

Energy Community Energy and Climate Committee – 3rd Meeting

Vienna, 21 March 2018

REPORT

OPENING

The Energy Community Secretariat welcomed participants to the 3rd Energy and Climate Committee (ECC) and provided a brief background on the ECC, the adoption of the Recommendation on Monitoring Mechanism Regulation (EU) No 525/2013 (MMR) and the recent adoption of Recommendation 2018/01/MC-EnC on preparing for the development of integrated National Energy and Climate Plans (NECPs) by the Ministerial Council of the Energy Community. Pursuant to the adoption of Recommendation 2018/01/MC-EnC, the Group's name – previously known as Climate Action Group – was changed to Energy and Climate Committee.

As mentioned in its Principles of Organizations, the Secretariat and the European Commission referred to the importance of launching the work of technical subgroups to assist with the implementation of the development of integrated National Energy and Climate Plans (NECPs) as well as advancing the discussion on targets for renewables, energy efficiency and greenhouse gas emissions reduction up to 2030. The Secretariat will send profiles for members of the two subgroups in the near future.

The NECPs draft Guidance, elaborated by the Secretariat in close cooperation with the European Commission, were introduced to the audience and the agenda for the day adopted.

SESSION 1

This session's **Chair** underlined the need and timeliness for an integrated approach between energy and climate policies, in light of the future adoption of the EU Governance Regulation as well as considering the energy transition that is currently underway at EU and global level. The **Commission** highlighted that the draft Guidance document, elaborated by the Secretariat in close cooperation with the EU, is a fundamental starting point since it explains the key steps to be taken from now until the finalisation of national plans, including main roles and responsibilities. The elaboration of reference scenario(s) and templates for the Plans would be particularly relevant and should be considering not only the energy/climate dimension but also the economic one. There is quite some experience readily available at EU level, which the Commission offered to share with the Energy and Climate Committee (ECC).

Political engagement and effective inter-ministerial coordination is key for the implementation of NECPs, as emerged also from the presentation of the representative from **Finland**. This process has to involve all levels of society and implementation very much depends on the support from different stakeholders. According to the Finnish experience, National Energy and

Climate Strategies are prepared every four years along with a climate plan based on the Climate Act, focusing on the non-ETS sectors. The work on the National Energy and Climate Strategy started already in November 2015 and an Inter-Ministerial Working Group, led by the energy minister, ensures broad political support.

Ukraine also presented the rapid development of its new climate policy framework, following the ratification of the Paris Agreement. The 2030 action plan, adopted in December 2017, sets 49 measures for the period 2020-2030 and one of the measures thereof is the National Energy and Climate Change Plan. In Ukraine, the energy sector is responsible for 65% of the total GHG emissions but combined with other industrial sources, it reaches even 82%. It is therefore clear that this sector is the key for implementing the necessary emission reductions.

Albania pointed out its engagement to start preparing NECPs in close cooperation with the Secretariat, the future adoption of a Law on Climate Change by 2018 and referred to the new Albania Energy Strategy, which already includes some complementarity between energy and climate planning. **Serbia** underlined that the timeline included in the draft Guidance may be very challenging to be realized for Serbia and specific comments on the Recommendation 2018/01/MC-EnC will be provided. **Montenegro** representatives asked for clarifications on the technical subgroups. The Commission pointed out that there should be preferably three meetings this year and it is important to harmonize the tools used for the assessment, in order to have comparable documents, especially on the cost side. LULUCF plays a key role in carbon sequestration and it is good to see that element reflected in NECPs as well.

The **Chair** underlined the goodwill of all countries to prepare plans and fulfill them and it was agreed to submit comments on the draft Guidance on a written form to the Secretariat by April 16.

SESSION 2

The discussion under session two focused on the importance of setting targets for renewables, energy efficiency and greenhouse gas emissions reduction up to 2030, providing higher regulatory stability, transparency of national efforts and increased investment certainty. The **Commission** stressed the need to have a robust, EU-consistent methodology, since common interests and obligations exist already in the framework of the Paris Agreement. Data gathering shall start already in the Energy Community, launching preparations in a timely manner. EU 2030 targets are not finalised yet but an agreement will be reached soon.

The **Secretariat** presented the work carried out under the Study on 2030 overall targets (energy efficiency, RES, GHG emissions reduction) in cooperation with **TU Wien, Joanneum Research and REKK**. The researchers provided a detailed analysis on the current state of play of establishing the methodology, referring to the tools, databases and studies used.

Serbia presented the current state of play in terms of NDCs revision and GHG inventories completion, underlining that the country will have new GHG targets up to 2030, 2035, 2040, 2045 and 2050 by June 2018. Targets will be provided to the Energy Community. Both **Serbia** and **former Yugoslav Republic of Macedonia** offered to share updated information and data with the Secretariat and the team of researchers, to contribute to preparation of GHG emission reduction targets. **Montenegro** and **Ukraine** welcomed the study and its outcomes and

referred to the importance of establishing a technical subgroup with a closer focus on this work. Ukraine also recommended finalizing the provided analysis with calculations of both 2030 overall targets (energy efficiency, RES, GHG emissions reduction) and individual CPs targets based on proposed options and present the results at next ECC meeting. It was emphasised that Ukraine is planning to revise its climate strategy every 5 years, in order to increase the necessary efforts to combat climate change and a progressive reduction of emissions. The establishment of Energy Community targets is a useful enabler in that process.

IRENA presented the Renewable Energy Roadmap programme (REmap), which aims to explore technology options to accelerate renewables deployment cost-effectively in power generation and end-use sectors. The success of the analysis relies to a great extent in working closely with country experts; several stakeholder engagement opportunities are envisaged until its expected finalization in Q4 2019. In this context, it was mentioned that the ongoing process to establish 2030 RE targets would be perfectly feeding into the CESEC renewables roadmap.

Researchers highlighted the complementarity of the two studies; concrete synergies will be created for future cooperation. The discussions on energy and climate targets for 2030 will continue at the Informal Meeting of Energy and Environment Ministers of the Energy Community on 23 June 2018.

SESSION 3

Since 2018 has been set as the deadline for finalizing and adopting the various operating rules of the Paris Agreement, the European **Commission** highlighted the main milestones and challenges ahead of COP24 (Katowice, 3-14 December), in particular to the completion and implementation of the Paris Rulebook, the enhanced transparency framework as well as finance/solidarity aspects. The facilitative dialogue ('Talanoa' dialogue) has officially started on 1 January 2018 and it will run throughout the year. On 2 April, submissions are to be provided by Parties and in autumn political discussions will take place. The Commission asked participants whether there would be an interest in organising a regional Talanoa dialogue and pointed out that it would be important for Contracting Parties to align with the EU and support each other. The **Chair** underlined how the Energy and Climate Committee could be instrumental for a Talanoa regional discussion.

Contracting Parties welcomed the possibility of a Talanoa regional discussion. **Serbia** proposed to link it with the Regional Implementation of the Paris Agreement Project (RIPAP) and referred to its ongoing work on NDCs revision and Climate Action Plan, to be completed by June and September 2018, respectively. A consultation process on the Law on Climate Change – including provisions on MMR and ETS – is currently ongoing. **Montenegro** also pointed out its participation in RIPAP and the NDCs revision, with special focus on the waste and forestry sector¹. Drafting of the second Biennial Update Report and the third National

¹ Montenegro reserves the right to review its NDC by 2020, upon availability on better data on forestry and waste.

Communication is underway, along with an initial draft climate change law². A more advanced version of the draft law will be shared soon with the Secretariat. **Albania** explained why LULUCF was not included in their submitted NDCs, while **Bosnia and Herzegovina** highlighted that some budget has been already reserved for a fourth National Communication. **Former Yugoslav Republic of Macedonia** referred to future work on a climate strategy, a climate change law as well as ongoing work on a national energy strategy and the opportunity to leverage on this momentum to create synergies among policy strategies and ministries, also by establishing a broad consensus (including the Parliament) on energy and climate planning integration.

Civil society underlined their support to the Energy and Climate Committee, which has proved to be an inclusive process since the early days. Focus was put on carbon price, decoupling, ETS, NDC revision process and the importance for Contracting Parties to contribute to higher pledges at COP24. Donors also pointed out which financial enablers could contribute to the process.

SECTION 4

The **Chair** opened the session by stressing that the financial streams in energy investments are not coal-driven anymore. At the same time, it is also clear that it is of paramount importance to address the present, increasing, energy needs in the Energy Community region.

The **Commission** referred to the Clean Energy for all Europeans package and especially to technology, research and innovation as fundamental pillars of the Energy Union. It is key to encourage energy transition islands; however, energy poverty – which has also a strong gender dimension – remains a harsh reality in many EU Member States and Contracting Parties. People working in the coal-mining sector should be supported to requalify themselves in the job market, IFIs and donor community play a key role in this sense. Among other actions, the ‘Coal regions in transition Platform’ was launched by the European Commission and supported by the European Parliament to bring more focus on social fairness, new skills and potentials to kick-start a viable economic and technological transformation in regions with coal mining activities. Best practices from this initiative can be replicated in other areas and geographies.

E3 Analytics pointed to the changing financial environment in the energy sector and the oversupply of renewable energy in the market. At the same time, lock-in is a major hindering factor in switching to renewables. Concrete experiences from Germany, Canada and California – including a penalty regime - to boost the clean energy transition was presented. A link was made by the Commission to the system of green certificates as a support scheme to renewables. Contracting Parties shared their experience in terms of new and existing coal-based thermo-power plants, presence of Chinese investors and decarbonisation goals.

² The second Biennial Update Report will contribute to the development of the system of national monitoring, reporting and verification (MRV). Work on this activity, supported by the Global Environment Facility (GEF) and including GHG inventory update for the period 2014-2015, will last until the end of 2018.

FOLLOW-UP

- Launch the work of technical subgroups on integrated NECPs and targets for renewables, energy efficiency and greenhouse gas emissions reduction up to 2030;
- Continue discussions on energy and climate targets for 2030 at the Informal Meeting of Energy and Environment Ministers of the Energy Community on 23 June 2018 (Wachau);
- Agree on time and location for a Talanoa regional discussion;
- Start data collection and groundwork to launch a reference scenario for NECPs;
- Set dates for the upcoming ECC meetings, including the ECC at COP24 (Katowice).