

**Serbia's draft NECP is a puzzling document, levitating between reality and delusion.** Today's economic and legal reality makes an energy-efficient, 100 per cent [renewable energy sector](#) more feasible and necessary than ever. But the draft is too defeatist about carbon neutrality and energy savings and too optimistic about hydrogen, fossil gas, biofuels and biomass.

### **Cherry-picking commitments**

**As a signatory to the Green Agenda for the [Western Balkans](#),** Serbia has pledged to adopt the EU climate law and thus reach carbon neutrality by 2050. As a signatory of the Energy Community Treaty, it has committed to greenhouse gas reduction, energy efficiency and renewable energy targets for 2030. And as a neighbour of the EU, Serbia's electricity exports will be affected by the Carbon Border Adjustment Mechanism (CBAM) from 2026. But the draft NECP quietly sidesteps the commitments it finds too bothersome. No carbon neutrality is planned for 2050. Emissions are forecast to drop by two thirds compared to 2025, or by 75 per cent compared to 1990, but this is not enough. Planning to fail 27 years in advance is not a good start.

The draft also unilaterally lowers Serbia's renewable energy target for 2030 to 33.6 per cent instead of the 40.7 per cent target agreed at the Energy Community Ministerial Council in December 2022. Even by 2050, the draft only expects to have a 40-45 per cent renewable share in heating and transport, instead of 100 per cent.

### **CBAM? What's that?**

The draft NECP mentions CBAM only twice. And the author did not seem to understand what it entails, as they referred to using the revenues, which does not make sense as they will go to the EU budget, not the Serbian one.

It is true that Serbia is not likely to be the most affected country in the Western Balkans, but it still needs to take CBAM seriously, as its electricity exports will become much less competitive.

If Serbia wants to avoid CBAM, among other things it needs to introduce an emissions trading system for electricity by 1 January 2030 with an equivalent carbon price to the EU Emission Trading System (ETS). Here again the draft falls short, as the prices are too low. It also gives contradictory information – in one place EUR 40 per tonne of carbon dioxide in 2030 and in another, EUR 70 per tonne. Yet ETS prices have barely gone below EUR 80 per tonne this year and are expected to keep rising. The draft also plans a carbon tax, not emissions trading scheme, which could in theory secure deductions from CBAM pricing, but would be more complicated than securing a full exemption.

### **Smoke and mirrors**

It is difficult to distinguish between the two main scenarios, because Section 3 provides 157 measures but does not distinguish which measures relate to which scenario. And to add to the confusion, some measures appear to be duplicated: several fossil gas pipelines appear under both 'Energy Security' and 'Integrating Energy Markets'.

In Annex I a list of measures per scenario finally appears, confirming that some of the most carbon-intensive measures are included only in the 'With Existing Measures' scenario, not the 'With Additional Measures' one. These include spending EUR 400 million on an oil pipeline, EUR 1.3 billion to ensure adequate coal stocks, and building no fewer than seven (!) fossil gas pipelines with neighbouring countries – even Kosovo. Not even in our worst nightmares would Serbia ever build seven gas interconnectors, so this looks like an attempt to make the 'additional measures' scenario look better by making the 'existing scenarios' one worse.

Still, the lists of measures still leave considerable gaps in understanding what the actual plan is, (especially as Annex I appears to have some mistakes, such as putting carbon pricing in the 'existing measures' scenario). No new coal plants seem to be planned after Kostolac B3, but there is no information about the phase-out timetable for existing plants. A list of coal plants that will still be open in 2030 under the 'additional measures' scenario appears in Annex II, however it is not clear when these or others will finally be closed. Likewise, a pledge is made to reduce lignite coal generation by 25 per cent compared to 2019 levels, but without providing absolute figures. By our calculations based on energy regulator reports, in 2022 Serbia already generated 7.5 per cent less electricity from lignite than in 2019, making this commitment even less ambitious than it looks.

### **Seduced by false solutions**

To make up for some of the coal decrease and increase system flexibility, the draft plans a new 350 MW fossil gas plant in the 'additional measures' scenario, as well as a EUR 50 million pipeline to gasify the south of Serbia, both of which would increase its import dependence and its vulnerability to price fluctuation. After the events of the last two years, it is hard to believe that there are no better carbon alternatives, especially given draft's unambitious energy savings goals.

Electricity transmission and distribution grid losses are planned to decrease only very slightly – to 14 per cent – in 2030, and to take until 2050 to get down to 10 per cent. For comparison, in 2018, total losses in the EU and selected neighbouring countries ranged between 2.5 and 11 per cent. Serbia can't afford to throw away this much electricity. Housing renovation plans are also unambitious, which has a significant impact on electricity demand due to use of electricity for heating by some households. The planned rates are

1-1.5 per cent annually for multi-family buildings and 0.5 per cent for single-family ones, intensifying after 2030. This must be ramped up now, not after 2030.

But it's not just fossil gas. The draft is also too optimistic about the potential of forest biomass in district heating, despite its greenhouse gas emissions, air pollution and biodiversity impacts. Given the market disruptions in 2022, which saw a temporary export ban of certain wood products being imposed, we would expect a lot more caution on increasing biomass heating.

Only secondary forest biomass – offcuts from industry – should be considered for peak load for district heating, and only as a last resort. 4th generation district heating based on solar, heat pumps and other low-temperature sources should be prioritised, or geothermal where methane and other gases are captured and water is re-injected.

The authors are also too optimistic about renewable hydrogen in heating and advanced biofuels in transport. These will probably never be available in large enough quantities at a reasonable price. The draft also plans direct electrification in heating and transport, but needs to make clear that this is the priority.

### **Putting its money where its mouth is?**

Despite our criticisms of the overall goals and ambition of the draft NECP, it does contain many worthwhile and potentially positive measures. But for some of them, only very small financial allocations and few details are given, providing insufficient assurance that they constitute real priorities.

For example, just transition is mentioned as being part of a separate Just Transition Action Plan and only has one measure (and only in the 'existing measures' scenario), with an allocation of EUR 2 million. However the actions for a just transition, as well as financial allocations, need to be part of the NECP, as this is the main document relied on by the European Commission, Energy Community and international donors.

Another example is the [circular economy](#), where Serbia needs to achieve 60 per cent recycling in 2030 compared to 3 per cent in 2021. Around EUR 230 million is allocated for this, which is a significant sum, but compared to the size of the challenge, it still seems too little. Oddly, the measures to achieve this are labelled as belonging only to the 'existing measures' scenario and are not replaced by any corresponding measures in the 'additional measures' one.

### **Political consensus urgently needed**

After years of energy policy limbo, [Serbia](#) desperately needs to build a consensus on its climate and energy plans and the NECP is the place to do it. But in order to achieve this, the Serbian government needs to make a clear decision – **does it want to participate in the**

**EU energy market or not?**

Only with clear political decisions and commitments can the document do what it needs to: clearly state its goals, distinguish clearly and accurately between different scenarios and how they will be achieved and discuss the pros and cons of different options.

Source: Just Transition