

The Ministerial Council of the Energy Community - a Treaty between the EU, the Western Balkans, Moldova and Ukraine - is expected to decide on far-reaching reforms this week. According to Dragana Mileusnic of Climate Action Network (CAN) Europe, the Energy Community Treaty has failed to bring progressive climate policies to Southeast Europe. Countries that have signed the Treaty have made practically no effort to live up to its obligations and Brussels has put little pressure on them to do so. The extremely weak pledges made by these countries ahead of the Paris Climate Summit only confirm this picture, says Mileusnic. "If the EU can't even get its neighbours to clean up, how can it claim climate leadership in the world?"

In 2006, the EU fostered the establishment of the Energy Community, an intergovernmental organization aimed at extending the EU's internal energy market to the countries of the Western Balkans - Albania, Bosnia and Herzegovina, Macedonia, Kosovo, Montenegro and Serbia. Moldova and Ukraine joined in 2010. The Energy Community was supposed to bring investments in the energy sector, contribute to security of supply and enhance environmental conditions. The organisation developed with continuous support from the EU, and it indeed brought some progressive energy policies to EU neighbours.

However, the Energy Community Treaty has so far failed to catalyse investments in climate friendly, renewable energy and energy efficiency projects. The Western Balkans still produce on average about half of their primary energy from coal. The share of coal in its electricity production goes up to about 70% in Serbia, and nearly 100% in Kosovo. The six Western Balkan countries plan to add over 6 GW of new coal power plants by 2030. Serbia and Bosnia and Herzegovina are major coal addicts, planning to add about 2 GW of new coal power stations each. Together with Ukraine, the new coal capacity in these countries will amount to nearly 15 GW. (See note below for additional sources.)

In sharp contrast, investments in renewable energy remain extremely limited: since 2012, Serbia has added only 23 MW of renewable power to its system, and national energy plans indicate this trend will not change in the near future.

Under the Energy Community Treaty, the countries are obliged to increase the share of renewable energy in their final energy mix while improving overall energy efficiency. Renewable energy targets are calculated using the same methodology as under the EU Renewable Energy Directive, spanning to 2020. The targets vary from 11% for Ukraine to 40% for Bosnia and Herzegovina. The energy efficiency target was set under the Energy Services Directive to achieve 9% of energy savings by 2018, for each of the countries. However, these countries have made practically no effort to implement these targets. The recent implementation report released by the Energy Community Secretariat shows that

most of the countries have not yet properly transposed the required Directives, let alone started their implementation. Consequently, most of them, and particularly Serbia, Macedonia and Kosovo, face a significant risk of missing the renewable energy targets by more than 5%.

The situation is not much better when it comes to energy efficiency: they have done little, complaining that limited funding is available for energy efficiency. The data tells a different story: in 2015 there was about €700 million international public money available for energy efficiency projects in the Western Balkans. Two thirds remain unused, due to legal and regulatory barriers.

Weak Paris pledges

The countries' recently submitted contributions to the UNFCCC ahead of the Paris climate summit confirm that they do not intend to join the transition to a low-carbon development. Most of their pledges mean an actual increase of emissions from now until 2030. Declaring emission reductions with 1990 as the base year is not a difficult task for countries that suffered a major decline in economic activity since 1990. While comparing targets to 1990 levels, countries can declare significant reduction, while at the same time increasing their emissions year by year and expanding their coal fleet.

Serbia was the first one to use this trick: its pledge for the Paris agreement includes a target of 9.8% emission reductions compared to 1990 levels. This means an actual increase of emissions by 15% from now till 2030, as their emissions have already dropped by a quarter since 1990. This pledge was presented in June, during a high-level conference attended by the European Commission Vice-President Maros Šefčovič. The EU's claim to climate leadership took a big blow as the Vice-President praised the Serbian pledge for Paris. Afterwards the Commission explained that it applauded only the mere fact that Serbia put forward its first climate pledge, not its level of ambition.

Other countries from the region followed with their announcements, with little incentive to put more ambition on the table. Macedonia used the August summer break to avoid media attention for its pledge. It committed to a reduction of 30% by 2030, compared to a business-as-usual scenario. This constitutes an increase of 11% compared to 2012.

Montenegro and Albania made their pledges in the last days of September. Montenegro committed to decrease its emissions by a third, with 1990 as a base year. This target translates to a 9% increase, compared to 2012. All in all, Albania is the only country in the region planning an actual reduction of emissions: by 26% compared to 2012.

Finally, Ukraine made a pledge, admittedly in the midst of an ongoing conflict. Nonetheless, since Ukraine is one of the top 20 emitters in the world, it should have submitted a fair offer

to reduce its emissions. The pledge offered a reduction of 40% to 1990 levels, leaving space for a 25% increase of emissions.

The European Commission did not voice any concerns when the accession countries submitted obviously misleading climate pledges. This is worrying as these countries are working towards joining the EU before 2030, so their increasing emissions may endanger the achievement of the EU emissions reduction target in the future, or might increase the efforts for existing EU Member States to achieve the collective target.

High-level corruption

Neither the countries of the region nor the European Commission which represents the EU in the bodies of the Energy Community Treaty, have made great efforts to bring the renewable energy transition to Southeast Europe.

There are various reasons why there is a lot of opposition to change in the region. Investors in the new coal projects largely come from China. They appear not too eager to comply with the EU standards laid out by the EU Industrial Emissions Directive, parts of which are already enshrined in the Energy Community Treaty.

In addition, high-level corruption is thriving across the region. In this context, decision-makers find large coal projects far more lucrative than small-scale renewables or energy efficiency projects. This is where we need to look for the real reasons of the slow pace of the energy system transformation: political leaders from the region are buying time to continue with their murky coal deals. By not insisting on the swift reform of the energy system, the European Commission is turning a blind eye on corruption in the area.

Against this backdrop, the Energy Community launched a reform process in October 2013, when a group of experts was tasked to propose necessary improvements. The analysis, led by Jerzy Buzek, the former President of the European Parliament and now the Chair of its Industry Committee, culminated in a report proposing meaningful reforms. These included the establishment of an Energy Community Court, as well as the suggestion of expanding the legislation by six additional environmental and climate directives.

But the uptake of these suggestions has been very slow, with both the European Commission and the countries of the Energy Community blocking any major change. The Energy Community Secretariat has now suggested that countries will get two more years, until the end of 2017, to implement reforms.

Enforcement mechanism

On 16 October, the Ministerial Council, the highest decision-making body of the Energy Community, is expected to adopt the Roadmap on Reform of the Energy Community as well as the EU Energy Efficiency Directive (EED).

The draft Roadmap envisages that the Treaty could be expanded by legislation on strategic environmental assessment, industrial emissions, air quality and an emissions trading scheme in the coming years. These measures could be a game changer for the energy systems in Ukraine and the Balkans, but they will only be effective if measures are taken to improve the institutions of the Energy Community. In particular there must be an enforcement mechanism put in place, which should include financial sanctions where necessary. This has been lacking so far.

The EED should align the energy savings target of the Energy Community to the one of the EU, raising it to 20% by 2020. It is mainly Serbia and Ukraine who are against the target and are trying to water down the legislation. Keeping the target equal to the one from the EU will be one of the first tests for the Commission's climate and energy diplomacy efforts. If it backs out on energy efficiency today, how will it persuade the countries to fix the climate targets tomorrow?

It is quite embarrassing that in the midst of its climate diplomacy offensive before Paris, the EU is unable to dissuade its closest neighbours, with whom it has signed an energy treaty, from investing in a wave of highly polluting coal power plants. In this sense, the reform of the Energy Community can be seen as a litmus test for the EU's climate leadership.

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