



## 9<sup>th</sup> Energy and Climate Technical Working Group

*Vienna, April 7, 2022*

Minutes of the Meeting

### **OPENING**

This was the ninth meeting of the Energy Community Technical Working Group (TWG) on Energy and Climate. The **Energy Community Secretariat (ECS)** and the **European Commission (EC)** welcomed participants, pointing out the progress made by adopting the Decarbonization Roadmap and the Clean Energy Package and the next step forward being the adoption of energy and climate 2030 targets for the Energy Community.

### **MORNIG SESSION**

During the first part of the technical working group, the final project's baseline, the methodology for target settings, and the central policy scenarios for the Energy Community Contracting Parties were presented by the European Commission and the Contractor (E3M).

**Kosovo\*** underlined a number of differences in electricity production from wind, solar and energy balance in general, since EUROSTAT published 2020 data earlier this year. Clarifications on the policy assumptions were required, along with a request to remove gas from the baseline scenario. E3M underlined that the full energy balances under the modelling include data until 2019 – adjustments were made on the basis of data provided by CPs at the end of 2021, which should be similar to the EUROSTAT 2020 data. Plans in terms of infrastructure and existing PaMs were included, gas was corrected in the latest version.

**Ukraine** asked whether baseline scenario assumptions were verified with authorities, ministries, and regulators. E3M highlighted that it was the authorities' responsibility to share results with relevant stakeholders. Smaller differences will persist, but assumptions of ENTSO-E plans and regulators planning were accounted for. Endogenous investments were included, if known.

**Albania** referred to the use of LEAP at national level for building NECP and NDC scenarios and asked whether targets and results produced by the country will be considered for the target setting process. ENER and CLIMA underlined that the study results are supposed to inform the political process for setting targets.

**Bosnia-Herzegovina** stressed that, given the short amount of time available, the country did not manage to check the latest baseline results. Overall, it was noted that most of the comments previously provided by BiH were taken into consideration e.g. on transport. Some gaps were detected e.g. significant differences in PEC, FEC although data went through EUROSTAT, and also differences in GHG Emissions. On the policy scenarios, BiH asked whether the "Fit for 55" package and the use of gas for electricity production were considered. Also, if ECS studies, especially on carbon pricing and share of RES in

transport, were taken into account. BiH asked for an additional bilateral meeting to discuss results into detail.

Studies were considered and **E3M** referred to the use of EUROSTAT data overall. Gas is included due to a change imposed under the MIX scenarios, namely the replacement of lignite capacity through gas capacity. For hydro, the average production is used. Data sent for 2020 prior to the EUROSTAT publication helped to adjust 2020 projections as much as possible e.g. former underestimations of energy consumption. National statistics were not used except for those CPs not available under EUROSTAT. This approach allows for comparability across CPs. Decommissioning of Tuzla 3 and 4 result in big difference between scenarios. Investments in power generation are based on expectations about future decisions.

**ENER** underlined that there were several round of exchanges, also bilaterally with CPs. The baseline exercise is now closed. It was reiterated that the study is an input for target negotiations and that EU MSs were also not commenting on policy scenario results during the relevant process in the EU. Final results of the study will be shared in April, and negotiations will take place between May and June.

**Georgia, North Macedonia, Ukraine** will get back after the meeting with potential comments, same for **Kosovo\*** which is currently finalizing the revision of its energy strategy and flagged the need of technical assistance from the European Commission for the implementation of targets. **Ukraine** mentioned that projections would need to consider the changes caused by the war.

**Moldova** inquired on the territory covered in the study and E3M pointed out that scenarios are aligned with EUROSTAT balances with regards to Transnistria. **Montenegro** referred to its NECP, almost finalized, and inquired on the year considered for coal phase-out. Reference was made to offshore drilling of natural gas, which would enable phasing-out coal earlier. RES deployment and preparation of system stability will take time.

**E3M** explained that projections reflect changes in certain drivers and how the system could be adapted accordingly. Drivers according to modelling would lead to a phase-out. If there was a carbon driver, phase-out would be earlier in time. Iron and steel plants are considered throughout projections.

**Serbia** referred to the ongoing process of NECP preparation and to the Energy Strategy, including representatives of the EC and ECS to ensure higher alignment. During the last months, policy scenarios were prepared by Serbia; in the reference scenario, significant changes where flagged regarding FEC. The **EC** reiterated that final results of the study will be exchanged by the end of April and that the contract is closing. No specific comments are expected on the policy scenarios, however CPs can raise concerns about major differences between national planning and EU COM study.

**CAN Europe** asked if emissions change from coal to gas was accounted for (positive reply from E3M) and confirmed that carbon value are the most important drivers for mix 2 and mix 3. Also, it inquired on socio-

economic impacts and fairness of the methodology. The EC stressed that socio-economic differences are taken into account.

**GIZ** asked to which extent the projections consider increased probabilities of droughts, forest fires etc. and implications regarding sink potential(s). **E3M** answered that the team is modelling under the current climate – forest fires are modelled as ex post calibration, namely average of past years.

On the methodology, **Kosovo\*** mentioned that having 6 years to implement commitments included in the NECP is not enough.

### **AFTERNOON SESSION**

The second part of the meeting was dedicated to the transposition and implementation of the Governance Regulation of the Energy Union and Climate Action. The **ECS** provided an overview of the main timeframe and steps ahead for CPs, while the **EC** focused on Art 26(1) crude oil stocks reporting which takes place already in 2023, while for EU MSs started in March 2021. The **European Environmental Agency (EEA)** introduced the EEA database and reporting requirements on policies and measures and GHG national inventories, as prescribed by the Governance Regulation.

**North Macedonia** inquired on the possibility of the Reportnet platform and the EIONET network to be extended to CPs. The **EC** highlighted that at this stage it is only for EU MSs, nevertheless, there are ongoing discussions on whether EnC CPs could report through the Reportnet webform in the near future by extending the reporting unit to cover CPs. More information will be shared by the EC in due course.

The **ECS** inquired on input data verification, which, as explained by the EEA, is based on automatic checks, and on data sharing among organizations, the latest not being particularly problematic at EU level since there is a clear legal basis for it. As highlighted by the **EEA** and the EC, 2023 refers to the national system for compiling the inventory, but not to the reporting system. The first reporting is due in 2025.

On NECP and LTS preparation, the **ECS** emphasized the importance of regional coordination and public consultations already on draft NECPs. Consistency check of the NECP draft should be performed prior to submission, considering also the need of SEA. LTS, if already produced or under development, should be updated to fulfill the formal requirements of the Governance Regulation and submitted to the Secretariat. For those CPs that have not produced a LTS yet, they should consider launching preparations.

**Georgia** referred to their first NECP draft, completed in 2021 and overall in line with the Governance Regulation Annex I. Currently, the country is consulting with key stakeholders, CSOs and conducting scoping procedures for SEA. A finalized NECP is expected by the end of 2022 or first half of 2023.

**Kosovo\*** referred to the ongoing work of the established main and sub-groups for NECP development. It was highlighted that the drafting process is currently on stand-by until the finalization of the Energy

Strategy by June 2022 and its approval by the Parliament by the end of 2022. Kosovo\* plans to create the legal basis to transpose the Governance Regulation in 2023, same for the REDII directive and updating the law on energy efficiency.

**Montenegro** underlined that GIZ and Fraunhofer ISI concluded their technical assistance on the NECP modelling process in March 2022. Hopefully cooperation could resume in Q3 of 2022, after a political decision on Pljevlja has been taken. Montenegro intends to deliver its final draft NECP by June 2023, while the second informal draft could be submitted already to the Secretariat.

**Serbia** included in its legislation, since April 2021, the obligation for preparation and reporting on NECP. With regards to ongoing amendments of the Energy Law, the Ministry of Mining and Energy is in charge of developing a rulebook for NECP to be endorsed formally soon. Serbia's NECP drafting process and technical working group, including representatives from ministries, national banks, relevant energy companies, IFIs, academia, CSOs, was launched in February 2021 as part of an IPA project. Results of the six short-listed scenarios (selected by using multi-criteria analysis) and sensitivity runs was presented in Feb 2022 and include also a Fitfor55 scenario. During consultations, representatives of both the EC and the EnC were involved. After conducting public, cross-border and official consultations, the NECP is expected to be adopted. In addition to this, Serbia is also working on its Energy Strategy, to be adopted by 2022, and on a specific study on just transition for Serbia which covers social and financial aspects to be reflected in the NECP.

**Albania** referred to its past work on the NECP, workshops and exchanges organized with the support of GIZ. The NECP, finalized and adopted in December 2021, has now been supplemented by a SEA and revised at the light of the comments received by the ECS. A new, final version will be released soon. Transposition of the Governance Regulation is expected by the end of the year. Albania has a national climate change strategy since 2019; its updated version will be incorporating the LTS provisions.

**Bosnia-Herzegovina** mentioned that baselines scenarios and PaMs of their NECP have been defined. The document will be in line with the Governance Regulation, with a higher ambition than the submitted NDC2. The government plans to finish the draft by June 2022 and finalize the NECP by end of 2022. Republika Srpska will recognize the NECP in its energy law, while the Federation will adopt new energy legislation as legal basis.

**Moldova** received EU technical assistance on NECP modelling (TIMES); final results on energy modelling are expected by May 2022. Almost all NECP chapters have been finalized, with the exception of the section on R&D. The NECP is planned to be approved by end of 2022.

**North Macedonia** informed that their NECP is in the final phase of Government procedure for adoption.



### **CLOSING**

At the end of the meeting, CPs were reminded of the upcoming Energy and Climate Committee, taking place on April 12; of the PHLG on April 20; and of the timeline for negotiations, between May and July. The EC recalled that the final results on the study will be circulated by the end of April, including data on LULUCF.