



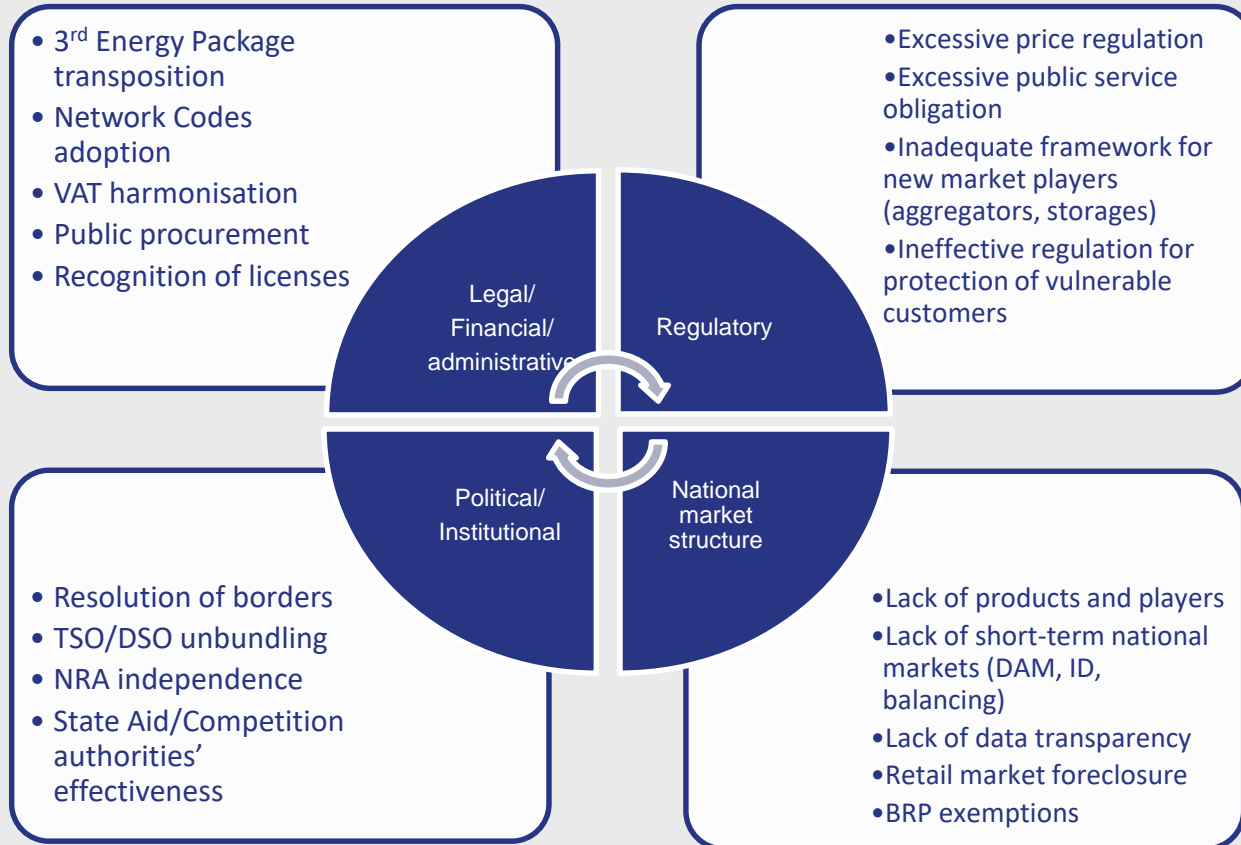
# Energy Community at the Crossroads

Janez Kopač, Director

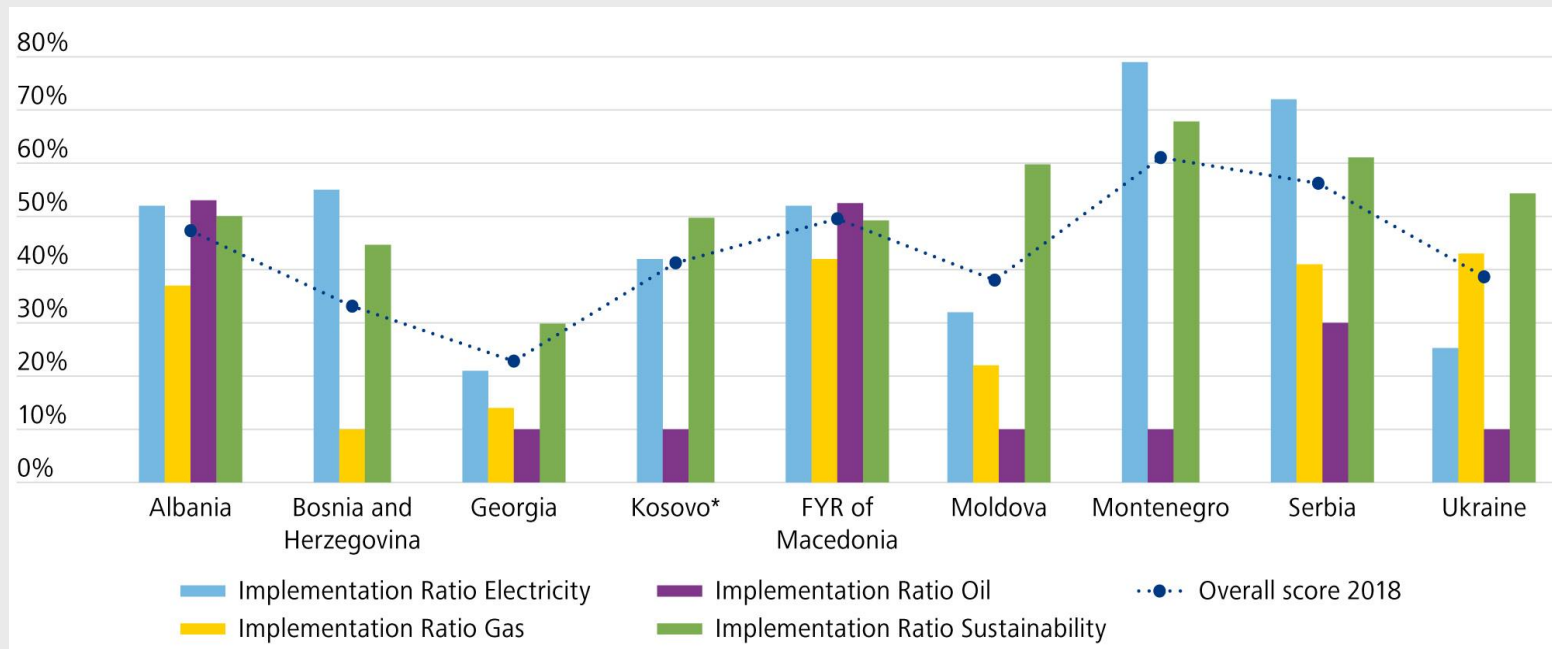
Athens Forum – 28-29 May 2019

1. Resistance to establish electricity market
2. Legal gap between EU and Energy Community CPs
3. Fossil fuel subsidies vs. RES subsidies
4. High country risks – high capital costs
5. Expensive feed-in tariffs, resistance to auctions
6. Underestimated state aid
7. Action needed

# Vicious circle of challenges to cross-border cooperation



# Implementation indicator



## Benefits of cross border trading

(integrated Vs isolated markets)

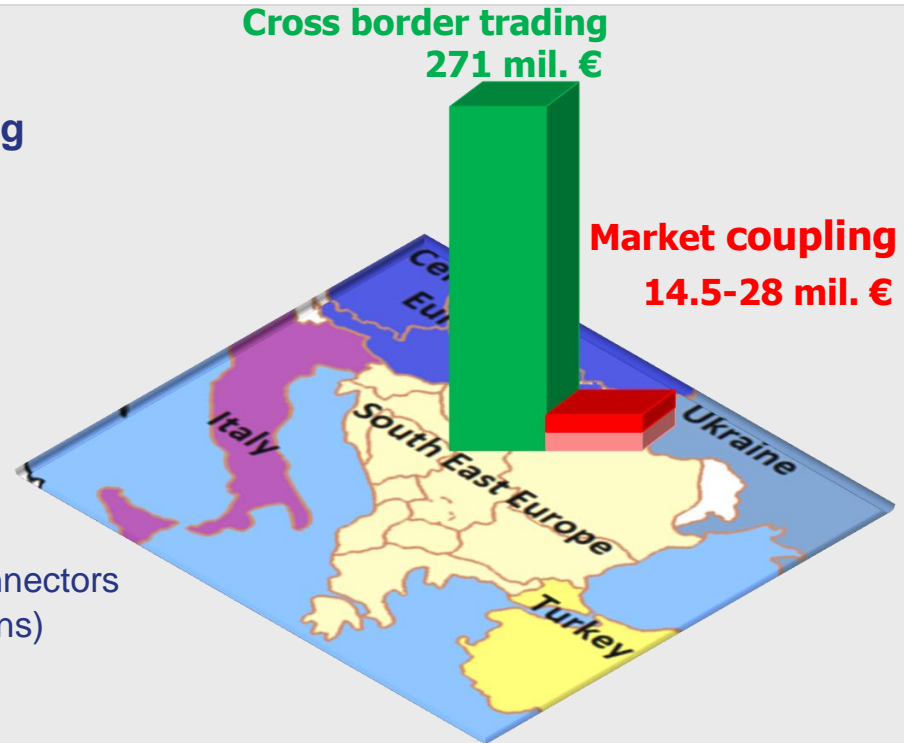
**271 mil. € on annual level**

## Benefits of market coupling

In range of:

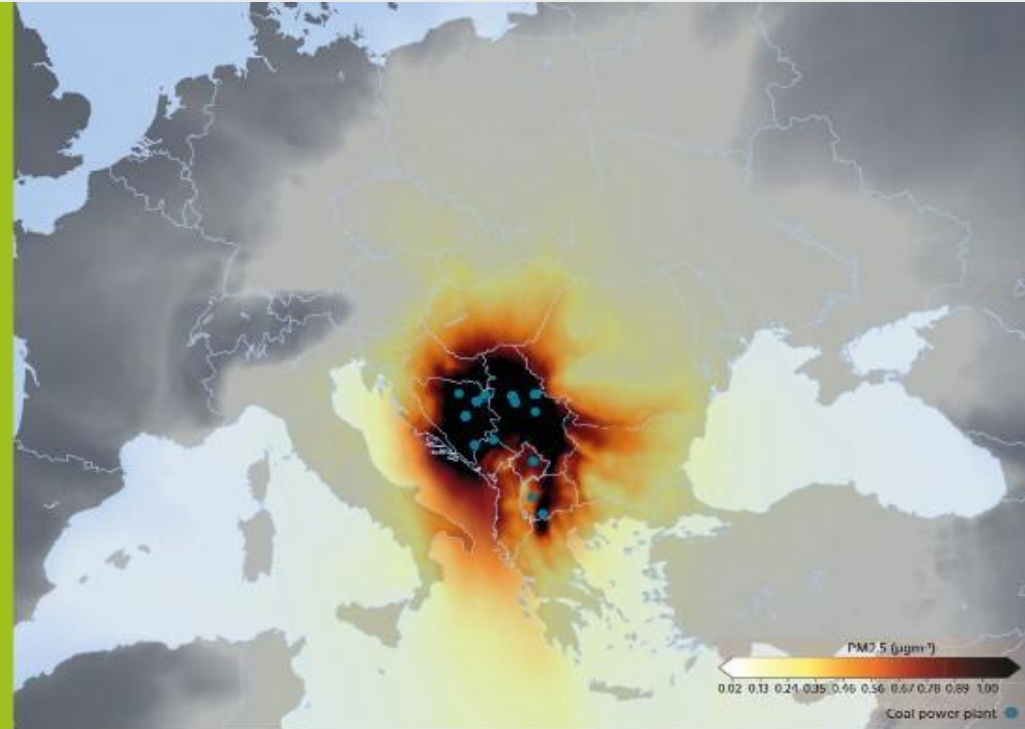
**14.5 - 28 mil. € on annual level**

(for 10%-20% more efficient interconnectors utilization compared to explicit auctions)



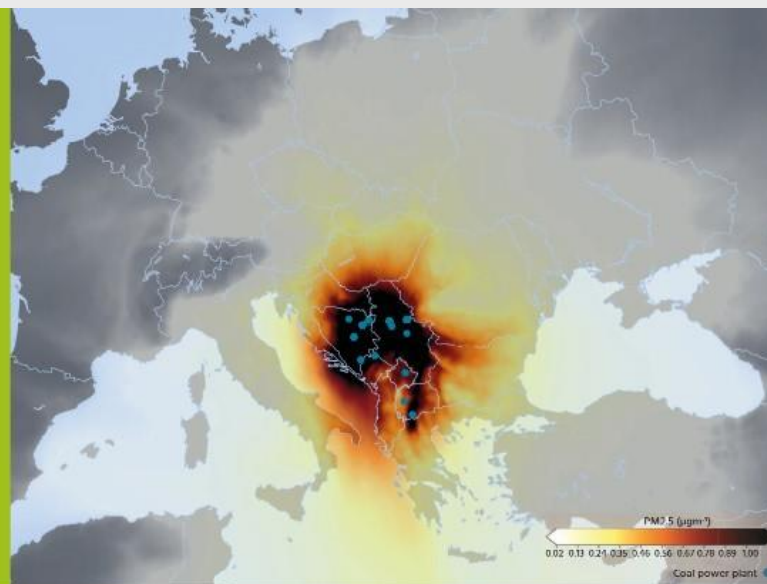
The main finding is that the gains from market coupling implementation are considerable in absolute terms, and at least an order of magnitude larger than the costs; still, it should be recognized that they are rather modest compared to the total value of wholesale turnover

- Transboundary pollution problem!
- EU member states already fail to keep air quality standards
- Additional harmful pollution travelling into the EU from five neighbouring Western Balkan countries
- Most impacted EU neighbouring countries, but far away too



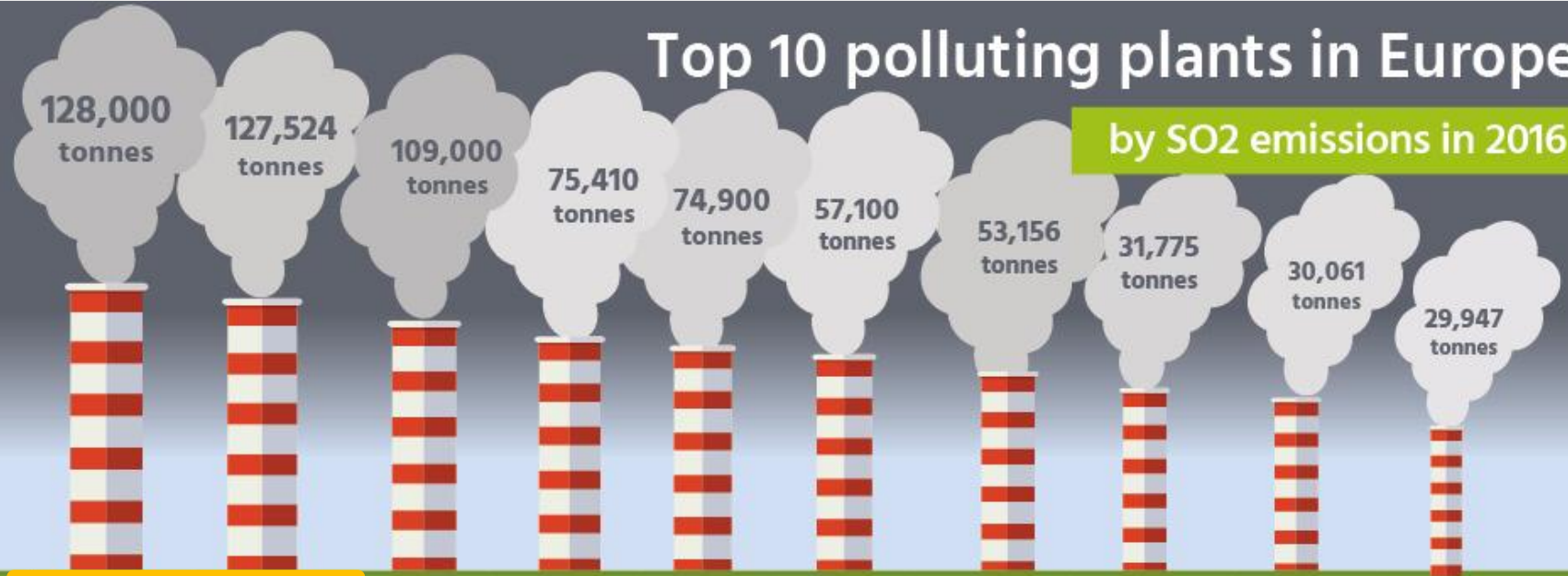


Modelled pollutant exposure to particulate matter (PM2.5) caused by the 16 coal power plants in the Western Balkans in 2016, annual mean



# Top 10 polluting plants in Europe

by SO<sub>2</sub> emissions in 2016



Kostolac B Serbia	Ugljevik Bosnia and Herzegovina	Nikola Tesla A Serbia	Kakanj Bosnia and Herzegovina	Kostolac A Serbia	Nikola Tesla B Serbia	Tuzla Bosnia and Herzegovina	Bitola Macedonia	Belchatow Poland	Maritsa East 2 Bulgaria
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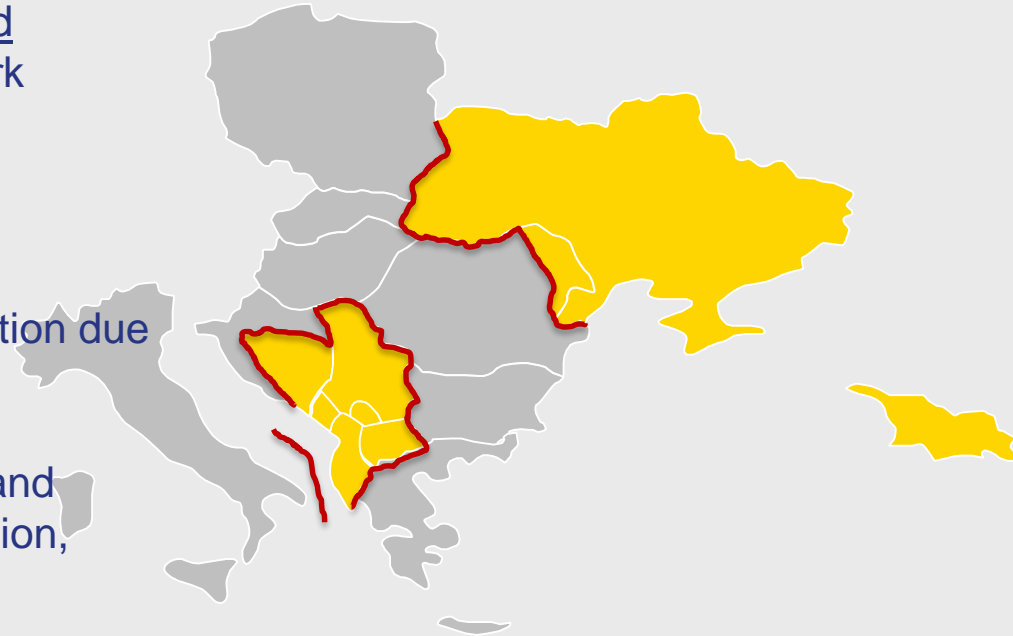




# Critical issues – needed action

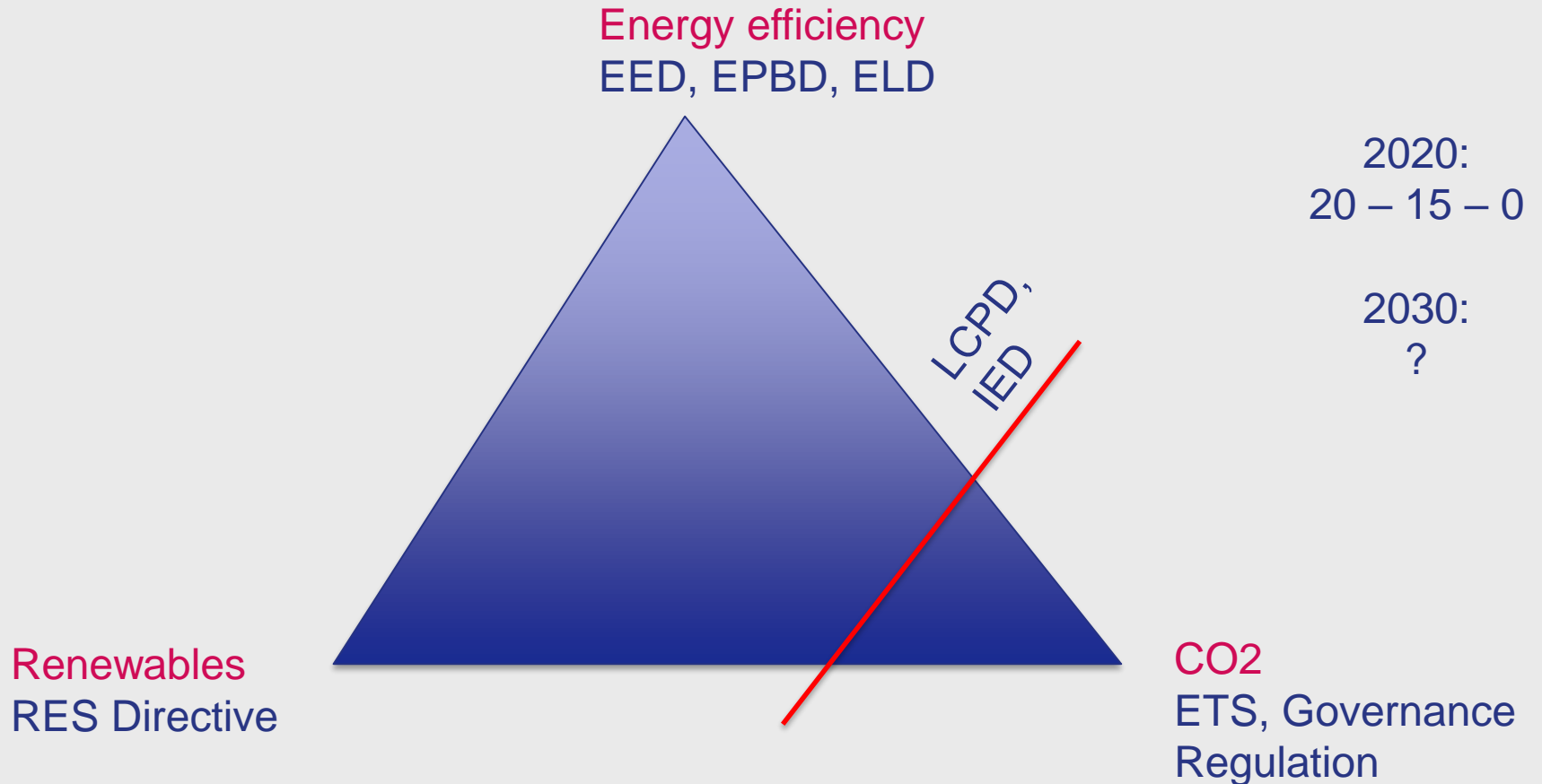
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- For EU MSs Contracting Parties are „third countries“, thus implementation of network codes only voluntary
- No cross border cost allocation
- SoS Regulation – postponed implementation due to same non-solved interfaces
- Missing acquis: VAT Directive, State aid and Competition acquis, Governance Regulation, SoS Regulation, ETS Directive



Cases: BG ban on export of electricity 2017, CO2 leakage, state aid in planned Kosovo C and Tuzla 7 coal power plants

# Challenges of policy integration – second transition



## Sustainability Pillars of the Energy Community Treaty

Acquis on  
Energy  
Efficiency

Acquis on  
Renewable  
Energy

Acquis on  
Environment

**Acquis on  
Climate**

Preparation of integrated National Climate and Energy Plans from 2018 onwards

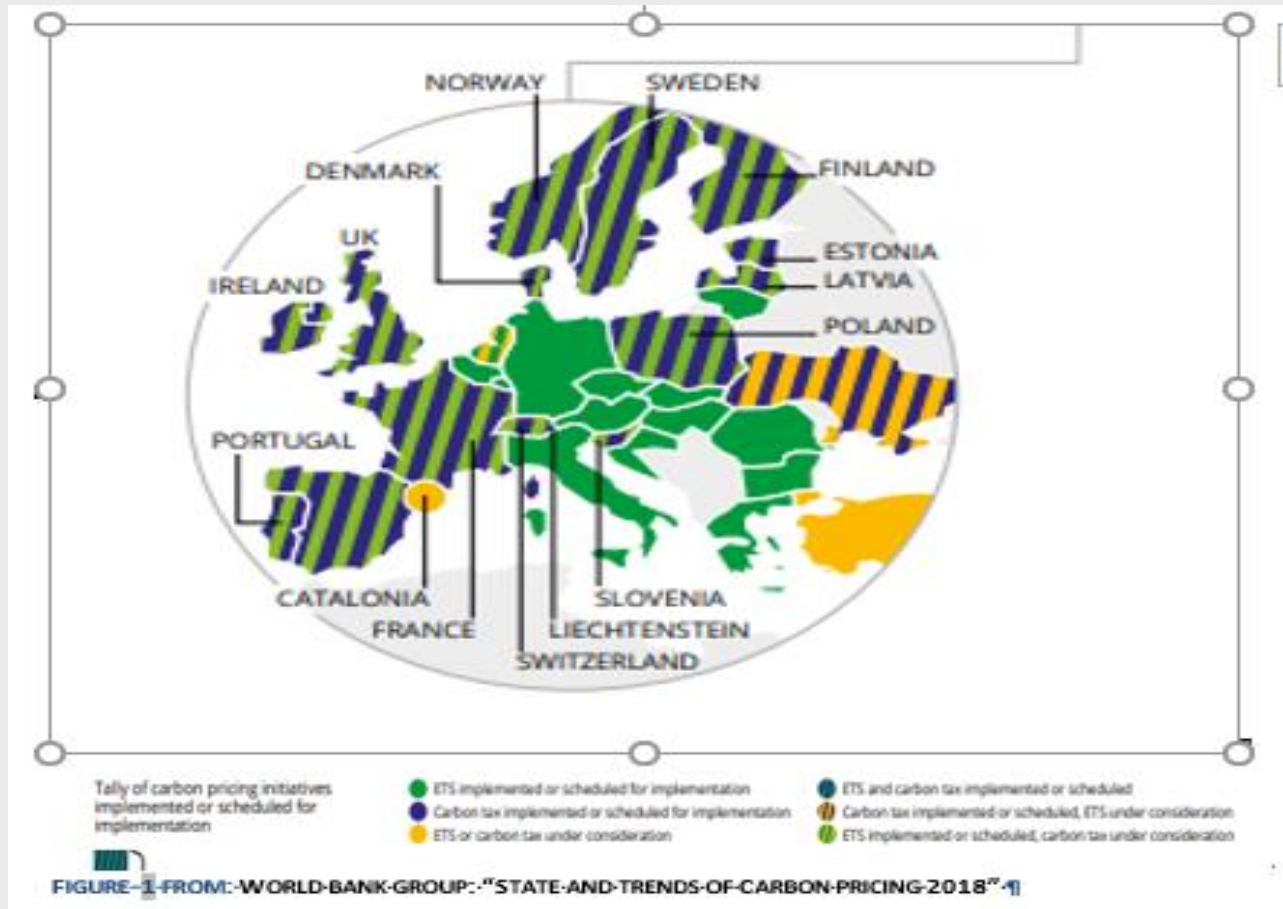
# CARBON PRICE DEVELOPMENTS IN THE EU ETS



Source: M. Voogt, *Using carbon pricing to support coal transition in the WB*, 2018

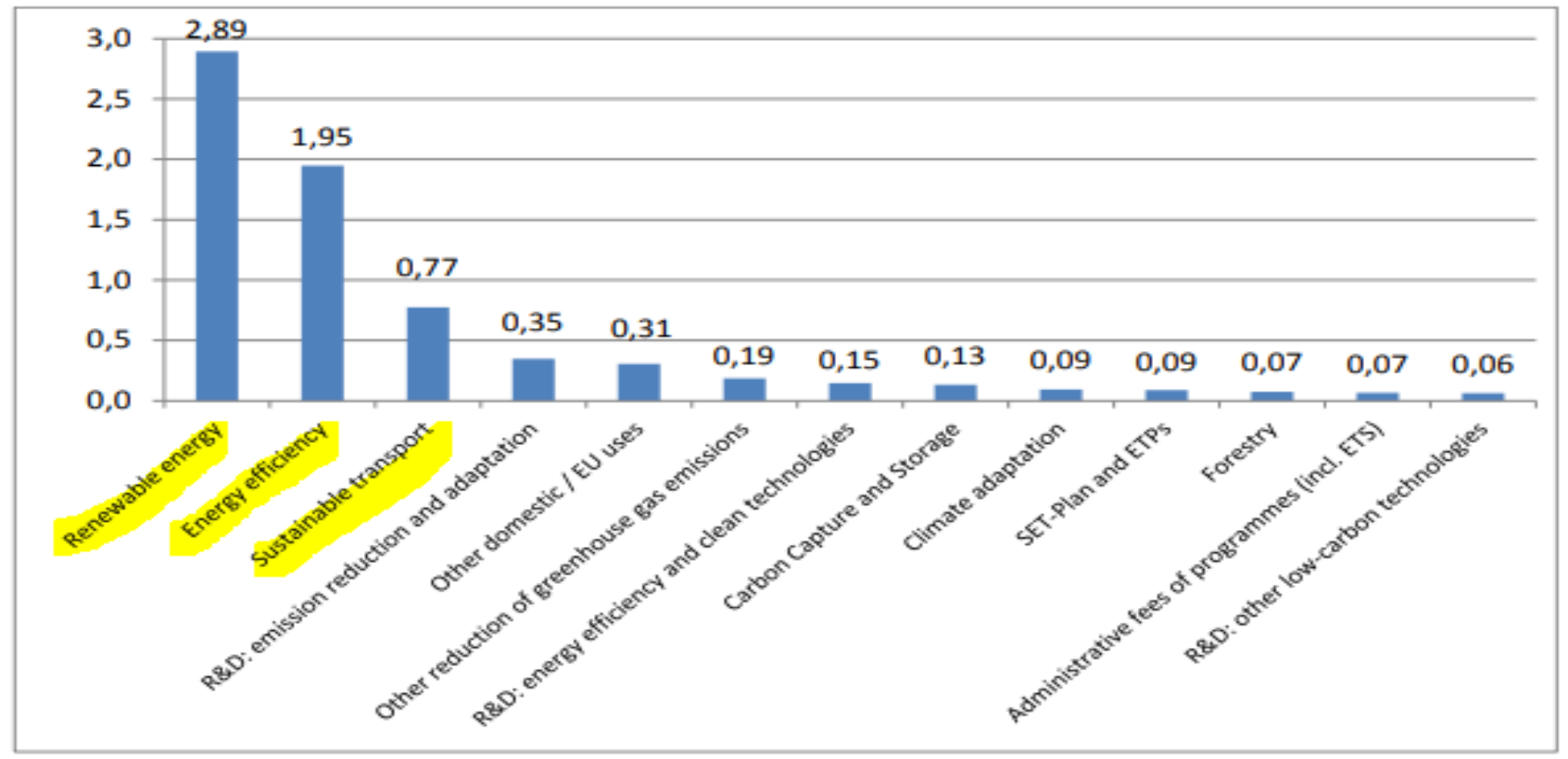
In the past years, prices on the European carbon market did not have a significant impact on new investments in the energy sector. This is changing → **new ETS regime** with improved stability measures leading to **higher prices level**

**Carbon price** need to be incorporated also **in the power sector of WBs** (e.g. carbon tax or ETS) → global climate shift is already making it difficult to attract financing or insurance for TPP with high carbon footprint. Power companies in the WBs are currently faced with this challenge (e.g. Kosovo, BiH, Serbia)



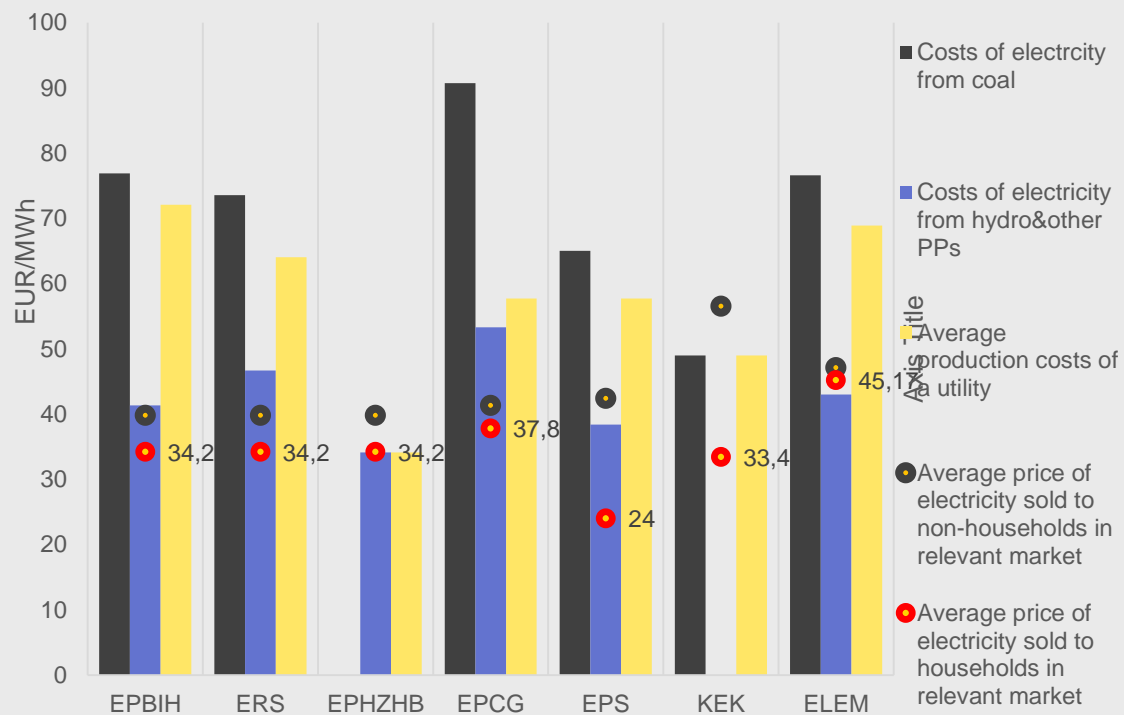


# Use of auctioning revenues by category of spending in EU 2013-2015 (bn EUR)



Source: Le Den et al, 2017, Analysis of the use of Auction Revenues by the Member States, Brussels

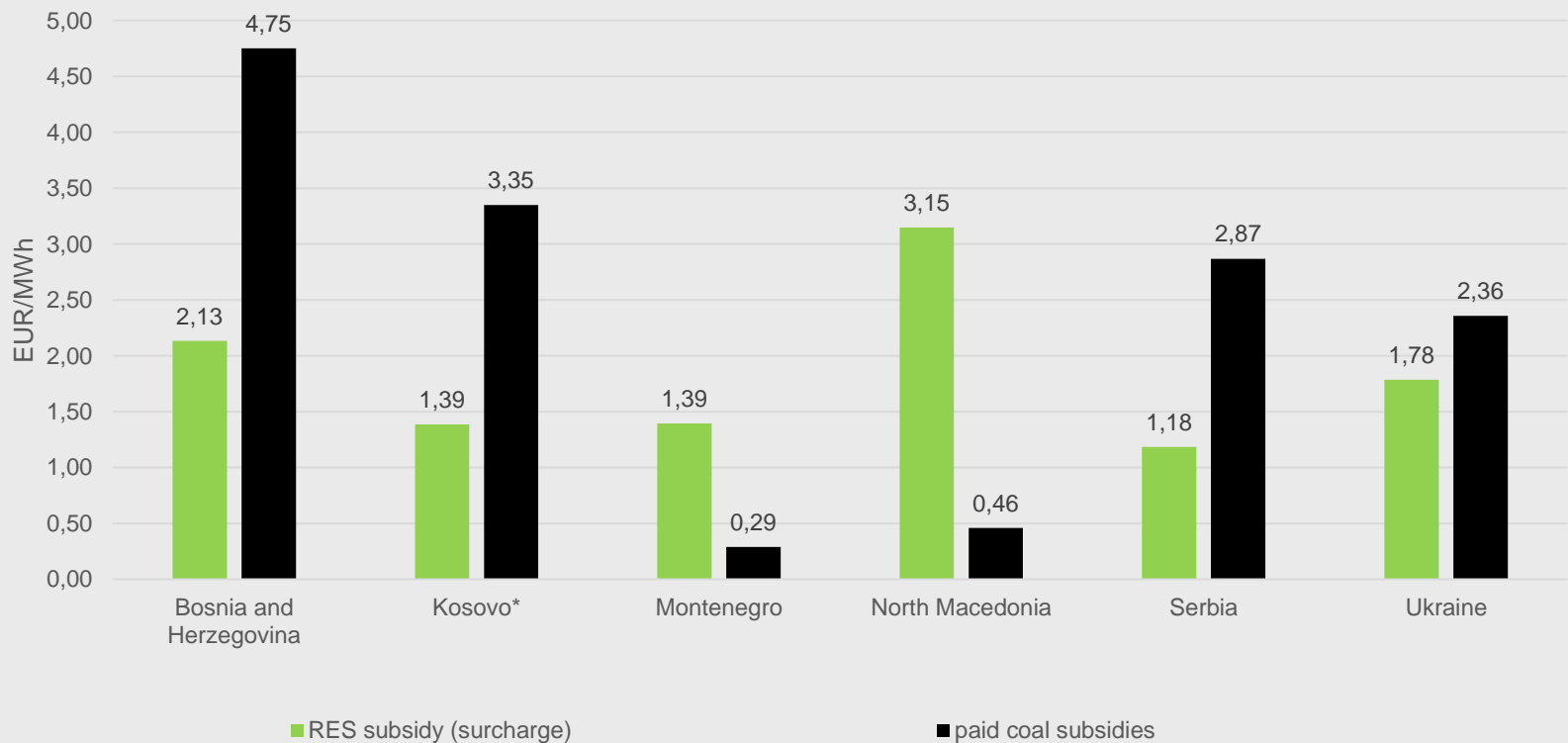
# Estimated full costs of production of electricity and selling prices



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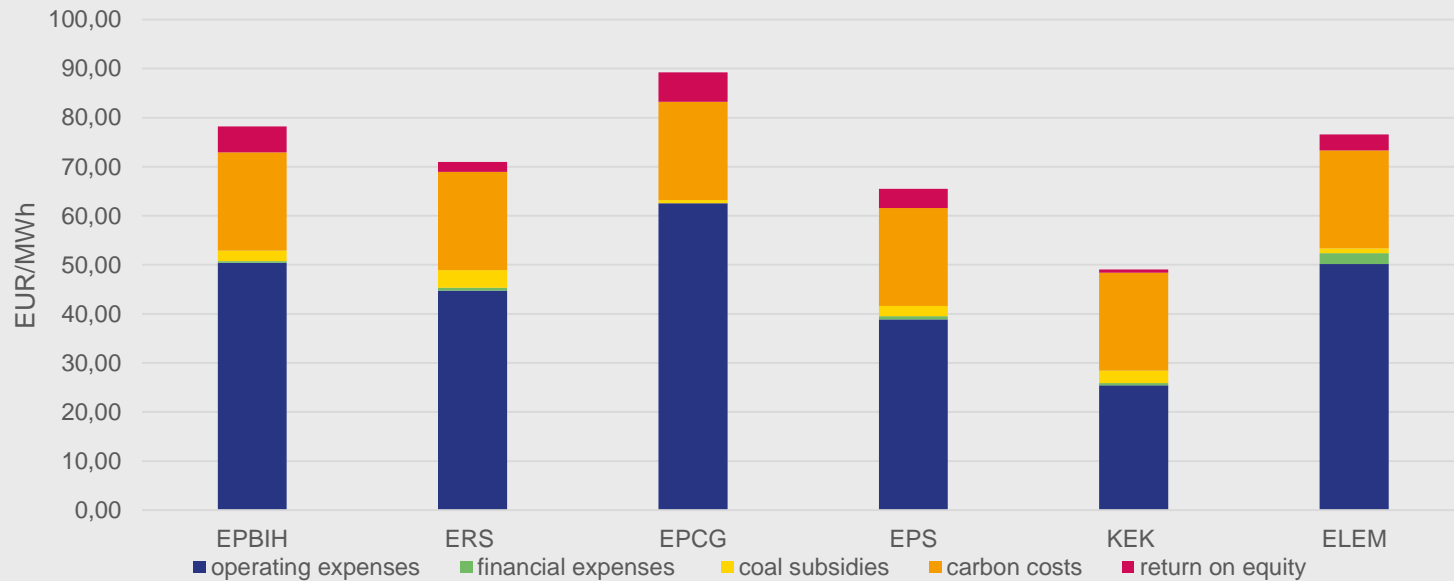
# Paid subsidies for RES and coal in the end users prices in 2017



# Estimated full costs of production of electricity from coal



Estimated full costs of production of electricity from coal

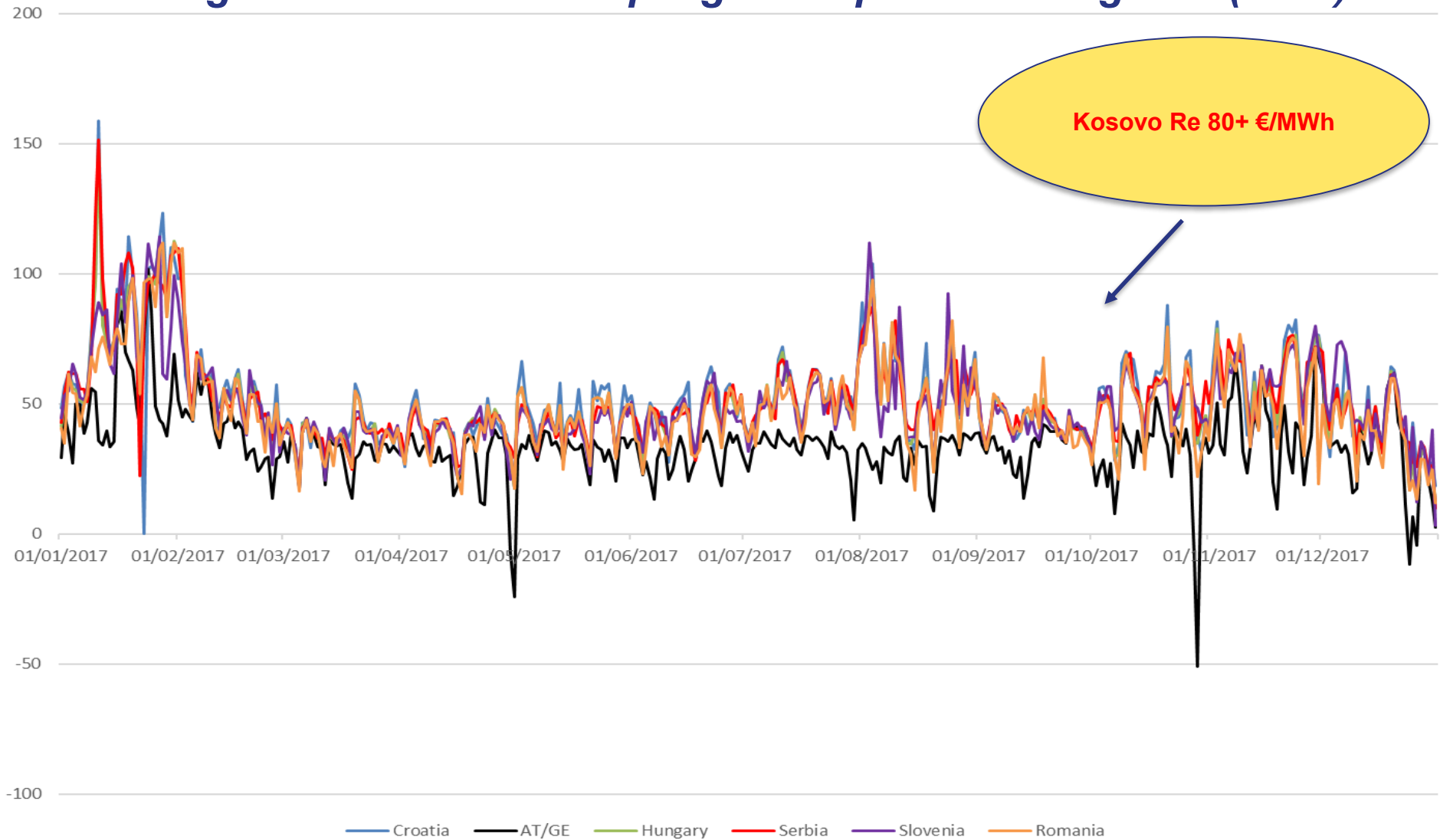


# Needed price increase to cover all costs and avoiding cross subsidization

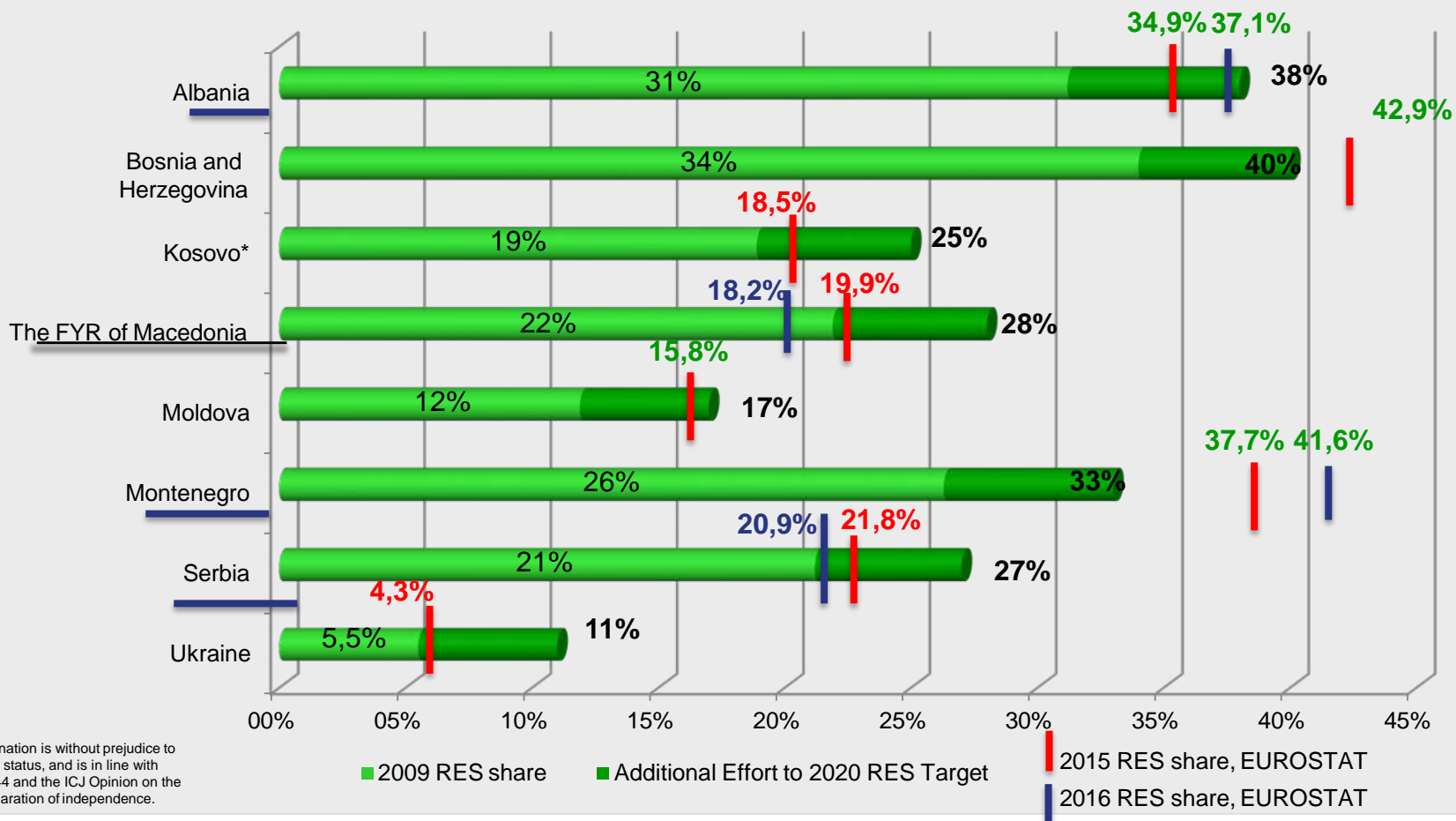
Contracting Party	Final price charged to household 2017	Production costs not covered	Adjusted final price for household	Expected price increase
	EUR/MWh	EUR/MWh	EUR/MWh	%
<b>Bosnia and Herzegovina</b>	86,3	26,69	112,99	31%
<b>Montenegro</b>	99,4	36,63	136,03	37%
<b>North Macedonia</b>	81,5	23,73	105,23	29%
<b>Kosovo*</b>	68,6	15,60	84,20	23%
<b>Serbia</b>	69,1	33,71	102,81	49%



# Moving towards market coupling - SEE price convergence (2017)



# RES target progress

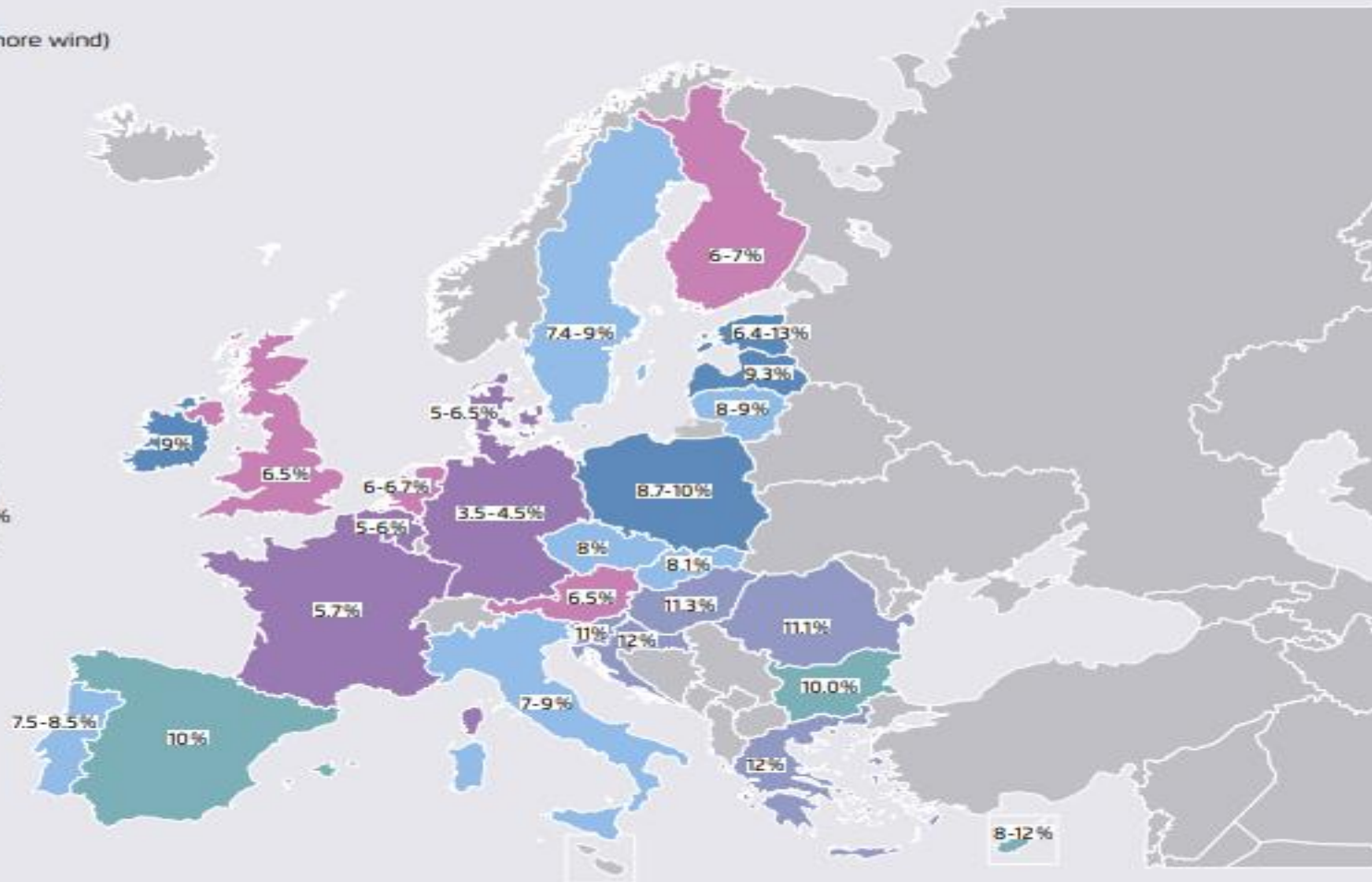


\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

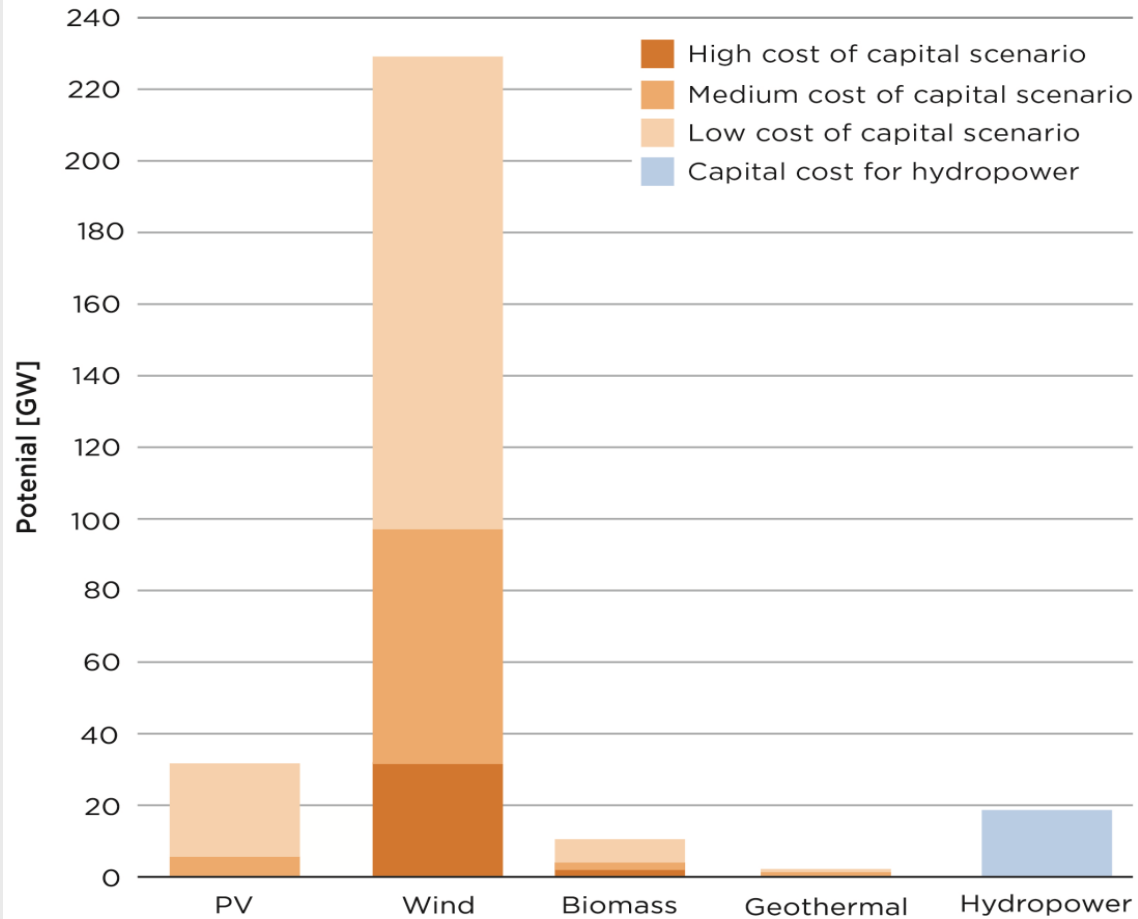
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WACC across the EU-28  
(interview results for onshore wind)



# Impact of cost of capital in CESEC region



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# Support for Renewable Energy in the WB6

Contracting Party		PV	Wind	Biomass	Hydro	Biogas	Waste	Geothermal	PPA	Links
Albania		10	7,6	-	5,63	-	-	-	15 yrs.	<a href="http://www.ere.gov.al/doc/Tarifate_e_mirat_uara_nga_ERE_Prill_-_Dhjetor2017.pdf">http://www.ere.gov.al/doc/Tarifate_e_mirat_uara_nga_ERE_Prill_-_Dhjetor2017.pdf</a> ; <a href="http://www.ere.gov.al/doc/VENDIM_NR.12_0_2017.pdf">http://www.ere.gov.al/doc/VENDIM_NR.12_0_2017.pdf</a>
BiH- FBiH		27,2 - 15,78	17,86 - 7,1	16,1 - 11,61	14,84 - 6,33	36,37 - 14,26	-	-	12 yrs.	<a href="http://www.ferk.ba/ba/images/stories/2017/prilog_1_odluka_gc_bs.pdf">http://www.ferk.ba/ba/images/stories/2017/prilog_1_odluka_gc_bs.pdf</a>
BiH- RS	FiT	15,06 - 10,3	8,45	21,53 - 11,55	7,87 - 6,36	12,28	-	-	15 yrs.	<a href="http://www.reers.ba/sites/default/files/FeedInPrices_RES_290616.pdf">http://www.reers.ba/sites/default/files/FeedInPrices_RES_290616.pdf</a>
	FiP	11,07 - 6,32	4,21	8,1 - 7,32	3,63 - 2,12	-	-	-		
Kosovo*		13,64	8,5	7,13	6,747	-	-	-	12 yrs. except hydro 10 yrs.	<a href="http://ero-ks.org/2016/Vendimet/V_810_2016_eng.pdf">http://ero-ks.org/2016/Vendimet/V_810_2016_eng.pdf</a>
FYR of Macedonia		16 - 12	8,9	15	12 - 4,5	18	-	-	15 yrs. - PV, biomass, biogas; 20 yrs. – wind, hydro	<a href="http://shpp.moepp.gov.mk/Upload/Document/EN/uredba-za-povlasteni-tarifi.pdf">http://shpp.moepp.gov.mk/Upload/Document/EN/uredba-za-povlasteni-tarifi.pdf</a>
Montenegro		12	9,61	13,71 - 12,31	10,44 - 6,8	15	9	-	12 yrs.	<a href="http://www.oie-res.me/index.php?page=uredbe-i-pravilnici">http://www.oie-res.me/index.php?page=uredbe-i-pravilnici</a>
Serbia		14,6 - 9	9,2	13,26 - 8,22	12,6 - 7,5	18,33 - 15	8,57	8,2	12 yrs.	<a href="http://www.mre.gov.rs/doc/efikasnost-izvori/Uredba%20o%20podsticajnim%20merama%20ENG20092016.PDF">http://www.mre.gov.rs/doc/efikasnost-izvori/Uredba%20o%20podsticajnim%20merama%20ENG20092016.PDF</a>

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# Actions

1. Make electricity regional – liberalize national markets
2. EU has to unite internal energy market with acquis area
3. Stop State aid to coal
4. Introduce carbon pricing
5. Introduce auctions for RES support
6. EU should expand its risk mitigation mechanism to EnC Contracting Parties
7. RULE OF LAW



*Thank you  
for your attention!*

[www.energy-community.org](http://www.energy-community.org)