

South East Europe Regional Consultation Meeting

IRENA – Ministry of Energy of Romania

SUMMARY REPORT

23 October 2016

BACKGROUND

As part of IRENA's engagement in South East Europe, a regional consultation meeting was held in Bucharest, Romania, 6-7 October 2016. The meeting gathered members of the Energy Community (Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Kosovo¹, Moldova, Montenegro, and Serbia) as well as the European Union (EU) member countries (Bulgaria, Croatia, Romania and Slovenia).

IRENA recently initiated a region-wide exercise to formulate a strategic regional approach. As an initial step, the Agency is conducting a regional gap analysis study to identify and analyse the major obstacles hindering more accelerated renewable energy deployment in the region and map out the current and planned programmes implemented by development partners to support uptake of renewables in South East Europe. The outcomes of this study will help IRENA, in close collaboration with the governments and key stakeholders, elaborate an Action Plan customized to the specific needs and priorities of the region, which will be built upon and complement the existing and planned work on the ground to maximize its added value in supporting renewable energy development in SEE.

This process is being synchronized with the Agency's ongoing analytical study on the assessment of the technical potential for cost-effective renewable energy generation. The preliminary findings of this exercise have been already discussed at the joint IRENA/Energy Community workshop on cost-effective renewable energy in SEE, which was held in March 2016 in Vienna, Austria.

OBJECTIVES OF THE MEETING

The aim of the meeting was to discuss the main findings of the regional gap analysis study, receive feedback from participants on the needs and priorities of the region in further development of the renewable energy sector, and exchange views on IRENA's potential role in supporting uptake of renewables in the region. The workshop also allowed for an improved understanding on the key aspects of renewable energy, its socio-economic benefits, target setting and support schemes with presentations on best practices from the region and across the globe.

¹ All references to Kosovo in this report should be understood to be in the context of United Nations Security Council resolution 1244 (1999).

SUMMARY OF THE WORKSHOP

Participation

The meeting gathered more than 40 representatives from 11 countries of the region, including governments (Albania, Bulgaria, Croatia, Kosovo, Romania, Serbia, Slovenia); regulators (Bosnia and Herzegovina, FYR of Macedonia, Kosovo, Moldova, Montenegro, Romania); Transmission System Operators (Bulgaria, Romania, Serbia); International Organizations (Energy Charter, Energy Regulators Regional Association, Council of European Energy Regulators); Development Partners (EBRD, GIZ, KfW, French government); and Industry (Romanian Renewable Energy Association, ENEL Romania).

Presentations and discussion

Opening Session

The workshop was opened by Corina Popescu, Secretary of State of the Ministry of Energy of Romania who stressed that Romania has developed almost 5,000 MW of renewable energy capacity in a short period of time, thereby meeting its 2020 renewable energy target ahead of time. The experience gained through this expansion will allow Romania to contribute to creating new frameworks for renewables up to 2030, in line with the expected new European Union Directive on Renewable Energy. Ms. Popescu also emphasized the importance of the meeting which will benefit all South East European countries by enabling discussions on lessons learned and by examining the experiences of other partners. In addition, Gurbuz Gonul, Senior Programme Officer- Regions informed about IRENA's effort to scale up its engagement with the region and expected finalization of the Action Plan which will frame a strategic approach customized to the needs of South East Europe.

The Opening session was complemented with the presentations of:

- GIZ – on programme “Capacity Development for Climate Policy in the Western Balkan, Central and Eastern Europe and Central Asia (Phase II)”, which provided support for IRENA's current work in SEE.
- IRENA – on initial findings of the upcoming publication on the cost-effective renewable energy potential in the region.

Session II: Opportunities and Challenges in RE Deployment in the Region

The main findings of the SEE gap analysis study has been presented by Katarina Uherova Hasbani (IRENA's consultant), including the results of the survey on needs of South East Europe conducted among all the relevant partners in the region. Three key areas of capacity building needs were identified : i) explaining wider benefits of renewable energy; ii) adapting support schemes; iii) streamlining administrative barriers. The presentation was followed by the country interventions based on the pre-agreed presentation structure. The country representatives informed about: i) current status of renewables development; ii) challenges in deployment of renewables; iii) opportunities from the uptake of renewables; iv) expected future developments in the frameworks for renewables; v) potential areas of required support. In terms of the challenges and potential of required support, several presenters referred to the following aspects:

- Designing of adequate RE support schemes (more market based, in line with the EU requirements);
- Elaboration of RE supportive frameworks in the horizon up to 2030 (including revision of the National Renewable Energy Action Plans);

- Insufficient expertise on biomass statistics;
- Integration of renewables with the energy market;
- Limited administrative capacities;
- Adverse social consequences of renewables (impact on electricity bills);

In addition, the challenges related to achievement of 2020 RE targets in Slovenia have been mentioned: energy efficiency measures lead to decline of RE share in heating and cooling sector (H&C) and Natura 2000 programme constitutes a significant barrier for exploitation of hydro potential.

Session III: Mapping the RE Support in the Region

An overview of the engagement of development partners in renewable energy in South East Europe was presented by Katarina Uherova Hasbani who conducted a research within a framework of the gap analysis study. The most active are the European Investment Bank, the European Commission, GIZ, EBRD and the World Bank but there is also a potential interest of new partners, e.g. Swedish International Development Cooperation Agency. However, it is very common to provide specific country support (mostly to Serbia and Bosnia and Herzegovina) instead of regional approach. Moreover, a systemic and year-on-year analysis of regional RE market is missing and data sharing between development partners and initiatives is very limited. Sometimes it is also difficult for them to find available projects in the region (except hydro).

The Energy Community is perceived as the crucial actor in the region and the Renewable Energy Coordination Group (RECG), established within its frameworks, appears to be the most relevant regional forum for discussion on the ways to accelerate uptake of renewables. The RECG may benefit from IRENA expertise since technical support is needed to implement RECG work programme. In addition, IRENA could fill a gap in RE technical assistance in the region, in particular in: i) shaping renewable energy debate; ii) serving as a knowledge hub, gathering data, analyzing trends and disseminating technical and technology expertise; iii) advising for regional collaboration on the topic of renewable energy, complementary to the activities of the Energy Community

The presentation was followed by an intervention of the Energy Charter on its role in the region, and by a roundtable discussion of the development partners, including EBRD, GIZ, KfW and Energy Regulators Regional Association. The following points have been raised:

- IRENA could take a role of a coordinator of region-wide support for renewables, in a close collaboration with the Energy Community and national partners to avoid duplication of work on the ground;
- Dissemination of up-to-date information/knowledge/best practices and raising awareness of the benefits of renewables shall be at the centre of IRENA's engagement in the region. In addition, IRENA could provide capacity building trainings, including for local governments, and assist countries in preparation of RE frameworks for the perspective up to 2030;
- European Bank for Reconstruction and Development could consider collaboration with IRENA in providing capacity building trainings, in particular in developing auction-based support schemes for renewables;
- An expected preparation of a regional hydro-power master plan (financed by the European Commission) is assumed to improve outdated data on hydro potential in the region. IRENA could consider its participation in this initiative;

- The regional market could be conducive to further deployment of renewables but currently the countries are “in isolation” and there is a lack of cross-border electricity trade in the region. The construction of 2020 RE targets, however, does not provide a sufficient incentive to develop more regional approach in promoting renewables;
- Long-term financing will remain a bottleneck since a private banks cannot provide financing for renewables in the region. Therefore, the development banks will continue to play an important role in this sector;
- The development banks tend to support larger RE projects (above 5MW) given the high cost of due diligence and project preparation procedures. In case of small hydro power plants it is recommended to group several of them in a programme.

Session IV: Identifying Priority Actions

With a view to identifying key components of the Action Plan, the session was structured in four sub-sessions: i) resource assessment; ii) integration of variable renewable sources; iii) enabling frameworks; iv) access to finance. The representatives of IRENA provided introductory remarks and referred to IRENA initiatives, including: Global Atlas, Renewable Readiness Assessment, grid integration studies, Global Geothermal Alliance, Project Navigator, Sustainable Energy Marketplace, and IRENA/ADFD project facility. The following points have been raised during the discussion:

- The results of the suitability analysis should be presented to the high-level politicians/ministers of the region (UNECE, Energy Community, other fora) to raise awareness on significant cost-effective RE potential in the region that shall be considered;
- The suitability analysis for solar PV and wind provide valuable information on resource potential. Data from Global Atlas, however, is not considered sufficient for banks and still a measurement on ground is necessary to get financing. In addition there may be differences between resource potential data of IRENA and those available in the region (e.g. solar irradiation in Albania). In addition, lack of reliable resource data is not seen a major barrier for further deployment of renewables;
- Support is required in the development of statistic capacities. The region needs reliable data, in particular in bioenergy sector, to develop the right policies. IRENA support would be recommended to ensure accuracy in data collection. It has been noted that countries like Montenegro and Bosnia and Herzegovina have overachieved their 2020 RE targets through adjustment of historic biomass consumption data;
- The region is aware of the barriers and recommended solutions. There is, however, lack of expertise on how to move forward and implement the recommendations. Moreover, the countries differ significantly in terms of their administrative procedures and it would be challenging to launch any regional initiative aiming at simplifying these procedures. In the past the Energy Community tried to facilitate some harmonization steps in this regard but no viable solution has been found;
- The heat pumps are very popular source of energy in Albania and expertise is required to make an assessment of how to differentiate heat production and final energy input required to drive the heat pumps. It would allow Albania to be in line with the provisions of the EU Renewable Energy Directive and develop a country-wide support programme for heat pumps.
- The current discussion on renewables in the region should also be focused more on the R&D and opportunities for the countries;

- Only a few countries in the region have so far experienced challenges related to the grid integration of variable renewable energy sources (e.g. Romania, Bulgaria). The countries are already supported, to some extent, by the European Network of Transmission System Operators for Electricity (ENTSO-E). To ensure grid stability in Romania, balancing obligations have been introduced for renewables (above 5 MW) and all the renewable electricity is required to be sold on the market. Furthermore, it is believed that market coupling is an optimal model for European energy market (contrary to capacity markets);

Session V: Renewable Energy Target Setting and Support Schemes (Auctions)

The scene-setting presentation delivered by Arslan Khalid provided an overview of IRENA's work in the field of RE target setting and design of auctions and was followed by an intervention of a representative of the Council of European Energy Regulators (CEER) who provided the insights of the latest CEER's *Report on key support elements of RES: moving towards market integration*. The report is a detailed analysis of the key aspects of operational support schemes for RES across the EU, including: i) administrative & competitive procedures for determining levels of RES support; ii) support mechanisms to enhance the market integration of RES; iii) case studies from MS having already adapted support schemes elements in line with EEAG. Moreover, Croatia and Moldova presented their experiences in designing market-based support schemes. The following points have been raised during the discussion:

- The Energy Community countries need clarification on how the new 2030 targets for renewables will be set. There is belief, however, that it should be a national-driven process;
- A competitive setting in a country is necessary to make sure that the auctions will bring an additional value. Since South East Europe is a region with limited competition in the energy markets and at early stage of RE development, there are concerns about the auction scheme being a suitable model. FIT is more convenient solution for an investor and allow to develop a market. In particular for small producers, FIT shall be maintained;
- The success of auctions depends not only on the low level of the offered prices but on actual implementation of the projects as well. Moreover, a full transparency on the criteria and schedule of the auctions has to be ensured;
- The cost of RE support schemes is perceived in the region as a financial burden on consumers;
- Political instability, frequent changes of governments, lack of sufficient expertise in the governments, strong opposition of the incumbent actors of the energy markets (e.g. influential small hydropower industry in Albania) – these are reported reasons of inadequate frameworks for non-hydro renewables in the region.
- Size of the market is important to attract the investors and increase competition;
- The auction could be technology specific.

Session VI: Socio-Economic Benefits of Renewable Energy

A presentation of Arslan Khalid on IRENA's work related to socio-economic benefits and RE jobs was followed by an intervention of Ms. Elena Popescu, Director General in the Ministry of Energy of Romania, who discussed positive and negative experiences of Romania. Ms. Popescu underlined that the region needs to ensure an energy transition in an affordable manner and maintain a diversified energy mix to ensure energy security. The creation of RE-related jobs has been indicated as an important element of further deployment of renewables in the region. Ms. Popescu added that

regional collaboration with IRENA could be focused on the following challenges: i) grid security, ii) affordability of renewables, iii) storage for further development of solar PV and wind. The session was concluded with a presentation of GIZ on development of a sustainable bioenergy project in Serbia, implemented in close collaboration with local authorities and leads to significant reduction of emissions.

OUTCOMES:

The participants of the regional consultation meeting welcomed IRENA's aim to scale up its presence in South East Europe and provided valuable feedback on the needs and priorities of the region in further deployment of the renewable energy sector. IRENA also validated the findings of the regional analysis study which will constitute a basis for elaboration of the regional engagement Action Plan.