



6th Meeting - Energy and Climate Committee

Vienna, 22 February 2021

DRAFT MINUTES

This was the sixth meeting of the Energy Community Energy and Climate Committee (ECC). The meeting was held digitally via WebEx as part of the Secretariat's response to the COVID-19. The Energy Community Secretariat's Director, Janez Kopac, and the Chair, Connie Hedegaard, former EU Commissioner for Climate Action, welcomed participants, proceeded with the adoption of the Work-Plan 2021-2022, the agenda of the meeting and the election of the second Chair, Olha Stefanishyna, Ukraine Deputy Prime Minister for European and Euro-Atlantic Integration.

PART I – 2030 ENERGY AND CLIMATE TARGETS AND NECPs

The **European Commission**, represented by Cristina Lobillo Borrero, Director, Energy Policy, Strategy and Coordination (ENER) referred to the latest legislative and policy framework at EU level, including the Green Deal, and to the importance of bringing on board EU's Neighborhood, through process such as Western Balkan 6 (WB6) and Eastern Partnership (EaP). The Economic and Investment Plan for the Western Balkans aims to support long term recovery of the region, enforce green digital transition, implementing climate action and decarbonization. The Sofia Declaration, signed in November 2020, represents a political commitment of the region to achieve a climate neutral continent. The Energy and Climate Committee is the right forum to discuss progress made by Contracting Parties and discuss the necessary steps for climate actions and clean energy transition. The EC explained that the recently launched study on extending EU energy and climate modelling capacity to the Contracting Parties is expected to provide robust data supporting ambitious target setting at the next Ministerial Council in autumn 2021, together with the adoption of relevant legislative elements of the Clean Energy for all Europeans Package. Director Lobillo Borrero also reminded that there will be organised a series of capacity building workshops in each Contracting Party as well as additional technical joint workshops during the implementation of the study. Although the timeline is tight, having energy and climate targets is a fundamental milestone for achieving climate neutrality within the Energy Community, also to strengthen the investment certainty and political framework. Close cooperation between Contracting Parties and contractor is expected to deliver good analytical results.

The Energy Community Secretariat provided an overview of progress made by CPs in developing both NECPs and NDC2.

North Macedonia reaffirmed its intention of implementing the NECP green scenario and providing a legal basis for the whole process through amendment of the energy legislation. Discussions are ongoing with the Prime Minister and the Ministry of Finance to allocate budget to implement the plan. The revised NDC of North Macedonia is also substantially improved compared to the old one, both in terms of ambition and sectors covered.

Montenegro referred to their strong commitment on climate, emerging both from the National Climate Change Strategy to 2030 and the 2019 Law on Protection against the Negative Impacts of Climate Change, representing the basis for the establishment of a National System for Monitoring, Reporting and Verification (MRV) of GHG and the operation of the Emissions Trading System (ETS). Moreover, the Law represents the basis for regulating the use of Ozone-Depleting Substances (ODSs) and Fluorinated Gases (F-gases). Drafting of the NECP is progressing well and will be completed by March 2021. With the revision of the NDC, Montenegro excludes the measure related to the construction of small hydropower plants and sets a new target value of a GHG reduction of 35% by 2030 compared to 1990 (not including the LULUCF and agriculture sector due to lack of data) or a reduction of GHG by 2117 kilotons by 2030. Support would be needed to gather agriculture and forestry data. The most significant challenge related to measures for the LULUCF sector is that it is not clear how their objectives will be implemented. Therefore, no measures for this sector are considered in the NDC2 scenario. Work on National Adaptation Plan (NAP) has recently started, while activities on the development of Low-Carbon Development Strategies up to 2050 will begin next year through IPA III Program.

Different strategic documents are under preparation in **Ukraine**, including NECP and NDC2; a stakeholder consultation on the NECP will take place in March, focusing on coal phase-out, a crucial step for Ukraine where up to 1.2 trillion EUR would be needed for industrial renovation and restructuring of the region's energy system to prevent power shortages and provide future energy technology options.

Albania's draft NECP is under revision and results for modelling will be available by March 2021, providing important information to finish chapter 4-5.

Serbia referred to the amendment of its energy law which will introduce new articles on the obligation to prepare NECP, transposing this part of the Governance Regulation. NECP will define national targets which should be harmonized with targets under the NDC review.

Georgia has already a legal basis for NECP embedded in its energy legislation; the first NECP draft was informally commented by the Secretariat and the working group is currently completing the climate part leveraging on the Climate Strategy and Action Plan and finalizing the modelling measures in TIMES. Georgian NDC2 received a number of comments by stakeholders and beyond conditional and unconditional targets, it includes sectorial targets in seven sectors, including for gender. By March, it will be approved by the Government of Georgia.

BiH underlined that the Recommendations emerging from the Commission's study might be used for harmonization of GHG trajectory and targets. Plans for legal regulatory and legislative framework on climate are still unknown. The integrated approach is new and requires mutual interaction of different sectors and institutions.

Kosovo* mentioned that their NECP is currently being drafted with the support of GIZ and most probably the first working draft finalized by June 2021. The implementation of the MRV, ETS and LTS will be regulated by the Law on Climate Change, to be drafted in 2021 based on the Concept Paper on Climate Change approved by the Government of Kosovo in December 2020.

The **European Commission** congratulated all CPs for their efforts in energy transition, being aware that since economies in the region are still very dependent on coal, the transition will be accompanied by social impact. A Just transition mechanism should mirror that at EU level and account for strong cooperation and share of best practices.

PART II – A DECARBONIZATION ROADMAP FOR THE ENERGY COMMUNITY

The **European Commission**, represented by Elina Bardram, Acting Director, International Mainstreaming and Policy Coordination (CLIMA), referred to the importance of streamlining the process of decarbonization in the framework of the Energy Community, for which the Sofia declaration and the Joint Communication on Eastern Partnership policy beyond 2020 builds a strong basis. Contracting Parties were invited to reflect on a one-pager provided by the Commission, which aimed to facilitate an open and inclusive dialogue on a Decarbonisation Roadmap. Contracting Parties were invited to submit written input on the one-pager to the Energy Community Secretariat by the end of March. A Decarbonization Roadmap will increase predictability, allow planning, and permit to work towards a common goal under the framework of the Energy Community. The roadmap would include an overview of legislative items that will be adopted in 2021 and legislative items that are foreseen to be adopted in the near future. Examples would be carbon pricing, MRV, 2030 energy and climate targets, and the Clean Energy Package, among others. The roadmap would be accompanied by shared political messaging with elements on topics such as the green recovery, fossil fuels subsidies phase-out, and adaptation. The aim is to have a first draft decarbonization roadmap ready for a Technical Working Group meeting in June, and subsequently for the informal Ministerial Council in July.

The **Energy Community** presented priority areas and a possible process for developing a Decarbonization Roadmap, focusing on how to ensure consistency with NDC2 ambitions and secure the principles of a Just Transition.

Serbia reflected on the importance of a decarbonization plan to identify interactions among PaMs and objective; policy coherence among documents, including NECP and NDC2, is fundamental to avoid overlap. The decarbonization roadmap can also define the process of closing coal fire plants and the integration of RES plants in the energy system. Securing financial resources is also a key element to be considered for transitioning towards a decarbonized, just energy sector, taking into account social consequences, employment, economic aspects and energy security.

Ukraine's NDC2 will be approved by the end of March 2021 and all consultations finalized by early April. A financial report on the investment's needs will be accompany the document, with an estimated 379 BLN EUR out of which 245 BLN EUR are capital investments – there are no calculations on the social costs of a just transition, therefore this aspect could be part of a decarbonization roadmap. Based on its primary and secondary legislation, Ukraine will start implementing the MRV based on the EU system already this year, while reports will be submitted by companies starting in 2022.

BiH also proposed for the Decarbonization Roadmap to support the establishment and optimization of an MRV system as well as to ensure that just transition is reflected in the document.

PART III - PUTTING A PRICE ON CARBON

Olha Stefanishyna, Deputy Prime Minister for European and Euro-Atlantic Integration was declared Co-Chair of the Energy and Climate Committee. During the session, as also highlighted by the **Energy Community** in a presentation, reference was made to the EnC study which identifies gradual carbon pricing and market Integration as the optimal approach for CPs, considering their market size, institutional maturity and overall state of the economy. Introducing internal carbon pricing would be key to mitigate the impact of already existing emissions.

The **European Commission** underlined that the EU ETS will continue to play a central role towards 2030 and mid-century targets. The EU, which accounts for 8% of global emissions, will work together with CPs, considering their different starting points, towards reaching net zero emission strategy. A speedy implementation of the EU ETS Monitoring and Reporting Regulation (MRR) and EU ETS Accreditation and Verification Regulation (AVR) is important within the next 5 years. While the EU is keen to see carbon pricing to the next level, the foundations need to be right, namely MRV, governance and guidelines, and agreeing to 2030 energy and climate targets.

Serbia mentioned that possibilities for introduction of carbon pricing will be identified through scenarios and analysis while developing the NECP. When it comes to MRV, the Serbian Draft Law on Climate Change will be informed by bylaws.

Albania also shared its intention of establishing a solid MRV system and ETS. There may be challenges with the implementation as most policy documents and systems such as climate strategy and GHG inventory were developed with the assistance of donors. Institutionalization of modelling, projections, inventories would be needed for a solid MRV to be put in place.