

There is a long way ahead of Western Balkans countries to more seriously address the issue of energy transition and on this road, a project implemented by Agora Energiewende will support regional governments in developing strategies and plans for coal phasing out, increasing the share of renewables, and identifying the financing sources.

A new project by Agora Energiewende that has been recently launched in partnership with local partners ASOR from Serbia, INDEP from Kosovo*, RESET from Bosnia and Herzegovina, and consultancies enervis and IEEFA, aims to provide support to the Western Balkan authorities in driving the transition in the power sector from lignite phase-out towards deep deployment of renewables.

The project titled “Western Balkans Energy Transition – towards a Balkan Green Deal” is a regional project of the German think-tank implemented under the umbrella project “On the road to the Balkan Green Deal: Supporting the Power Sector Transition towards Renewables in the Western Balkans”.

“The region has seen some bold moves in recent months, and weeks,” according to Sonja Risteska, a project manager for SEE in Agora Energiewende. “North Macedonia’s utility Elektrani na Severna Makedonija (ESM) has announced the introduction of the internal carbon pricing, it’s Bosnia and Herzegovina’s counterpart – EPBiH has decided to do similar, but also to cut jobs in troubled coal mines, while Serbia decided to stop construction of coal power plant – Kolubara B,” Risteska explained.

The governments in the region are also finalizing their national energy and climate plans (NECPs), while power utilities are starting to announce major renewable energy projects. Announcing its plans for supporting the region in reaching the Green Deal in the energy sector, Agora Energiewende, and its partners will in the next year and a half work on:

- Informing governments on strategies for phasing-out coal and substituting coal with renewables;
- Showcasing the economic and energy security feasibility of a power system that is based on renewables, while limiting the use of fossil gas;
- Determining the electricity storage needs complementing the build-out of variable renewables;
- Showcasing the financial opportunities from the EU’s Green Deal framework for the Western Balkans;
- Providing fact-base for informed decisions that lead to more ambitious policies in the field of renewables and kick-start a managed decline of coal;
- Contributing to a regional dialogue on the challenges and opportunities of the coal to renewables transition.

Building new lignite plants is financially not viable under any form of carbon pricing

In its activities, Agora Energiewende intends to use the results of the 2040 lignite phase-out study which developed robust scenarios for a lignite phase-out in the region of the Western Balkans that is both cost-efficient and ensures the security of supply. The study is produced within the project called The future of lignite in the Western Balkans, implemented in 2020. As a reminder, the Western Balkans power system predominantly relies on lignite units where 90% are older than 30 years and 40% are even older than 40 years so there is an urgent need to revise their energy strategies.

The study shows that building new lignite plants is financially not viable under any form of carbon pricing and that a planned, gradual lignite phase-out based on wind and PV deployment across the WB-6 countries, regional power market integration, and limited investment in gas plants ensures the security of supply, said Risteska. Expanding renewables allows maintaining the region's power export position while relying on lignite would create an import dependency for the power sector. Investments in the case of a lignite exit through 2050 amount to around EUR 38-40 billion, twice the amount compared to when the countries extend the use of lignite. This level of investment activity in case of a lignite exit also indicates increased business activity, growth, and employment potential in the entire region of the Western Balkans, she added.

Boosting fact-based dialogue on energy planning in the energy transition

"Project's aim is to support a fact-based dialogue on the energy planning and policy environment of the energy transition in the Western Balkans and create a space for making inclusive alliances of local, national, and regional authorities with the end goal decarbonized power system of the entire Western Balkans," she said.

Activities under the project shall also add to the EU's Green Agenda for the Western Balkans by informing the debate on two key aspects of the process:

- financing the coal-to-clean transition and
- the technical feasibility of an accelerated coal phase-out while being mindful of the risk of stranded assets from countries building additional gas infrastructure that risks another fossil-fuel lock-in.

"We will concretely show what a Western Balkan power system that does not use fossil fuels can look like. We will also support WB-6 decision-makers by translating into the local context different EU policy initiatives, for example, the expected proposal of the European

Commission for introducing a carbon border adjustment mechanism that puts a price on CO₂-intense power exports from the region to the EU countries,” said a representative of one of the leading think tanks on energy transition in Europe.

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