

Annex to the
DECLARATION ON ENERGY SECURITY AND GREEN TRANSITION IN THE
WESTERN BALKANS,
Berlin 3/11/2022

European Commission commitments
--

European Commission will be supporting the region in terms of energy security and energy transition through a dedicated Energy Support Package, as well as a continuation of the already ongoing measures:

1. Energy Support Package

The Commission intends to put forward an **Energy Support Package of EUR 1 billion** for the Western Balkans, 50% of which will be destined to provide immediate help in alleviating the impact of the energy prices on the economies and 50% for short- and medium-term measures related to green energy transition, based on decarbonisation, energy efficiency and renewable energy sources.

1.1. Immediate support

The Commission will provide up to EUR 500 million in immediate support to the Western Balkans partners in early 2023 to **cushion the energy price increase** to businesses and households.

1.2. Short- and medium-term support

Over the short- and medium term, the Commission will provide another €500 million to advance in energy diversification, renewable energy generation and gas and electricity interconnections through the Western Balkans Investment Framework. Short-term measures (next 1-2 years) will support diversification of energy supplies, by boosting gas and electricity interconnectors including LNG as well as by supporting the construction of renewable energy projects and the energy efficiency measures. The medium-term assistance (next 2-3 years) will include other investments contributing to the energy transition and security. These measures will cover large-scale renewable energy generation projects, upgrade of energy transmission systems, district heating and schemes for energy efficiency for the old blocks-of-flats.

2. Ongoing support to energy sector

In addition, the Commission reiterates its commitment to the ongoing energy transition initiatives:

2.1. Joint Purchase Platform under REPowerEU

The Commission confirms its commitment on establishing **joint purchases of gas**, to serve in future as a basis for the development of the global hydrogen market. This platform is open to Western Balkans partners, who have been invited to participate, benefit from the competitive prices and to lower WB dependency on Russian gas.

2.2. Energy Transmission Investments

The Commission will continue to support ongoing EU investments in **gas interconnectors**, which will increase opportunities for energy exchange through the joint purchase platform. The EU is currently supporting investments in the following interconnectors in the Western Balkans:

- gas interconnector between Serbia and Bulgaria
- gas interconnector between North Macedonia and Greece
- the Commission is ready to support gas interconnector between North Macedonia and Serbia,

The EU will continue to support the **Trans-Balkan Electricity Transmission Corridor**, which connects the electricity transmission systems from Serbia, Montenegro, Bosnia and Herzegovina to Croatia, Hungary, Romania and Italy.

The current level of EU investment in energy transmission is EUR 117 million.

2.3. Existing Renewable Energy Investments

The EU will continue co-financing investment projects in renewable energy. The following projects have been adopted so far for a total of EUR 18.2 million:

- floating photovoltaic power plant in Albania,
- two solar photovoltaic power plants, on the site of an exhausted coal mine in North Macedonia,
- upgrading of a Hydro power plant in Albania.

Elements provided by Germany

Germany recognizes the importance **to intensify the financial and technical support from Germany**, jointly with the EU, the member states and the IFIs active in the region to reduce the impact of the energy crisis on vulnerable population, to stabilize the energy sector and to achieve the transition towards a modernized, decarbonized and resilient energy sector for the benefit of the people of the Western Balkan and Europe.

Germany highlights that under the framework of the German Financial Cooperation provided by the Ministry for Economic Cooperation and Development through the German Development Bank KfW, it is supporting the **implementation of a portfolio of approximately 2.2 billion euros** clean energy projects.

In order to further promote the energy transition Germany is supporting the preparation of clean energy investments in the Western Balkan region and **reiterates its willingness to provide a substantial financial contribution up to 1 billion euros including grants and development loans until 2030** joining efforts with the European Commission and the European IFIs and NDBs such as EBRD, EIB and AFD.

To support the stabilization of the energy sector in the short term Germany intends to **commit to provide budgetary support through promotional loans from KfW amounting up to 0,5 billion euros in the short term** to contribute to alleviate the fiscal pressure arising from the impact of the energy crisis and/or to ensure the financial liquidity of publicly-owned energy companies subject to reform the national economies and their energy sector in line with EU policies and legislation in the fields of energy and climate. All commitments regarding the years 2023 and beyond are subject to budgetary approval by German Bundestag.

Germany intends to support the Governments of the Western Balkan countries and the Energy Community Secretariat with the adoption, implementation and monitoring of the national energy and climate plans as well as with the development of a regional energy and climate plan for the Western Balkans complementing the national ones under the framework of a regional cooperation scheme ("**Western Balkans Climate Partnership**") following the example of the **German and Serbian Climate Partnership** launched in November 2021 and/or other cooperation modalities to be determined by the Federal Ministry of Economic Cooperation and Development jointly with the Governments of the Western Balkan countries and the EnC Secretariat.

Germany is planning, together with the German Energy Agency (DENA), the implementation of a **project regarding the enhancement of the Electricity Market Integration** in the Western Balkans starting in 2023.

Germany will **intensify its support for cross-border climate action and energy transition in the region through the European Climate Initiative (EUKI)**. The Western Balkans will remain a focus area for EUKI projects that support municipalities, civil society, and citizens in their endeavor to advance climate action on the ground.

Germany will continue to support the energy transition in the region **through institutional partnerships** (such as the institutional partnership with Serbia to implement the EU Green Deal and to promote a sustainable industrial policy) and **high-level government consultancy** (with Kosovo; topics include energy and climate policy).

Elements provided by France

France will continue to support countries from the Western Balkans meeting EU standards and implementing the Paris Agreement on climate change towards an inclusive and low-carbon development trajectory through the activity of the AFD (Agence Française de Développement).

AFD Group covers all sectors contributing to the implementation of the Green Agenda for the Western Balkans, such as energy, transport/smart mobility, water & wastewater, environmental infrastructure, digital economy, biodiversity, and sustainable agriculture. In this context, AFD Group has developed a portfolio of climate-related projects and programs in sectors that are key to accompany Western Balkan countries on a green and inclusive development pathway. Specifically:

In Serbia:

- Climate reforms: AFD is supporting, in partnership with the World Bank, the implementation of the Serbian climate reform roadmap over the coming years, at national and local levels, through policy-based lending and technical assistance [“Cities and Climate Program” signed in 2021 - AFD: €50M loan and €0.5M technical assistance package].
- Green transport infrastructures: AFD is co-financing with the World Bank the first phase of the railway modernization multiannual program [joint investment loans of €102M signed in 2021 - AFD: €51M].
- Waste management: AFD is supporting, together with EBRD, Serbia’s efforts to improve its waste management systems in line with EU standards, through the financing of the first two phases of the national waste management program [joint investment loan of €150M signed in 2021 - AFD: €75M; technical assistance provided by AFD].
- Local infrastructures/mobility: AFD will mobilize funding, together with the World Bank, to support Local Self Governments, through the Ministry of Construction, Transport and Infrastructure, for modernizing their road networks, mobility and climate-resilient infrastructure, in support to a balanced territorial development [Local Infrastructure and Institutional Development (LIID) project approved in 2022, to be signed by the end of 2022 for a total amount of €265,2 M - AFD: €176.8M].
- On top of that, in the area of green growth, Proparco provided a credit line to Procredit Bank for the financing of SMEs and green projects including energy investments [credit line of €50M].

In 2022 and the coming years, AFD Group will further step up its financial commitments and mobilization of in-depth expertise to continue assisting the Republic of Serbia on priority reforms and investments under the Green Agenda roadmap, covering strategic sectors such as energy (including just transition), waste, water & sanitation, transport/mobility, green budgeting transition. Partnerships with other international finance institutions will be favored to leverage both public and private resources, and optimize impacts on the ground.

In Albania:

- Energy transition: since 2019, AFD has been providing financial and technical support (100M€ sovereign loan and 1M€ grant) together with KfW, to accompany the reform of the energy sector, with the aim to promote alignment with the European market, renewable energy and energy efficiency.
- Green Economy: AFD Group is supporting climate-related projects and policy reforms through financing investments in water and waste sectors as well as providing budgetary support to strengthen the institutional capacity and regulation in the sector of environment and preservation of biodiversity. So far, AFD has provided 60M€ sovereign loan and 1M€ grant to support the rehabilitation of Durres water network and plans new commitments to support environmental policy reforms, management of protected areas and investment projects in the sector.

AFD Group plans to continue supporting Albania in the coming years in the implementation of the energy transition and green agenda, with both financial and technical support. To this aim, AFD intends to cooperate with EU and other international financial institutions to fund projects more especially in the sectors of energy, sustainable urban development and natural resources management.

In Montenegro:

- Climate finance: AFD is financing the Investment and Development Fund of Montenegro (IDF) to promote climate investments of Montenegrin SMEs and municipalities, and to strengthen IDF in the structuring of a dedicated green and climate financing offer, in line with the National Strategy for Sustainable Development [Credit line of €50M signed in 2021, accompanied by a €0.4M technical assistance package].
- Energy: Proparco financed the construction and operation of a 72MW wind farm that allows to supply energy to 5% of the country's total population [Loan of €17M signed in 2015, accompanied by technical assistance].

In North Macedonia: AFD is expecting to initiate its activities in the country by focusing on a climate-related project.

In the Western Balkans, the amount of AFD Group's total commitments (excluding grants) is of €730M to date (including €630M from AFD, and €100M from Proparco).

Elements provided by Austria

Austria supports and will continue to support a number of projects in the field of energy security and green transition in the Western Balkans.

Our biggest contributions currently concern projects regarding the implementation of the EU4 Green Recovery/Green Agenda in the Western Balkans (EUR 1 Mio.), the strengthening of Local Climate Action in Kosovo (EUR 1 Mio.) and the promotion of green investments through the Western Balkans Green Economy Financing Facility (EUR 5,3 Mio).

Furthermore, Austria supports three projects in Albania, firstly on enhancing a Science-Policy Interface Development for the Vjosa (ESPID4Vjosa), secondly for the Environmental assessment of the Vjosa riverscape as the basis for an integrated water management and sustainable catchment development (VjoSusDev), and thirdly EUSIWM / EU Support to Integrated Water Management (IPA III).

In Bosnia and Herzegovina, Austria contributes to improving mobility (tram lines) in the Sarajevo Canton by contributing via the EBRD's and partners' High Impact Partnership on Climate Action.

TRATOLOW (Transition towards low emissions and climate-resilient economy in the Western Balkans and Türkiye) is implemented by the Environment Agency Austria and NIRAS. The overall objective of the project is to contribute to climate change mitigation and adaptation and the development towards a resource-efficient, low emissions and climate-resilient economy. Within the framework of the TRATOLOW project, an environment and climate ministers conference was organized in Vienna (31 May to 1 June 2022) by the Austrian Ministry of Climate Protection, the European Commission (Directorate-General for Climate Policy) and the Environment Agency Austria.

Elements provided by the United Kingdom

The United Kingdom is committed to helping the Western Balkans to reduce their dependency on Russian hydrocarbons and vulnerability to economic coercion. The UK is supporting the regional energy transition, and is extending British Investment Partnerships to the Western Balkans to ensure the region has the resilience and capabilities to maintain their sovereignty and freedom in the face of Russian interference.

Working with – and responding to demand from – governments of the region, we will deploy the UK PACT (Partnering for Accelerated Climate Transitions) programme to share technical expertise to accelerate the climate transition. We will furthermore provide technical assistance to mobilise capital, from new sources, also to support climate transition. In addition, we have up to £12 billion of UK Export Finance in place for the region.

Elements provided by the EIB

The EIB welcomes the commitment of the Western Balkans leaders to accelerate the implementation of the Green Agenda for the Western Balkans at both national and regional level as outlined in the Declaration on Energy Security and Green Transition.

EIB's dedicated finance arm for operations outside EU - EIB Global - stands ready to assist the Western Balkans with their ambitions and in particular, as the EU Climate Bank, we intend to provide our lending, blending and advisory capacities to actively support the goal to diversify energy supply sources and reduce the dependence on fossil fuels. We will build on our current work and expertise in the field of renewable energy – particularly solar and wind - where we believe there is considerable untapped potential in the region. We will also seek to intensify our investments in energy efficiency in both the public and private sector and to support improvements to the energy networks.

Many of the reforms outlined in the Declaration as well as the wider reform process in the region under the EU accession process will support the development and implementation of such investments. We would particularly welcome timely and effective progress in the area of rule of law to further ensure a regulatory ecosystem that enables additional private sector investments in the energy sector.

We look forward to working closely with the European Commission and fellow international and bilateral financing institutions as part of a “Team Europe” approach to supporting all Western Balkan economies in line with the Economic and Investment Plan for the Western Balkans. This partnership approach will enable all actors to deploy the EU funding and technical support available under the European Fund for Sustainable Development Plus (EFSD+) and the Western Balkans Investment Framework (WBIF) as effectively and efficiently as possible, to the benefit of the economies and most importantly to the benefit of the citizens of the region.

Elements provided by the EBRD

The EBRD stands ready to continue helping the Governments of the Western Balkans to mitigate the impact of the Russian war on Ukraine on the security of energy supply and commodity prices. Where needed, the Bank is providing liquidity support to ensure that power utilities have the necessary financial resources to play their vital role, and we will use this opportunity to help improve the governance of state owned utilities in the process.

The Bank will finance directly and mobilize additional financing for infrastructure investments that can help address the current energy crisis and advance the green energy transition. In particular the Bank will combine investments and policy support for market reforms to further regional and European integration by addressing physical and regulatory bottlenecks. We will support improvements to the investment climate for substantially scaling up renewable energy capacity through competitive tendering processes. Financing private renewable projects and building capacity and capabilities of power networks will be essential to progress on the energy transition and mitigate the risks to energy security.

Finally, EBRD still has a possibility to finance selected gas infrastructure necessary for energy security and diversification, including interconnectors and pipelines, provided they are Paris-Aligned and the country has a credible national energy and climate plans (NECPs) to exit fossil fuels in the medium-term. EBRD is also actively supporting reduction of energy intensity of regional economies in line with the spirit of the REPower EU plan, via direct investments and leveraging commercial co-financing for energy efficiency for housing, buildings and industry. The Bank also recognizes the fundamental role of carbon pricing and the emission trading scheme to provide the necessary market based incentive for implementing the green energy transition in a timely manner, and will support their implementation.

Elements provided by the OECD

The OECD will support the Western Balkan governments on energy security and clean energy transition through evidence based policy analysis and advice. As part of its regional assessments, namely the Competitiveness Outlook and the SME Policy Index, the OECD will monitor the progress made on the implementation of relevant reforms, identify the remaining and emerging challenges to energy diversification and the green transition and provide actionable policy recommendations to address these constraints. Moreover, the OECD will offer additional policy support to transition towards a more circular economy. The OECD's overall support will guide the Western Balkan policy-makers in building resilient and sustainable economies by promoting international best practice and that are closely integrated with the European Union.

Elements provided by the WHO

WHO will support an accelerated and just energy transition working with the Western Balkans to implement the agreed actions through the RoadMap, which identifies addressing climate and environmental challenges to health as one of its pillars.

In particular, WHO will support a) the development of a joint platform for monitoring and assessing climate and environmental challenges to health; b) generate policy dialogue on health hazards and solutions, including the investments needed and financing and legal tools available to proactively respond to challenges and protect health; c) enhance collaboration in the Western Balkans and with international partners to improve environmental standards.