

In recent years, the countries of the Western Balkans – **Albania, Bosnia and Herzegovina (BiH), Montenegro, North Macedonia, and Serbia** – have gradually started embarking on [decarbonisation](#). But progress has come in fits and starts, due to pressure from incumbent utilities, political instability, and a lack of knowledgeable staff in central and local authorities. Governments in this region have also been seduced by unsustainable distractions, such as new gas infrastructure, developing [hydropower](#) in pristine areas, or overusing forest [biomass](#).

Albania is almost entirely hydropower-dependent for its electricity supply, so its [transition agenda](#) mainly needs to concentrate on renewables diversification, energy efficiency, and electrification of transport. But governments in the other five countries – home to eighteen coal power plants – fear exacerbating unemployment by closing coal mines. North Macedonia has pledged to phase out coal by 2027 but may postpone it to 2030, and Montenegro has, unambitiously, committed to 2035. The others have not even gone this far.

### **The End of Coal is Coming Sooner Than Anyone Expects**

In the last two to three years, governments and local mayors have finally recognised the need for a just [transition in coal-dependent regions](#).

In 2020, the **European Union** set up the Initiative for Coal Regions in Transition in the Western Balkans and Ukraine to exchange best practices. Furthermore, the EU's proposal for a Carbon Border Adjustment Mechanism (CBAM) in carbon-intensive sectors has prompted the realisation that electricity exports from the Western Balkans' highly polluting coal plants will become less competitive.

Businesses importing into the EU must purchase CBAM allowances to cover the gap between the cost of carbon pricing in the country of production – if any exists – and the higher rate in the EU ETS. On the other hand, a manufacturer who is not based in the EU but has evidence that they have already paid the cost associated with the carbon used in the production of the imported goods in a third country can permit the EU importer to entirely deduct those costs. This regulation is thus meant to motivate non-EU countries to upgrade their climate objectives and reduce the risk of carbon leakage outside the EU.

The threat of CBAM has sped up the *de facto* cancellation of several planned new coal power plants in the region. Only one – Stanari in BiH – has been built in the last thirty years, and another – Kostolac B3 in Serbia – is being built. The average age of the coal fleet is around 45 years, so their demise could happen anytime. Planning for a just transition of coal regions is therefore already late, as is the widespread deployment of solar and wind.

## A Quadruple Energy Crisis Strikes

This realisation had barely started to dawn when a quadruple energy crisis hit the region, starting in 2021. Although the **Western Balkans** are not nearly as dependent on gas as the EU, they were hit hard by high electricity import prices from the bloc. Technical problems at coal power plants and mines in Serbia, and North Macedonia in late 2021 and 2022 further exacerbated the situation and increased electricity imports.

To make matters worse, 2022 was mostly a dry year, so hydropower plants could not make up for the coal plants' deficiencies. And finally, biomass prices massively increased across the region, leading some countries to impose export bans. In theory, the crisis could be an opportunity for the energy transition – but in reality, **governments** are scrambling to ensure short-term supply. They are less willing than ever to commit to a [phase-out](#) and to plan a just transition for coal regions.

Due to commitments under the Energy Community Treaty, a regional treaty designed to include the EU's neighbours in [EU energy markets](#), the countries should already have closed their smallest and oldest coal plants after 20,000 hours of operation, starting from January 2018. However, BiH and Montenegro are now not even willing to do this. First, Montenegro used the **COVID-19** pandemic as an excuse and now BiH is using the [energy crisis](#). These countries particularly benefit from exporting coal-based electricity to the EU and can now bring in more income than ever, while running their plants illegally and harming public health.

## Solar Finally Getting Off the Ground

On the other hand, solar development is finally speeding up, even if there is a long way to go. In 2021, Montenegrin utility **Elektroprivreda Crne Gore (EPCG)** launched the Solari 3000+ and Solari 500+ programmes, in which EPCG provides solar photovoltaic panels, financing and installation. Households and businesses can pay off the equipment in the form of a loan over five to seven years.

By November 2022, 5.2 megawatts of **photovoltaics** had been installed in 518 households and 65 businesses. This sounds tiny but is more than Montenegro's total installed capacity to date. The programmes attracted 14,500 applications, encouraging EPCG to announce follow-ups.

Kosovo is also pioneering the use of solar thermal energy for district heating with a planned 50 MW plant in Prishtina, which should cover heating for about 38,000 people.

## Carbon Pricing and an EU Just Transition Fund Are Both Needed

As ever, the question is where the money will come from for a just transition. If Western

Balkan countries fail to introduce their own carbon pricing schemes and are hit by CBAM, the revenues generated by CBAM will be used for the EU's own budget and resources. Only domestic carbon pricing revenue can directly contribute to energy transition and coal region redevelopment. With a moderate carbon price of EUR 50 per tonne, the countries could collect a total of around EUR 2.8 billion annually for a just and sustainable energy transition.

However, this is unlikely to be enough, nor sufficiently focused on ensuring a just transition in coal regions. For this reason, the EU must ensure the creation of a dedicated Just Transition Fund for the region, as it has done for the EU. Another crucial condition for such funding is that just transition planning needs to be bottom-up. It cannot be led by utilities or central governments but must be carried out by local authorities together with the affected local communities, Urbanet writes.