

8th Meeting - Energy and Climate Committee

Vienna, 12 April 2022 – Park Hyatt Hotel

DRAFT MINUTES

Introduction

This was the eight meeting of the Energy Community Energy and Climate Committee (ECC), organized in a hybrid format, both in presence and online. The meeting, in the presence of the EU Commissioner for Energy, Kadri Simson, provided an opportunity for Ministers and Deputy Ministers of Energy Community Contracting Parties to discuss the process for setting 2030 energy and climate targets. Deputy Prime Minister and Minister of Mining and Energy of Serbia, Zorana Mihajlović, received the Committee's endorsement as co-chair, joining in this role previously appointed Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine, Olha Stefanishyna.

The **EU Commissioner** provided a keynote speech on the importance of working closely with the Energy Community to tackle shared energy challenges. In particular, she underlined how Russia's aggression against Ukraine made very clear that we are all vulnerable when it comes to security of supply and we need not only to cut our dependence on Russian fossil fuels, but also to work together for the design of a green, renewables-based, autonomous power market. The adoption of ambitious 2030 energy and climate targets is important for putting the Energy Community members on this path.

The **Energy Community's Director**, Artur Lorkowski, recalled that with the adoption of the Clean Energy for all Europeans package and the Decarbonisation Roadmap, Contracting Parties are now also on a path towards transitioning away from fossil fuels. Most importantly, they are required to establish integrated National Energy and Climate Plans (NECPs) up to 2030 to be necessarily accompanied by targets for the increase of renewable energy in overall energy consumption, increased energy efficiency and reduction of GHG emissions. The ECC convened here to provide support and guide the upcoming negotiation process, which will be culminating with the adoption of energy and climate headline targets for the post-2020 period by December 2022.

Deputy Prime Minister and Minister of Mining and Energy of Serbia, Zorana Mihajlović, received the Committee's endorsement as co-chair, joining in this role previously appointed Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine, Olha Stefanishyna. After her remarks, the agenda for the day was adopted.

Session 1: Consultations on the 2030 targets setting approach

The first session, chaired by **Deputy Prime Minister Olha Stefanishyna**, provided an update to Ministers on the preliminary results discussed on April 7 at the 9th Energy and Climate Technical Working Group (TWG) and in particular on final project's baseline, methodology for target settings,

policy scenario and upcoming next steps for the target negotiation process. While the EC is validating the results of the study, these are not replacing negotiations on the targets. Final results will be circulated by end of April to each CP; in May-June, negotiations will take place while progress made will be the object of the ECC meeting in June, arriving at a political consensus by July 8-9 at the informal Ministerial. Ministers were asked to provide their first reactions both on the results and on the upcoming negotiation process and timeframe.

Moldova fully appreciates the approach of the study and, although more information on the scenarios are needed, finds the results to be reasonable, achievable and in line with the Paris Agreement and other EnC commitments. In particular, Moldova has already pledged a 70% reduction of GHG below 1990 level by 2030 in its NDC2, unconditional. Renewables will have a significant contribution to security of supply in the country, but technical conditions for integration need to be addressed. Overall, the ambition is comparable, although from a modelling perspective, the impact of synchronisation with the EU, interconnections with Ukraine for electricity exchanges and the impact of emissions from non-energy sectors need to be accounted for to have full comparability.

Serbia at the moment has a technical government in office that cannot take executive decisions on energy and climate targets and nominate official negotiators. A new government is expected to be appointed in August. Nevertheless, Serbia is committed to decarbonisation, despite the fact that this will be challenging, with more than 70% reliance on coal and a relatively low share (8%) of renewable energy.

Kosovo* supports the methodology used by the study and agrees that ECC should lead the negotiations on the targets. It was flagged that the implementation of the targets will be financially challenging for Kosovo* and requested support to the EC. The results of the policy scenarios will be analyzed once shared by the European Commission. In the meantime, the Energy Strategy to 2031 is under preparation and includes a vision for decarbonisation by 2050.

North Macedonia discussed its ambition and strategy for energy sector development 2019-2040 with three scenarios and a decarbonisation pillar relying on up to 80 % renewables in the energy mix in 2040: PV, wind and hydro. The NECP is already prepared and the country is working on the 5-year Action Plan (until 2025) of the Strategy, based on the green scenario.

Georgia referred to their first draft NECP, prioritizing energy efficiency and renewables, soon open to stakeholder consultation. The EC baseline was compared with the one used for the LEDS, GHG emissions are different; it would be important to consider as much as possible alignment with NDCs.

Albania referred to the adoption of its NECP and to the climate emergency in the country, with recurrent extreme weather events. Both **Albania** and **Montenegro** recalled their NDC2, pledging for a GHG emission reduction of 20.9% and 35% from the 1990 level respectively. Montenegro recalled their support to a well-structured carbon pricing system and ongoing preparation for a related project proposal.

The **Energy Community's Director** summarised the discussion acknowledging CPs expressed readiness to engage in negotiations and implement commitments taken under the UNFCCC, the PA and Sofia Declaration. It was noted that CPs wish to receive the final results of the Study as soon as possible to explore their options. The leading role of the ECC was confirmed and it was noted that next meeting will take place on June 15, prior to the informal Ministerial Council of 8-9 July. This will also be communicated through the formal channel, namely the PHLG discussion and conclusions.

Session 2: An Energy Community perspective: how to tackle high energy prices in conformity with the energy community acquis

The second session, chaired by **Deputy Prime Minister Zorana Mihajlović**, emphasised the importance of a collective action to address the root causes of the energy prices surge, the related energy insecurity that comes with it and the pressing need of joint crisis planning and a possible creation of strategic reserves for gas. Security of supply at reasonable prices for next winter and beyond is to be ensured. While leaders at EU level are currently discussing several options, it's also important to engage in a political discussion with Ministers of the Energy Community.

The **EU Commissioner** presented the measures proposed under the the REPowerEU which will support phasing out EU dependence on fossil fuels from Russia before 2030. This will entail: diversifying gas supplies, via higher Liquefied Natural Gas (LNG) and pipeline imports from non-Russian suppliers, and larger volumes of biomethane and renewable hydrogen production and imports; and, reducing faster the use of fossil fuels in our homes, buildings, industry, and power system, by boosting energy efficiency, increasing renewables and electrification, and addressing infrastructure bottlenecks.

Serbia referred to some of the measures taken nationally to address the situation, both financial measures and on petroleum products.

Kosovo* also highlighted the current monitoring of the situation by the regulator, specific tariff reviews that were implemented and recent changes in planned investments.

Moldova highlighted that for the next season it is planned to target vulnerable customers and implement measures to address energy poverty. There is not a possibility to store gas at the moment, however Moldova introduced draft legislation for suppliers of last resorts to store gas for 2 winter months in the UGS of one of the neighbouring countries. Moreover, state companies will store gas as well.

North Macedonia also referred to additional budget earmarked for measures addressing vulnerable consumers and upcoming revised network tariffs, while **Georgia** is also transposing new legislation on minimum gas storage. **Montenegro's** regulator is currently assessing the situation and consider review of the tariffs. The country is also dealing with the impact of closing their aluminium production.



The Chair underlined that diversity of national measures taken by CPs shows they have been also affected to a different extent by the price surge. Solidarity and coordinated actions with the EU Member States is important.

The **Energy Community's Director** summarised the discussion acknowledging the relevance of continuing addressing the energy crisis in the next months. The implementation of the decarbonization agenda and large investments in renewables will impact positively the energy system in the years to come. Many actions taken recently by CPs are an immediate reaction to the crisis, however it would be relevant to exchange further on their impact on the functioning of energy markets. By the summer, the Secretariat will assess the compliance of such actions with the EnC acquis.