

A total of 3.7 billion euros for regional development would secure a just transition for coal phase-out in three SEE countries, according to a study developed by SE3T.net, a regional network of independent energy transition think tanks which focuses predominantly on southeastern Europe.

This investment can be funded by the Just Transition Mechanism that has been proposed by the European Commission, worth 100 billion euros.

Bulgaria, Romania, and Greece are currently responsible for more than 9 % of coal and lignite-fired electricity generation in the EU. And this percentage share may increase in the years to come if, as until now, the pace of coal phase-out remains slower than in western European countries. Bulgaria and Romania do not plan to implement a lignite phase-out despite the fact that the losses of lignite plants cost taxpayers several hundred million euros each year via subsidies. Due to these high payments which are required to keep lignite plants operational, the economic losses of lignite plants are higher if phase-out happens later.

All three countries can phase out lignite without implications for the security of supply, with only a few hard coal power plants remaining in the system. The difficulties lie in job losses and an increase in end-user prices, which are both politically sensitive consequences of the phase-out.

The price effect is expected to be even more limited in the first years by low demand due to the COVID-epidemic. In addition, policymakers in all three countries can further reduce the price impact of the phase-out by implementing end-use energy efficiency measures. An investment in renewable energy can further limit the increase in wholesale prices resulting from a phase-out of lignite and set the countries on a path towards net-zero emissions. In contrast to the perception that renewables are expensive alternatives, the modeling shows that the level of support required for increasing RES capacities is below 1.5 % of the wholesale prices in the case of Bulgaria, below 2.5 % in Greece, and below 5.5 % in Romania on average between 2021 and 2030.

Job losses require significant government intervention in the three countries, albeit the situation varies between them, yet the economic and social challenge is manageable, with the support of EU funds. This might burden national social security systems through higher rates of early retirement and higher unemployment payments, however, closure of lignite and coal power plants will free up national funding in the range of 200 to 900 million euros per country per year, which could be redirected towards strengthening the social security system as well as to investment in renewable energy and energy efficiency, or reduction of energy poverty.

Source: serbia-energy.eu