, however calculations and PaMs are delayed. The final deadline to deliver NDC2 is end of September. The biggest challenges faced by Ukraine so far were i) lack of clear econometrics; ii) not having specific cost of mitigation measures of some sectors (such as waste or agriculture); and iii) societal changes in energy sector (such as coal mine closure, green tariffs, etc.). On societal changes and jobs, Ukraine does not yet have a good overview study to complement the energy transition discussions, however the country is working with several donors to develop analysis and policy options.

Albania underlined that the government has expressed its clear intention to revise its first NDC (with a GHG reduction commitment of 11,5%) during 2020, in order to have a more ambitious target, to include the LULUCF sector as well. The country became a member of the NDC Partnership in November 2019 and requested support to FAO, IRENA, the Islamic Bank of Development, WB, and UNDP. In March the Government held discussions with the implementing partners to coordinate the work ahead. The GHG inventories are currently being updated in order to have proper data for the NDC revision (to be launched in May) and the NECP process. A question was posed by Ukraine to the Commission on adjusting the targets of NECPs due to the economic recession caused by the Covid-19 outbreak; while adjusted/less ambitious targets are not contemplated, the **European Commission** reminded that the upcoming impact assessment will look into different sectors and what they need to deliver in order to

achieve the 2030 and 2050 commitments. Results will be broken down into legal proposals and afterwards Commission and MSs can discuss concrete measures.

PART II – CONSOLIDATION OF ENERGY AND CLIMATE POLICY AND PLANNING PROCESSES – NECPs AND BEYOND – UPDATES FROM CPs

The **European Commission** provided an overview of the **European Green Deal** and the NECPs. The Energy Union and its timely implementation represents a solid foundation of the Green Deal since it provides a balance between sustainability, security of supply and affordability. The NECPs are key to contribute towards the Clean Energy Package and the Green Deal. So far, 19 NECPs have been submitted to the Commission and they are all available on line. The Commission will assess EU MS NECPs by June 2020, to see if they are in line with the EU 2030 targets and detect possible gaps. Depending on the analysis and on the ongoing work related to the Green Deal, the Commission might propose revisions to existing legislation, like the Renewable Energy and Energy Efficiency Directives by June 2021. A key aspect to reach the EU energy and climate objectives is energy efficiency of buildings and, therefore, the building renovation rate. The Commission is considering looking particularly into schools, hospitals, and issues to address energy poverty.

The EU will further continue to lead the international climate and biodiversity negotiations, strengthening the international policy framework and the Green Deal Diplomacy. The Commission also proposes a **Green Agenda for the Western Balkans** and will ask for a similar approach for the Eastern Partnership countries, since these countries have a considerable renewable energy potential.

Regarding new **2030 targets for the Energy Community**, the Commission – following a question to this end – mentioned that a call for tenders for a study had been launched on 25 March 2020 and would be open until 20 May 2020. The ToRs reflect comments shared by CPs and the budget was increased to have more bilateral meetings with the Contracting Parties. The project should start in June 2020 while the first modelling results are expected in the spring 2021.

North Macedonia submitted the first two chapters of the NECP to the Secretariat and received comments already. The country is working on several important climate legislation and reports and carrying on the NECP development leveraging on the support of the Energy Community and GIZ. Almost 40 experts (government and non-government) are working on the plan, within 5 different thematic groups. The EnC, GIZ and civil society actively participated to the first drafting meeting held in Skopje last January 2020. The analytical chapter of the plan leverages on the Energy Development Strategy 2040; three scenarios are proposed, although there is an internal agreement to pursue the green scenario. In the meantime, the country is working on the fourth BUR and fourth National Communication (NC) and to revise its NDC before COP26. The country is aware of the requirements of the European Green Deal and await the Green Agenda for the Western Balkans. In the light of this, it will be the first CP to convert coal mines to photovoltaic plants in a PPP construction. The tender for 100 MW capacity and the funds of 8m EUR are available. One of the additional challenges ahead is the air quality of the country, which is reflected in green scenario of the NECP. The working group will finalise the other chapters of the draft NECP by May and, after revision, will then send it to the government for adoption.

Bosnia and Herzegovina explained the status of the NECP development and the NDC update, the latter to be adopted by October 2020, along with the Climate Adaptation Strategy, leveraging on the support of UNDP. Regarding the NECP process, the first step was to form the Working Group under the Ministry of Foreign Trade and Economic Relations in 2019. Later on, 5 thematic subgroups have been also formed with more than 90 representatives from 45 entities. The EnCS, UNDP, GIZ, USAID are providing support to the process; the data from different institutions is harmonised, while data on the Building Renovation Strategy of 2050 and other policy documents are also integrated in the LEAP model used.

The IRENA REMAP study will be also a crucial part of the process. The first draft of all parts of the NECP is available, the GIZ ORF project will compile the whole document. Working group meetings will be organised based on this draft to discuss 2030 targets and measures to achieve them.

Montenegro has reported that in 2019 the development of the NECP has started. Key measures include preparing a legal basis, drafting, reviewing and adopting the plan. Primary legislation changes will be time consuming, since the Energy Law has to be amended. Amendments have been drafted, and submitted to the EnCS already; a public consultation started (however suspended due to COVID-19). While the actor and policy mapping is finished and available, next steps include the development of projections and scenarios through TIMES, implemented by Klimapolitika and supported by the GIZ CDCPIII project, in close cooperation with the EnCS. Results are expected by May. The drafting sessions will be set up in coordination with GIZ and the EnCS and will take place online; the overall document is to be finalized by the end of 2020.

PART III – CONCLUSIONS

The **European Commission and the Secretariat** both praised CPs for the work done so far and offered further support, if needed. The Commission recalled not to forget the climate crisis during the Covid-19 pandemic, since it will be still there after the outbreak is over. Furthermore, it underlined the importance of delivering the NDCs and NECPs on time. It will be much easier to update available data and plans then to start the process only after the new 2030 targets are proposed.

The **Energy Community Secretariat** closed the meetings, highlighting progress made by CPs to advance the climate agenda and referring to Montenegro as the first CP to introduce emission trading in its legislation. The Secretariat is ready to support CPs in their increased climate ambitions and NECP elaboration also by leveraging on the ongoing works of the EnC technical working groups (energy and climate, energy efficiency and renewable energy).