

The Western Balkans can play an important part in maximising the impact of the European Green Deal - but the EU will need to find ways to fully involve these countries.

This month, the European Commission launched its flagship economic policy: the European Green Deal. Its fulfillment would take Europe to climate neutrality by 2050, and see European Union economies producing net zero CO₂-equivalent emissions by that date. The commission pledged to investigate how to raise the EU's 2030 reduction target to at least 50 percent, and even try to get close to 55 percent. The current target is 40 percent.

In order to reach this new, more ambitious, goal, the EU must deploy a wide range of conventional, tested, radical, and disruptive economic and political solutions. Interventions that could drive Europe's economy towards the 55 percent target include rapid implementation of technological innovation, increases in research and development (R&D) funding, redefining public financial institutions' strategy, and integrating electricity markets. The target is also linked to the EU's stated ambitions around global competitiveness. The theory underpinning this is that the carbon-neutral transition will modernize European industry, create new high-quality jobs, and boost Europe's R&D and innovation record, which is currently somewhat shaky, especially in comparison with the United States, Japan - and, increasingly, China.

All this will inevitably affect the Western Balkans countries of Albania, Bosnia-Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia. But bringing about true transformational change should also mean involving these countries as much as possible in these ambitions. Such mutual interest can offer good grounds for a deal between them and the EU, one that is fully inclusive of the Western Balkans countries.

There are at least four reasons to consider such a deal. Firstly, the energy systems of the Western Balkans are already partly integrated with those of the EU. This integration is set to expand regardless. Secondly, the Western Balkans have large, developed renewable energy capacity as well as further potential to contribute to European energy CO₂ reduction goals. Thirdly, the region has a significant developed hydro-energy capacity, which is both a good dispatchable match for renewables and offers potential for large-volume energy storage. And, finally, leaving the Western Balkans outside the European Green Deal could lead to electricity price disparity with EU countries, due to the higher carbon price in the EU, which is absent in the neighbourhood.

The Western Balkans has attractive assets for supporting Europe's energy transition: large coal mining areas with excellent grid infrastructure that can be used for industrial solar; lower labour costs; engineering skills; and geographic proximity to advanced industrial

economies with high energy demand. With the right incentives, these assets could attract investments in the new wave of low-carbon industries and further contribute to the European industrial transition.

The EU could deploy several international cooperation formats to include the Western Balkans in the European Green Deal. Among them are the Energy Community, the European Network of Transmission System Operators for Electricity, the Regional Cooperation Centre, Central and South Eastern Europe Energy Connectivity, the Berlin Process, and others. Each of these brings value and tools for achieving this, and for guiding the region towards hosting modern low-carbon, high added-value industries.

International financial institutions like the European Investment Bank, the EBRD, and the World Bank are key to the development of the region. Most of these follow strong climate-aligned policies. Recently, the European Investment Bank - the largest lending bank in the world - branded itself the “European climate bank”, pulled out of investment in fossil fuel projects, and announced that it “will align all financing activities with the goals of the Paris Agreement from the end of 2020”.

If the EU wants to maximise the impact of the European Green Deal and make it economically more attractive to all governments, it should incorporate the Western Balkans as a party to it and ensure the countries there are part of the negotiation process. In this way, the EU will not only guide the region towards the 2030 and 2050 targets, it would also be able to extract the maximum value the Western Balkans could offer. This will make the European Green Deal a proper deal, one based on a clear mutual interest in which the Balkans will not fall into the usual role of a policy taker and reluctant regulations follower, but will instead be an active contributor.

This transactional side of integrating the Western Balkans into the European Green Deal will accelerate the region’s transition, but it could also increase the chances of success of the EU climate-neutral agenda right across the continent. The EU should negotiate such a deal with the Western Balkans on the basis of the contributions and the assets that the six countries could bring.

To achieve this, the Western Balkans countries themselves should come together to form a government negotiating group. They should assemble an international technical assistance team that would help negotiators evaluate the clean economy assets of the region and identify the most economically beneficial paths towards rapid greenhouse gas reduction. In her speech to the European Parliament as president-elect of the European Commission, Ursula von der Leyen emphatically stated that she would lead a “geopolitical commission”. Engaging the Western Balkans in the development and negotiation of the EU’s flagship

economic policy will be an important part of addressing the security of this vulnerable region. In partnership, the EU and the countries of the Western Balkans will be able to make a tangible and political difference in a region that is currently beyond the EU's borders but is nevertheless still at the heart of Europe.

Source: ecfr.eu