

9th Renewable Energy Coordination Group meeting

Webex meeting

Tuesday, 28 April 2020, 09:30 – 14:30

Opening

9th Renewable Energy Coordination Group meeting was held digitally as part of the Secretariat's response to the COVID-19 situation and measures issued by the Austrian authorities. The Energy Community Secretariat's Director, Mr. Janez Kopac, and the representative of the European Commission, Mr. Matthieu Ballu, welcomed participants, praising the good turnout – above 60 participants – given the challenging circumstances.

1. 2020 has come: what will the new decade bring?

The Secretariat's Deputy Director, Mr. Dirk Buschle opened the session on the impact of COVID-19 crisis on the renewable energy sector emphasizing the importance of the decarbonisation and green agenda in the recovery plans of the Contracting Parties (CPs). Since renewable energy will play even bigger role in the future, CPs need to dedicate their efforts to enable a friendly environment for the private investors and bankers who are committed to support RES.

The conclusion from CPs interventions is that the crisis has affected timelines for the implementation of ongoing renewables projects and postponed deadlines for bidding procedures (auctions) for new projects in the Energy Community. At present, Serbia is the only Contracting Party to have temporarily postponed the payment of support to privileged renewables producers during the State of Emergency. Montenegro reported that producers of electricity from small hydropower plants donated the entire income generated in February at the amount of around 400.000,00 EUR to the National Coordinating Body for Infectious Diseases.

As presented by the European Commission (EC), reduced electricity demand and low wholesale prices are affecting balance sheets of utilities and energy companies in the EU. European solar and wind markets went down by 20 and 33% this year, due to supply chain disruptions, project delays and stricter financing conditions. While governments delayed auctions or extended deadlines for RE projects, industry faces market uncertainties and liquidity concerns. EU27 tasked the European Commission with presenting a recovery plan (deadline 6 May), linked to a revised proposal for the Multiannual Financial Framework, including a Recovery Fund.

The Secretariat presented a proposal for the introduction of carbon pricing in the CPs, building on the existing initiatives in Montenegro and Ukraine, as an intermediary step towards implementation of a full-fledged ETS in the Energy Community.

2. 2030 targets: Moving from NREAP to NECP

The Secretariat informed that CPs shall submit their draft National Energy and Climate Plans (NECPs) for the period 2021-2030 by the first quarter of 2020 and the final plans by the end of 2020, taking into account the Secretariat's assessment and recommendations on the draft plans. After submission, each Contracting Party will send a progress report every two years. The Secretariat will monitor progress in achieving targets and objectives at national level and at the Energy Community level.

The Secretariat reported that North Macedonia has already completed and shared a draft of the first two chapters of NECP, Bosnia and Herzegovina is working on the development of the draft NECP which is expected to be submitted to the Secretariat in May 2020, Kosovo* started with the data collection and expressed concern on how biomass will be treated on setting 2030 targets. Ukraine is supported in the process by Berlin Economics and plans to finalize the draft NECP by June 2020.

Secretariat reminded that, although NECP will replace NREAP for the next planning decade (2021-2030), reporting on achievement of 2020 targets remain obligatory. CPs are required to submit forth progress report on promotion and use of energy from renewable sources (for years 2018 and 2019) by the end of 2020.

International Renewable Energy Agency (IRENA) informed participants about finalization of the report REmap for CESEC countries, planned to be published in the coming weeks. IRENA thanked to all the CPs and Secretariat for collaboration in data collection and refinement. According to the report, three main pillars will play key role in the utilization of a renewable

energy potential: focus on deploying cheap RE projects in the power sector (onshore wind and solar PV), electrification of heat and transport sector and use of bioenergy (including advanced district heating using modern biomass technologies). IRENA emphasized the importance of a regional cooperation in the development of the NECPs.

EC presented a concept of the European Green Deal, EU's roadmap to sustainable economy, released in December 2019. With the 'climate neutral' Europe, as an overarching objective of the European Green Deal, EU plans updating the climate ambition for 2030, with a 50-55% cut in greenhouse gas emissions to replace the current 40% objective. On that path, by June 2021, the Commission will review, and where necessary propose to revise, all relevant policy instruments (including Renewable Energy Directive). So far, 23 Member States have notified their final NECPs. A next phase in the process will be an analysis, dialogue and cooperation on how the NECPs can contribute to Europe's economic recovery and assess the aggregated level of ambition (esp. vs 2030 EE and RE targets).

3. Support scheme for RE

The Secretariat presented a status quo of the support schemes for RE in the CPs, which are in most of CPs (except recently joined Georgia) still based on feed-in tariffs. However, some CPs have already introduced market based support scheme in their legislation, some have held first RE auctions (Albania, Montenegro, North Macedonia), while some are still in a process of development of new schemes (BiH, Georgia, Kosovo*, Serbia).

IRENA presented global trends on auctions for RE projects and opportunities in Southeast Europe. IRENA emphasized the importance of policies in energy transition and the fact that those countries, which have effective policies, attract more investments. IRENA's recent report, Market Analysis for Southeast Europe, showed that LCOE for RES is competitive with fossil fuels, however the sensitivity analyses are needed to see how prices will developed. In 2017-18, a total volume auctioned globally exceeded 110 GW, out of which more than half was solar PV and a third onshore wind, with increasing interest in offshore wind and concentrated solar power (CSP), resulting in a global weighted average price on auctions of around 50 USD/MWh for solar PV and onshore wind. Although auctions are not "one size fits all" solution, they are flexible and can be designed to solve (or assist to solve) contingent regional issues, from system integration to low employment rate.

Albania reported that second solar PV auction was launched in January 2020 with all the project documentation attached (including contracts for the Project Development and the PPA) and ceiling price of 55 EUR/MWh. Due to Covid-19 crisis deadline was extended to 30 April 2020.

Bosnia and Herzegovina informed that a package for the reform of support scheme for RE (with all primary and secondary legislation for both entities, in total 28 acts) is prepared and is currently being reviewed by the Secretariat. A first RE auctions are expected beginning 2022.

Georgia, Kosovo* and Serbia are working on the new legal framework with the EBRD.

Kosovo* is having delays and uncertainties since the government fell down on March 25 2020.

Georgia expects first solar auction for 25 MW in the near future.

Serbia expects to finalize recommendation for auction design and a relevant legal framework and agreements in a year. As project developers in Serbia informed participants of the meeting, the market is very active; 400 MW were put in operation in 2019 and there are more than 600 MW of projects in preparation.

Montenegro conducted two tenders in 2018-2019, one for more than 200 MW of solar PV in Briska Gora, Ulcinj and the other for 100 MW of wind in Brajici, Budva. Due to the crisis, activities slowed down, but contracts are expected to be signed soon.

North Macedonia held two auctions for premium on top of the wholesale market price, one on state land and one on private. In January 2020, 9 contracts were signed for state land, while for 27 MW offered on public land, 29 bidders applied (contracts are expected to be signed in May 2020). At the same time, state owned utility ESM, initiated realization of solar PV plants on top of a coal mine site in Oslomej, Kicevo. In February 2020, the government launched public tender seeking investors to construct two photovoltaic units of up to 100 MW in total. Due to the crisis, a deadline is prolonged until 7 July 2020.

Representative of **Moldova**, who for justifiable reasons could not join the meeting, informed Secretariat that they are at the moment working on amendments to the RES law and have plans to launch a tender for about 100 MW of RES capacities (about 80 MW of wind and 20-25 MW of solar PV) by the end of 2020.

The Secretariat informed participants that **Policy guidelines for small hydropower plants (SHPP)** are under development and will be launched for public consultations in the following weeks. The purpose of the guidelines is to outline how hydropower projects can be constructed in a compliant manner, taking into consideration renewable energy targets on one hand and environmental aspects on the other.

4. ECS study on RE in transport

The Secretariat informed of its Study on possible paths to foster usage of renewable energy sources in transport sector, launched in December 2019. Having in mind that none of the CPs come close to the mandatory 10% of RES share by 2020, the Study is aimed to provide a solid ground for moving towards implementation of 2030 and 2050 goals. The Consultant presented draft interim results, which include review of the current status of renewable energies in transport (RES T) in the Contracting Parties, while development of modalities and roadmaps for each of the Contracting Parties for increasing the renewable share in transport to a level compliant with the Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources (recast) by 2030 will follow in the next few months.

5. ECS Policy Guidelines on the Grid integration of renewables self-consumers

The Policy Guidelines published by the Energy Community Secretariat on 5 February 2018 provide a set of recommendations, based on good practices, on the important aspects of the grid integration of prosumers in the Contracting Parties.

In the same year, on 11 December 2018, the European Parliament approved the new Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources and Directive (EU) 2019/944 on common rules for the internal market in electricity as part of the Clean Energy for all Europeans Package, defining a legal framework for a self-consumption.

In the light of the Clean Energy Package, the Policy Guidelines of the Energy Community were revisited, proving to be compliant with the new Directives. However, a need for harmonization of terminology and additional information was identified. A revised version of the Policy Guidelines will be circulated by the Secretariat by the end of May 2020.