

3 July 2024, Banja Luka, Bosnia and Herzegovina

The market coupling with the EU electricity single market

The European Commission recalled the need for the full transposition and implementation of the Electricity Integration Package adopted by the Ministerial Council in December 2022. The Commission acknowledged that completion of market coupling by the end of 2025 is at risk given the existing delays in the transposition and implementation and urged Contracting Parties to complete the transposition process imminently.

Recognising that the submission of Market Coupling Operation Integration Plan (MCO IP) is essential for market coupling implementation, the European Commission with the support of Contracting Parties underlined the need to ensure a compliant designation of Nominated Electricity Market Operator(s) (NEMOs) without further delay so as to enable the submission of the MCO IP by 15 October 2024 at the latest and supported a discussion at the next Ministerial Council on the progress so far achieved.

The European Commission underlined the importance of the operationalisation of the three Energy Community Capacity Calculation Regions (CCRs), as established by Annex I of the Regulation (EU) 2015/1222 as adapted to and adopted in the Energy Community. The Contracting Parties acknowledged a progress in negotiations on the possible reconfiguration of the Shadow SEE CCR and invited the Commission to call upon all EU TSOs to urgently submit to ACER a proposal comprising all bidding zone borders of the EnC CCRs.

The Contracting Parties expressed their readiness to submit a clear timeline for the completion of the transposition and minimum implementation requirements for adherence to the SDAC and SIDC for the purpose of monitoring and reporting to the MCSC. The Energy Community Secretariat invited the Contracting Parties that have not yet submitted the timeline to submit it to the Energy Community Secretariat by 10 July. The Energy Community Secretariat announced to regularly report results of the monitoring to the PHLG.

The European Commission recalled that an initial step towards adhering to the SDAC and SIDC is the signature of the Single Day-Ahead and Intraday Coupling Observership and Non-Disclosure Agreement, so-called CACM Global NDA. The Energy Community Secretariat invited Contracting Parties to encourage their TSOs and NEMOs to apply for adherence to CACM Global NDA and where TSOs and NEMOs are already signatories to CACM Global NDA to give consent to all new applicants from other Contracting Parties.

The European Commission recalled that according to the EU CBAM Regulation, integration of the Energy Community electricity markets with the EU market through market coupling is a key precondition for exemption from the application of the CBAM from 2026, which remains very challenging. The Commission informed the Contracting Parties that, due to substantial delays in the transposition of the Electricity Integration Package completing market coupling and thus ensuring the exemption from CBAM for electricity from 2026 remains very challenging.

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Decarbonisation Roadmap

To prepare for EU accession and to ensure gradually increasing regulatory and policy convergence with the EU, the **Contracting Parties** expressed their readiness to update the Decarbonisation Roadmap to reflect their commitment to achieving climate neutrality by 2050 and the way forward on carbon pricing.

The **Contracting Parties** reiterated their commitment and agreed to collaborate closely with the Secretariat to promptly transpose the obligations already taken within the Energy Community, in particular, the MRVA package. The Contracting Parties also acknowledged the importance of aligning with the overarching goal of joining the EU Emissions Trading System (ETS) at the latest upon EU accession with due regard to the need for appropriate solidarity mechanisms.

In that context, the European Commission updated the Contracting Parties on the timeline and next steps for the ongoing Impact Assessment on carbon pricing and stressed that the policy options that are being assessed reflect to the extent possible the feedback received from the Contracting Parties. The contractor presented the methodology and baseline of the study, followed by an exchange of views. The Contracting Parties noted that the preliminary results will be presented after the summer and will be discussed in stakeholder meetings in the fall. The final report will be presented by November this year in the run up to the Ministerial Council meeting on 12 December 2024.

The European Commission noted that the results of the Impact Assessment are intended to support the way forward with carbon pricing. The European Commission indicated its openness to reflect on all options, including a carbon tax, provided the chosen option is preparing a Contracting Party to join the EU ETS at the latest upon accession.

To this end, the **Contracting Parties** recalled their commitment to update the Decarbonisation Roadmap to reflect their commitment to implement carbon pricing with a view to joining the EU ETS at the latest upon accession. To ensure progressive and gradual convergence with the EU ETS, the chosen carbon pricing option should:

- build upon robust emissions data acquired through the implementation of the MRVA-package;
- result in cost-effective emissions reductions and
- steadily increase the price over time to ensure price equivalence with the EU ETS at the latest upon accession.

The European Commission and the Secretariat recalled the merits of harmonised and coordinated approaches on carbon pricing, which would avoid putting in place asymmetric obligations on economic actors and thus setting trade barriers, in particular, within the established electricity market bidding zones. Delivering homogenous carbon price levels could prevent carbon leakage and trade distortions in the region, enabling a competitive business environment.

The European Commission and the Secretariat offered a continued dialogue and support in setting up coordinated and consistent carbon pricing solutions in the Energy Community region.

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The European Commission explained that the transposition of the MRVA-package will not only provide robust emissions data but will also ensure that the Contracting Parties have already established the required institutional framework for joining the EU ETS. To this end, the Contracting Parties agreed to ensuring that the rules governing the most fundamental building blocks of MRVA are in place by 2025 so that monitoring of emissions can start in 2026, including:

- the obligation to obtain a GHG emission permit for continuing economic activities;
- the scope of activities and gases subject to the GHG permit and thus to MRVA;
- the appointment of the competent authority(ies) for managing the permitting process and the implementation of MRVA in general;
- the recognition of verifiers from the European Union or the requirements for the accreditation of verifiers by the National Accreditation Body are set in domestic legislation.