



7th Meeting - Energy and Climate Technical Working Group

Vienna, 29 June 2021

DRAFT MINUTES

This was the seventh meeting of the Energy Community Technical Working Group (TWG) on Energy and Climate. The Energy Community Secretariat and the European Commission welcomed participants, outlining upcoming developments with the Clean Energy Package to be adopted this year, 2030 targets to be set next year and decarbonisation being driven forward in the Energy Community.

During **session 1**, the European Commission gave a brief overview of the process and milestones planned for setting 2030 energy and climate targets and outlined next steps. After concluding the data collection and verification, the baseline scenario should be finalized by July 14 2021. The modelling team of the external contractor presented the framework and technology assumptions, the main features of the models and the format of the baseline results. **Ukraine** asked whether energy (actually combusted) and non-energy (physically migrated to ammonia molecules) natural gas needs for ammonia production were split in the fuel consumption projections. The contractor confirmed that both were accounted for. Furthermore, Ukraine pointed out that population data reflected for Ukraine were represented without temporarily occupied territories, emphasizing the impact that this approach may have on long-term modeling results. These remarks were well noted by the European Commission and the contractor, who recommended Ukraine and all Contracting Parties to provide feedback on the macroeconomic projections shared on June 28, 2021. **Kosovo*** signaled that information on transport will be provided to the contractor once available. Upon the presentation of the projections for the agriculture sector, **Ukraine** asked about data sources used for the calculation of the ratio on fertilizer use per hectare, pointing out that their NDC2, which leverages statistical data for used land and fertilized land, shows a different ratio than the one used by the contractor, which uses FAO data. Ukraine would verify the ratios with the competent ministries. The contractor explained that while the slides reflect fertilizer use for total agricultural land, the model will work with crop-specific ratios. All data sources will be used as input for the model, which will determine the best data source. **Ukraine** inquired also on the production profiles used for solar and wind stations and it was clarified that, instead of hourly production profiles, calculations are based on potentials reflected by typical profiles during the day.

Bosnia-Herzegovina explained that the process for developing their NECP is ongoing, however there is still an open question related to the definition of the baseline scenario. It asked whether the study will use a Business-As-Usual or a reference scenario approach to define the baseline scenario up to 2030. The contractor clarified that a "current policy approach" is taken, which applies a strict cut-off date (December 2020) for those policies that would be accounted for under the baseline scenario.

The **Energy Community Secretariat** inquired about the assumed level of building renovation (deep, medium or light) and the contractor explained that renovation rates are endogenous in the model; for non-market sectors (public sector split into nine categories such as hospitals, schools etc.), it is determined within the model how much and how deeply will be renovated. In the reference context, compliance with existing building codes and regulations will be the basis for this determination. The target scenarios will leverage concrete policies as well as marginal values for not yet existing policies such as energy efficiency values mimicking certain targets. With regards to building renovation, as pointed out by Ukraine, TIMES Ukraine assumes a rate of 3% per year, while the current rate is rather around zero. Based on the experience from the national approach, Ukraine suggested to use different policy scenarios instead of just one scenario. **Ukraine** asked how non-CO2 emissions are handled in the PRIMES modelling suite and how double-counting can be avoided. The contractor explained that PRIMES projections are accounted for when modelling LULUCF and take bioenergy production into account in return. These relations are ideally considered ex-ante, therefore specific models of different sector complete each other.

When closing the session, the **European Commission** reminded CPs to provide written feedback by mid-July to the set of questions on the target setting process shared ahead of the TWG.

In **session 2**, the European Commission presented the content, objectives and success factors for development of National Energy and Climate Plans, based on the assessment of results at the level of EU Member State, and highlighted the main design elements of the Energy Community Governance legal act. The **Energy Community Secretariat** provided preliminary findings from the NECP development processes conducted to date and Contracting Parties gave also an update on the status of NECP and NDC2. **Montenegro** drafted the first three chapters, submitted to the Secretariat in April 2021 for informal comments. The legal basis for the Montenegrin NECP is provided by the Energy Law. The draft NECP is planned to be completed by August 2021 and the final document to be ready by the end of the year. A Strategic Environmental Impact Assessment, supported by GIZ and followed by a public consultation, is currently foreseen in parallel to NECP development. In **Georgia** the legal basis for NECP is the Law on Energy and Water Supply. The law invites Georgia to prepare an NECP either as part of the Energy Strategy or as an annex thereto. The first draft of the NECP was finalized at the end of last year and submitted for informal comments to the Energy Community Secretariat. Work is continuing with modelling in TIMES. Currently, scenarios and assumptions for 2030 are being verified with different stakeholders (Ministries, energy regulator, TSOs, GoGC and others). Several working group meetings have been conducted; discussions on the transport sector are planned for early July, while by end of July an inter-ministerial meeting on the current draft will take place. The document is planned to be ready for public outreach and hearing by September. Overall, 90% of the document is finalized, pending a SEA; submission of the NECP to the Government and Parliament is foreseen by the end of 2021. Georgia is making sure that this process is aligned with the NDC2 and its implementation tool, the Climate Action Plan.

In November 2020 **Bosnia-Herzegovina** submitted its preliminary NECP to the Energy Community Secretariat, who provided valuable inputs. In 2021 a series of events were organized at state and entity level. Beyond 5 Thematic WGs, a modelling centre has been established both at state and entity level,

currently working on the verification of preliminary targets and input data provided by experts. The first step is to make alignment on entity level, this will be followed by alignment on state level via the plan of preparing an integrated state-level model. The entity-level NECP is expected by Oct 2021, while the state-level NECP by the end of 2021. **Kosovo***, supported by ORF GIZ, integrated all drafts. The final, overall working NECP draft, structured according to the Secretariat's policy guidelines and the Governance Regulation, has been sent to the Cabinet of Ministers for their input on the policy scenarios. Additional analysis for security of supply is yet to come. **Serbia** is preparing in parallel its energy strategy and NECP which includes several scenarios – one on the introduction of ETS – by also assessing their impacts and costs.

Moldova's NECP currently features 5 scenarios: 1 business-as-usual scenario, 2 controlled scenarios with existing and additional measures, two extra scenarios stemming from NDC2. The working group is currently discussing internally biomass consumption and TIMES results, showing some discrepancies to be solved. The narrative part is being drafted in parallel to the analytical part. The finalized draft is expected to be submitted to the Secretariat by November/ December 2021.

Session 3 was devoted to present the plans for incorporating three climate related acts in the Energy Community ("Clean Energy Package II"), including:

- Governance Regulation (EU) 2018/1999
- Renewables Directive (EU) 2018/2001
- Energy Efficiency Directive 2012/27/EU amended by (EU) 2018/2002

Furthermore, the Commission is also expected to propose two additional accompanying acts for adoption at the Ministerial Council meeting in 2021, namely:

- Commission Delegated Regulation (EU) 2020/1044 supplementing Regulation (EU) 2018/1999 of the European Parliament and of the Council with regard to values for global warming potentials and the inventory guidelines and with regard to the Union inventory system and repealing Commission Delegated Regulation (EU) No 666/2014;
- Commission Implementing Regulation (EU) 2020/1208 on structure, format, submission processes and review of information reported by Member States pursuant to Regulation (EU) 2018/1999 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 749/2014

The **European Commission** presented its planned 2-step approach for incorporating the above legislative acts in the Energy Community. In order to allow Contracting Parties to start the transposition of the legal acts as soon as possible, provisions related to GHG emission reduction, energy efficiency and renewable energy targets are planned to be adopted in a second stage. Until then, Contracting Parties can use their existing or planned national targets as the basis for their draft NECPs. Merits of the indicative contributions for each of the Contracting Parties can be considered after the results of the modelling study become available. The overall, collective targets for the Contracting Parties will be set as the sum of individual contributions. The texts of the proposed legal acts are to be discussed at the PHLG in the autumn of 2021 in view of their planned adoption at the November Ministerial Council.

Montenegro raised concern on the fact that, if the NECP will be adopted by the end of the year, how will targets be defined in the Energy Community? **Kosovo*** joined Montenegro on this and asked why the submission of the NECPs is now planned for 2023-2024. The **European Commission** explained that this timeframe would allow for the national adoption of the Governance Regulation. However, it would be recommended to Contracting Parties to follow the adopted Recommendation and submit their respective NECPs earlier and ideally by the end of 2021. As targets cannot be reflected before the study results are ready, Contracting Parties could then make use of the possibility to update their NECP.

Session 4 focused on the Decarbonisation Roadmap for the Energy Community, to be tabled at the Ministerial Council in November 2021. A second draft, incorporating comments from Contracting Parties, will be shared in September 2021.

Montenegro raised concerns about the proposed timeframe in the Roadmap and referred to its adopted Law on Protection from the Negative Impact of Climate Change and related bylaws.

Kosovo* as well expressed concerns about the timeline and outlined the lengthy, national process for adopting legislative acts. Kosovo* plans to adopt soon the law on climate change. **North Macedonia** inquired on the Long-Term Strategy and the European Commission confirmed that it will be included in the upcoming Governance Regulation.

The **Energy Community Secretariat** and the **European Commission** acknowledged the concerns of Contracting Parties about timelines and on how fast Contracting Parties should follow up EU legislation. At the same time they emphasised that the Paris Agreement requires significantly speeding up the climate policy agenda. The **Secretariat** pointed out that the Decarbonisation Roadmap sets an indicative timeline for tabling acts for the Energy Community. Timelines for transposition and implementation can then be negotiated. The **European Commission** reiterated that the Roadmap will be discussed at PHLG and informal MC and all concerns, especially those on transposition deadlines, would be seriously considered.