

2nd meeting

Renewable Energy Coordination Group

Vienna, 10 -11 November 2016

The meeting was opened by the RE CG Chairman; he welcomed the participants and outlined the objectives of the second meeting to implement the Work Programme 2016-2017. The revised agenda of the 2nd RE CG meeting was adopted and it was noted the RE CG members from all Contracting Parties were present in the meeting.

The Secretariat presented the status in promotion of renewable energy in the Energy Community as included in the 2016 Implementation Report. The progress towards the 2020 targets was highlighted for the respective Contracting Parties which were on track or above the trajectory, however the transposition and implementation of the Renewable Energy Directive 2009/28/EC is still an issue in almost all Contracting Parties. A special remark was made on still unresolved issue with biomass data in the official statistics in some Contracting Parties. The lack of progress in the transposition of sustainability criteria would lead to non-consideration of biofuels consumption to count to targets achievement. The Secretariat presented the way forward on introduction of competitive bidding process for granting the aid for renewable energy projects. The deadline of 31 December 2016 for the submission of the Second National Progress Report in the promotion of energy from renewable sources 2014-2015 for the Contracting Parties as a legal obligation in accordance with Article 15 of Ministerial Council Decision 2012/04/MC-EnC was recalled.

DG ENER presented the requirements for the introduction of auctions as default option for granting the support to renewable energy producers in the EU Member States starting 2017 in accordance with State Aid Guidelines 2014-2020. Options for the auction design, exceptions from auctioning and frameworks with alternative solutions to auctioning were presented. For the EU Member States, the compatibility of the aid schemes is notified and assessed by DG COMP.

IRENA outlined the outcomes of the regional consultation meeting on renewable energy in South East Europe and presented the areas in which IRENA could complement the assistance already offered by Energy Community and other EU donors to enable the Contracting Parties to increase uptake of renewable energy in their energy mix and achieve the policy objectives.

1. Reform of the Support Scheme for renewable energy to comply with the State aid guidelines (Activity 1, Core Topic 1)

In compliance with the State Aid Guidelines for market integration of renewable energy, the Secretariat presented the introduction of feed-in premium as the preferred option for renewable energy integration into the market. A market model on granting the support based on feed-in premium or the so-called 'contract for difference' to be introduced by the Contracting Parties when electricity trading platforms will be implemented was presented. The Secretariat urged the Contracting Parties to foster the establishment of electricity day-ahead trading platforms in order to enable the transition towards integration of renewable energy into the market.

Ecofys was invited to contribute to the RE CG meeting with a presentation of the interim results of the AURES project. Building on the experience of the EU Member States and on the expertise of the consortium partners, best practices in the design auction were presented to the Contracting Parties. The Contracting Parties were encouraged to contact Ecofys for expert advice on auction design option considering national policy objectives. Key recommendations include: establishing a calendar for the auctions to be conducted preferably every year, the price shall rather be the only selection criteria while the introduction of pre-qualification requirements and penalties would insure against non-realisation of

the declared successful projects in the auctions. An online policy support tool for policy makers and industry stakeholders will be ready in 2017 and the Contracting Parties will have the possibility to have interactive sessions at the next RE CG meeting in early 2017.

Moldova's RE CG member presented the framework on promotion of renewable energy and the status of drafting the auction rules that would serve as the first example for the Contracting Parties. Moldova and Montenegro are currently the only Contracting Parties that have transposed the obligation to conduct tender for granting the support in the national legislation. Moldova will review the draft rules on auctions for renewable energy considering the recommendations issued in the context of AURES project.

2. Financing Renewable Energy Development to 2020 (Activity 1, Core Topic 2)

An update of the modeling results for the assessment of support expenditures for energy generated from renewable energy sources to meet the targets in 2020 was presented by Technical University Wien as part of the consortium conducting the Renewable Energy Study in 2015. The outcomes determining the support expenditures per each Contracting Parties to meet the 2020 renewable energy targets in 2020 are revised based on the latest energy balances available for the Contracting Parties of 2014 and the wholesale electricity price development based on demand and price trends. The Contracting Parties are invited to take into consideration these values when determining the uplift charge applied to end-customers for the promotion of renewable energy. The updated results will provide input to the finalization of Activity 1, CT2, Task 3.

IRENA presented the interim results of the study *Cost-effective renewable energy generation in SEE*. The main objectives of the Study are to identify the cost-effective renewable energy potential, mostly wind and solar and to provide input to the decision makers in revision of their NREAPs, whenever necessary. The final results of the study will be available and presented to the SEE countries on 13 January 2017 at the High-Level Meeting on Renewable Energy in South East Europe in Abu Dhabi, back to back with the seventh session of IRENA Assembly held on 14-15 January in Abu Dhabi.

EBRD presented the requirements for a bankable power purchase agreement (PPA) highlighting the legal and commercial provisions needed to mitigating the risks that might adversely affect the execution of the contract to finance renewable energy projects. Clear, stable and predictable frameworks for renewable energy are contributing to the capital costs reduction therefore lifting the pressure on electricity tariffs. The Secretariat will coordinate with EBRD a custom-made PPA to finance renewable energy projects addressing the risks in the legal and regulatory framework of the respective Contracting Party.

3. Removing the administrative barriers to increase uptake of energy from renewable sources (Activity 2, Core Topic 5, 6)

The representatives of Bosnia and Herzegovina and Ukraine, co-leaders of CT5, presented the answers to the questionnaire related to the implementation of Article 13 of Directive 2009/28/EC on administrative procedures for renewable energy projects. The answers from the Contracting Parties highlighted that despite the efforts made in the last years to properly implement these requirements, there are still gaps and uncoordinated procedures that affect the investment climate. Moreover, very few Contracting Parties are planning the assignment of a one-stop-shop to deal with the authorisation procedures for, at least, small renewable energy projects. A one-stop-shop is mostly established for information purposes only, which is not addressing the removal of the administrative barriers for developers. A brief report of the CT5 leaders will be submitted to the RE CG shortly afterwards.

The status of the Regional Hydro Master Plan targeting environmentally and climate change sustainable hydropower development in the WB6 region was presented by the WBIF-IPF3 consortium leading the project. The project aims to determine the list of HPP project development priorities by river basin, individual WB6-country and by type of planned HPP facilities (storage, run-of-river, reversible)

that could be developed in the most sustainable way. The project leaders invited the RE CG members to provide comments to the draft document which will be made available should a request is send to Martyn Osborn, martyn.o@wbif-ipf4.eu .

SolarPowerEurope briefed the audience with the current status of the European solar PV market and presented the current cost trends making solar power one of the most competitive energy source. Along with the presentation of new business models for financing solar PV, the organization summarizes the key policy recommendations for the Contracting Parties to foster solar PV uptake. These include: requirements for large scale solar auctions, an enabling framework for self-generation and consumption, stability of the regulatory framework, an adapted market design to ensure remuneration from the market and valuation of flexibility.

WindEurope presented the 2016 state of wind industry in Europe in terms of investments, penetration and job creation. While the investments in the Energy Community are modest at the moment, there is a significant pipeline of wind projects. The policy and regulatory makers need to tackle the leading time for the administrative procedures setting clear deadlines, set one-stop-shops, provide clear requirements for environmental impact assessment and involve the citizens early in the process. In terms of procedures for access to the grids, the transparency of the grid characteristics towards the wind developers and the need for the development of the grids in cooperation with European neighbors were highlighted.

Leaders of CT6 presented the results of the survey in relation to the access to and operation of the networks with increase uptake of renewable energy. The RE CG members who did not respond to the questionnaire are invited to do so immediately to enable the CT6 leader to finalise the report for this activity.

4. Sustainability of bioenergy – biofuels and bioliquids (Activity 2, Core Topic 7)

The representatives of Albania and of fYR of Macedonia, the co-leaders of Core Topic 7, presented ministry's plans on implementation sustainability criteria for biofuels and bioliquids. Both Contracting Parties drafted relevant legislation yet in 2015, but still without their adaptation. While fYR of Macedonia has decided to simplify draft framework developed by consultancy support, main obstacle for the delay in Albania is the lack of agreement between different institutions on the verification body. Serbia reported the same barrier – long discussions with Ministry of Finance, while Kosovo * has not approved the draft act (prepared in 2014) due to its link with the Law on petroleum products returned twice by the Parliament. Co-leaders of CT7 prepared a questionnaire to be disseminated to the Contracting Parties in a week after the RE CG meeting. Based on the answers, the co-leaders will prepare a short report.

5. Citizens participation in the development of renewable energy projects (Activity 1, Core Topic 3)

The Leader of CT3, Green Energy Cooperative from Croatia introduced the model of the citizen participation through community energy projects. The creation of an enabling legal framework for community power and develop effective business model for community financed energy projects in renewable and energy efficiency is the key prerequisite. An online tool – WE Engage – matching the investors, developers and local communities' interest is already available in Croatian language and can be used for the new renewable energy projects in the region. Based on good practice from EU countries with enabling legislation for community energy projects, the Contracting Parties shall consider offering the possibility to citizens to own shares in new renewable energy projects and to establish quotas for community owned projects or developed by local authorities. The new business model is gravitating around the RESCoops as buyer and supplier of renewable energy managing a portfolio of project owners and energy customers. The CT3 Leader will work with the partners from the Contracting Parties to address the legal requirements to foster the emergence of community energy projects.

The Secretariat presented some examples across Europe of community renewable energy projects, carried out by citizens and challenging the dominance of investor-owned utilities and their contribution to the community needs. Due to the diversity of legal contexts in Europe, these projects operate in very different legal contexts (e.g. partnerships, cooperatives, community foundations, etc.). A more supportive national legal framework for local communities to generate and procure electricity is needed; also, the EU framework should be recalibrated to provide a more elaborate legal basis for community power and explicit recognition of the key role played by energy citizens (or prosumers) for a fully optimized low-carbon internal energy market. Access to finance, crowdfunding opportunities and successful community models from the United States (Community Choice Aggregation, CCA) were also presented to the audience.

6. Donors' assistance on renewable energy projects (Activity 4)

Two presentations from KfW and Engie (Tractebel) focused on addressing the significant energy demand for heating and the role of biomass used for heating in the Contracting Parties. KfW presented the integrated approach for the assistance to stimulate regional market opportunities, with a focus on know-how and technology transfer, expansion, rehabilitation, fuel-switching on renewable energies for climate and environmental protection in the Western Balkans.

The study on Biomass Based Heating financed by through WBIF put the focus on the need to tackle the significant contribution of biomass amounting to two-thirds in the gross final energy consumption in the Energy Community. The study is identifying viable investment options and policy measures to increase the use of biomass for heating in the region in a sustainable manner. The project financed within the WBIF envisaged to be finalised in 2017 and it will include the roadmap on biomass based heating for the Western Balkans. RECG will ensure that the policy recommendation will be followed with concrete actions for implementation.

GIZ presented the Renewable Energy Assistance Programme for Bosnia and Herzegovina recently adopted. The programme is design to match the activities of the RE CG Work Programme in the Energy Community addressing the challenges for Bosnia and Herzegovina in creating an enabling and coordinated framework to attract investments in renewable energy. GIZ will assist the state and entities' institutions in meeting the policy objectives in renewable energy.

The presentation of the projects financed recently by Green for Growth Fund in the Energy Community Contracting Parties and Observer countries is revealing the continuation of financing renewable energy projects aiming to reduce CO₂ emissions and to enable the achievement of 2020 renewable energy targets.

The 2nd RE CG meeting closed after concluding remarks and the announcement of the planning for the 3rd RE CG meeting. Tentatively, the next RE CG meeting is planned on 7 and 8 March 2017 back-to-back with the EECG meeting. The final decision will be announced in due time.

The final agenda, presentations, conclusions and the list of participants are made available on the Energy Community event webpage at:

https://www.energy-community.org/portal/page/portal/ENC_HOME/INST_AND_MEETINGS?event_reg.category=E14890