

Renewables and Just Transition.

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The UN Climate Science Panel :

We need a tougher climate goal to halt the temperature rise at 1.5C above pre-industrial levels

**RENEWABLES TO
SUPPLY**

70%-85%

OF POWER BY 2050

0%

COAL

BY 2050

8%

GAS

BY 2050

CO2 EMISSIONS

75%-90%

DOWN BY 2050

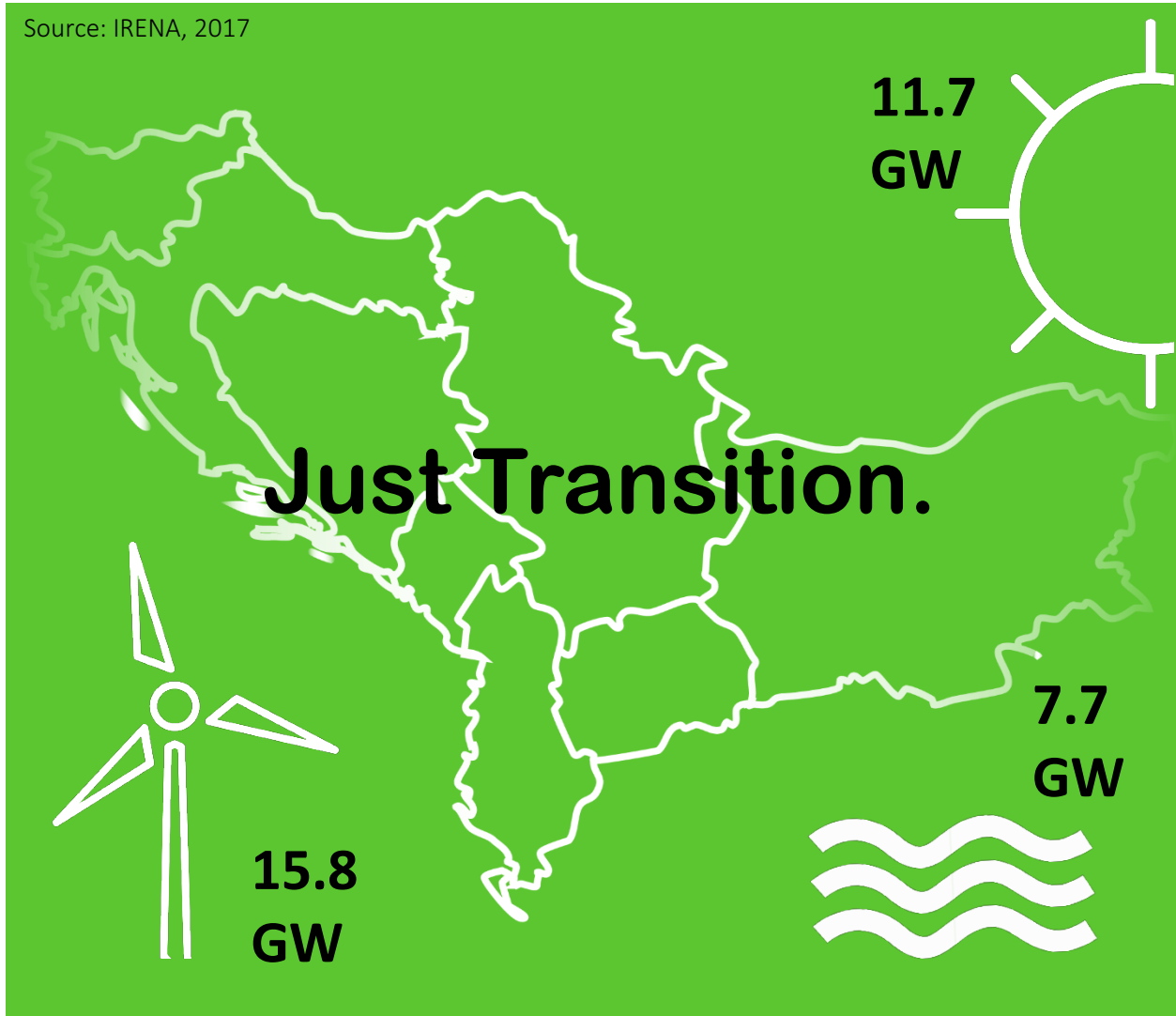
COMPARED TO 2010

**INVESTMENT
PER YEAR**

\$900 bln

BETWEEN 2015 -2050

Source: IRENA, 2017



**MODEST SHARE
OF RES IN WB
TODAY**

< 4%

**51% OF LARGE
COMBUSTION PLANTS
IN WB**
eligible for opt-out

**HUGE
OPPORTUNITY
FOR WB ENERGY
TRANSITION**

**ADDITIONAL COST-
EFFECTIVE RES
POTENTIAL**

**BY RECENT
MODELLING IN
SEERMAP (2017)
RES SHARES IN WB**

**UP TO 55%
BY 2030**

Up to

500 MW

WIND PROJECTS IN
DEVELOPMENT AND
CONSTRUCTION

SERBIA

INTRODUCED
PROSUMERS IN
THE ENERGY LAW

MACEDONIA

Announced tenders
for 300 MW solar PV
and for 75 MW wind

**WITHOUT
SUBSIDIES**

MONTENEGRO

40%

RES SHARE IN FEC

MONTENEGRO

**HVDC
Interconnection
undersea cable
between Italy and
Montenegro**

1000 MW

REGIONAL COOPERATION

Increasing security of supply in the region

Regional balancing market (WB6 Cross-border Balancing Project)

Regional initiatives on system adequacy (TSO's regional adequacy report)

Investments in infrastructure/interconnections

Cooperation on RES deployment and relevant policies

NEW PLAYERS ON THE MARKET

Prosumers, aggregators, active consumers, energy communities, demand response, storage service suppliers

Policy guidelines for integration of prosumers into the grid

Self-consumption, net metering & net billing, third party access, unbundling rules

VAT, switching fees



This figure shows the auctions result and power purchase agreements from 2016/2017. See Fortum (2016). Agora Energiewende

Key requirement: Low capital costs

Challenge: regulations designed for the old power systems often block the progress

Market integration of renewables

- ➔ Project financing: Pricing & leverage
- ➔ High WACC in the region
- ➔ Private PPAs
- ➔ GO's market
- ➔ Market rules (e.g. market access, balancing responsibility)

GOING FROM SUPPORT TO COMPETITIVE SCHEMES

Emphasis on market-based model for energy sector

Integrating RES into the wholesale market

FOSSIL FUEL SUBSIDIES AND JOB TRANSFORMATION

Phasing down of coal and phasing-in of RES

Targeted financing to help transition of coal regions

INTEGRATING NEW PLAYERS ON THE MARKET

Removing existing barriers

Establishing rights and obligations for new actors

Reinforcing neutrality of natural monopolies as market facilitators (DSO)

SYSTEM ADEQUACY AND FLEXIBILITY CHALLENGE

Increasing the flexibility of the demand-side

Rewarding flexibility: scarcity pricing reflecting electricity value

UNDERESTIMATED STATE AID

HIGH CAPITAL COSTS

Removing policy & regulatory barriers

Implementing de-risking financial instruments

ENERGY POVERTY

Protection measures for vulnerable consumers (market intervention)

Energy efficiency policies vis-a-vis energy poverty

The idea not embraced in the society

No strategic base in existing national regulatory framework for green transition (e.g. new technologies, green jobs)

Interviews and focus groups with key stakeholders show low awareness levels

Transition seen as far and intimidating

Unwillingness for change

"IT IS TOO EXPENSIVE"

"IT WON'T HAPPEN IN THE NEAR FUTURE"

"WHAT WILL I DO?"

**Policy-level interventions
Integrated Climate & Energy Planning -
reduces costs and challenges of system
integration**

**Multi-stakeholders approach
(national policy makers, civil sector,
industry, academia, donors' community
and IFIs)**

**Energy transition requires transformation
of the society**