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Green Topics in the Western Balkans

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EXECUTIVE SUMMARY

The six West Balkan (WB) countries are faced with severe problems on their EU path with regards to energy transition and environmental protection. The environment has never been placed on the agenda of party elites and political authorities. A conscious political decision is that the environment does not matter politically, and all environmental problems derive therefrom. Political marginalization of environmental issues is reflected in the latest EU strategy for the Western Balkans. The strategy fails to address the environment, even though it is considered one of the core areas for the EU. This will considerably undermine our future efforts to make environmental concerns political priorities in our countries, given the role of the EU and relevance of the requirements of the accession process for national agenda-setting.

The aim of this document is to stress some of the key **problems** which the WB countries are facing with regards to the energy transition and environmental protection and to provide **recommendations** for improvement to decision makers. The document is a result of collaboration of the Heinrich Böll Foundation Offices in Belgrade and Sarajevo, and leading civil society organisations in the respective fields in the WB region. In order to make a comprehensive overview and for the sake of clarity, three relevant topics are discussed in the document. These topics are considered amongst the most important when discussing the energy transition and environmental protection issues. Every topic is followed by a problem statement and description, along with policy recommendations.

Topic #1 Clean Mind emphasizes the ways in which the lack of decision makers awareness of EU climate policy and lack of strategic vision in line with sustainable development may lead to incomplete implementation and enforcement of existing legislation, and slow adaptation to the new EU requirements. Lack of knowledge and relevant expertise within public bodies causes misunderstanding among them (i.e. ministries) and wrong interpretation of EU policy. This in turn leads to the fact that the decision makers do not care about environmental/energy issues. The energy transition and environmental protection are often understood as a burden rather than a possibility for economic growth. Moreover, public companies which are still key players on the energy market do not consider the changing business environment as conditioned by the energy transition. Education, especially of newcomers, should be the top priority in order to strengthen capacities necessary to implement EU policies. The adoption of missing and harmonization of existing relevant laws, and most of all strict implementation of environmental laws remain crucial.

Topic #2 Clean Energy discusses the heavy reliance on fossil fuels evident in the fact that nine new thermal power plants are planned in the WB countries. This way of planning is closely related to the previously presented topic. As a consequence, the decision makers grant substantial amounts of public budgets for subsidizing the usage of fossil fuel, leading to CO₂ emission and increased abatement costs. In addition, this makes the implementation of EU policy and goals impossible. In general, transition towards renewable energy is very slow in the WB countries, and the region is perceived as unfriendly for investments in renewable energy projects with unsatisfactory level of local community engagement. Current business models do not include the local community engagement, neither in the decision making process, nor in the investment phase. This very often results in disputes and hinders project implementation. Community based models, such as energy cooperatives, are one of the most applicable business models to overcome this issue. In addition, new business models bring new technologies which create green jobs and enable circular economy.

Topic #3 Clean Air highlights the problems related to air quality as generally one of the most discussed environmental issues in all WB countries. Ambient air quality represents a significant issue caused by extensive usage of fossil fuels, a high share of relatively old vehicles, and poorly developed public transportation. In addition, the indoor air quality requirements have to be discussed, since both of these together have severe impacts on the environment and health. Large companies often exceed emission limits and are *justified* in so doing due to their employment role in the community. Energy efficiency is considered one of the most important measures to fight air pollution, which is very much linked to the rule of law and often represents an expensive but effective measure in the long run. Priority should also be given to lower emissions of air pollutants from industrial, traffic and residential sources. Therefore, action plans at local level should be developed to achieve win-win solutions (e.g. air pollution reduction and employment). In addition to energy efficiency, public transportation remains a great challenge that strongly contributes to better air quality, and at the same time improves the quality of life in general.

TOPIC #1: CLEAN MIND

Problem statement: Lack of awareness on EU climate policy of decision makers and lack of strategic vision in line with sustainable development

Problem description: The governments consider this matter as a topic within the competence of environment ministries exclusively. This indicates a lack of understanding of economic development, as the relevant ministries are not aware of EU climate policy mechanisms, such as the EU ETS, and funds for climate change mitigation and adaptation. The majority of regional decision makers consider EU climate policy as a threat to the traditional economy (especially to the coal sector) as opposed to an opportunity for sustainable development.

The majority of decision makers in the WB countries consider EU climate policy an environmental protection issue solely. Climate change is only a tiny part of numerous environmental issues being neglected by Governments in the region. Governments considered this topic to be the environment ministry purview. This indicates a lack of understanding of economic development, as the Ministry is not aware of EU climate policy mechanisms such as the EU ETS¹ and funds for climate change mitigation and adaptation.

Such a lack of knowledge often leads to neglecting the contribution and responsibility of all other sectors affecting the issue. Carriers of power and energy users (construction industry, industry in general, and traffic), often do not understand what energy efficiency stands for exactly; it is not clear that energy efficiency is the conversion of purchased energy to the energy service market. There is no awareness that even minute organizational and technical measures can achieve significant financial effects and that investment return time is very short – from several years to several months. There is no accepted definition of the problem with energy poverty and no strategy on how to deal with it. For instance, energy poverty in Montenegro is often equalled with social vulnerability, without any plan or document tackling solely this phenomenon.

The consequence of the above is a lack of cooperation and communication between different sectorial ministries (energy, agriculture, forestry, water management, spatial planning, environment, tourism, etc.), and development of strategies, plans and programs without taking into account an inter-sectorial approach. The countries do not have a legal framework which enables introductory climate policy mechanisms such as carbon pricing, funding of climate change adaptation

1 Emission Trading Scheme

(flood protection, fire protection, irrigation systems etc.). The existing feed-in tariffs for renewable electricity generation are not climate sensitive, meaning these tariffs do not include climate mitigation and/or adaptation impacts. Some countries have introduced energy labelling on household appliances, however activities on the promotion of energy labelling benefits are very rare. Green procurement is not introduced, and there is no inter-sectorial approach to climate change issues.

Moreover, such an approach has resulted in the implementation of various projects in the region, predominantly for small HPPs² located in protected areas, national parks, nature parks, etc. in violation of laws in effect. The reason was mostly the non-existence of spatial planning documentation, or its inadequate development, and even not taking into account relevant strategies, plans, and legislative requirements. Strategic Environmental Assessment (SEA) was done for some of the projects/programs but mainly to satisfy the procedures imposed by the legislation. The SEA should prevent illegal construction in the first place, as one of the strongest pressures faced in the urban areas.

Doing business in a rapidly changing environment, which the energy transition towards clean energy will definitely impose, will ask companies to change working habits and find new niches. Further liberalisation of the energy market will allow the penetration of various international companies into the market, and only flexible companies with diversified services will be able to respond to the market demand. In the WB countries, large public utility companies (power and gas) have no plan to adapt their business model to the upcoming market circumstances³. The majority of public enterprises and utility companies do not have the strategic vision of development in compliance with relevant EU policies. They keep applying the same planning methodology as in the past, many not switching to a market economy. These companies remain typical energy supply companies without diversifying their services. Such behaviour could have dramatic consequences in terms of market and financial loss, but can also lead to social problems due to job loss (in the long run). For this reason, their energy is not competitive and affordable to some citizens, and compels them to use dirty alternative fuels for heating. This causes severe air pollution in some urban areas. Moreover, state strategies (e.g. BiH's draft Energy Strategy) do not consider future trends in the energy sector and consider sustainable development in a superficial manner.

Recommendations: It is of utmost importance to launch strategic educational programs for youth (future decision makers) and strengthen their competences on EU climate policy and especially on cooperation mechanisms between the EU and neighbouring countries. Furthermore, education of utility companies on EU strategic vision in their fields of work is essential. It should involve promotion of opportunities for new activities of utility companies in order to keep jobs and diversify risks.

² Hydro Power Plant

³ For instance, EMB – Energie Mark Brandenburg GmbH from Germany, once a gas supplier, today sells electricity and provides energy services to its clients, besides gas supply.

Compliance with environmental obligations is one of the most important set of obligations the countries must fulfil in the process of joining the European Union. This requires deployment of significant human and material resources. Enforcement of the legal framework is essential for the success of energy efficiency improvement. Strategic Environmental Assessment (SEA) should enable planners and decision makers to foresee the effects of their policies, plans and programmes on the environment and evaluate the interlinkage with the economy and society.

First of all, the existing strategies should be implemented, and the new ones should be realistic, harmonized, and comprehensive, taking into account all existing and relevant studies, projects, plans, etc. Such strategies need to be properly enforced. Creation and adoption of climate change mitigation, and harmonization of legal framework and capacities in order to utilize international funds for climate remain a challenge. The work on the Paris Agreement should be started as soon as possible, including the development of Strategic Energy and Climate Action Plans (SECAP). Supporting mechanisms should be improved to stimulate resource efficiency, introduction of energy labelling, and green procurement.

Other recommendations are listed below:

- Establishment of institutional system and capacities for monitoring, reporting and verification of greenhouse gas emissions
- Monitoring the implementation of NDCs (National Determined Contributions).
- Harmonization of spatial planning documents on various levels in the country(ies);
- Strengthening cooperation and collaboration on all management levels to improve strategic planning, and create comprehensive investment policies to enable its efficient implementation;
- Conduct procedures of SEA in a proper way, and timely (for any plan, program, legislative act, or similar), to ensure a quality background for future projects and assessments of their environmental impacts (EIAs);
- For relevant countries, it is necessary to sign and ratify the Protocols under the LRTAP (Long-Range Transboundary Air Pollution) Convention;
- Stimulate the introduction of a system of energy management in the economy and households, through appropriate projects in the region, including comprehensive education.
- Environmental protection should be given high priority within future EU Strategies for the Western Balkans

TOPIC #2: CLEAN ENERGY

Problem statement: Continued dependence on fossil fuels and low deployment of renewable energy

Problem description: At least 9 (nine) new lignite power plants are being planned in WB countries (except in Albania). Apart from adverse environmental and health impacts, it poses the following problems:

1. CO₂ emissions – ETS (Emission Trading Scheme) Directive

Although ETS has not yet been adopted by the Energy Community, the WB countries will need to enforce it as soon as they enter the EU.

2. Increased costs

Environmental standards are becoming stricter and more demanding, which will lead to additional costs for pollution control equipment. In addition, once the ETS is applied, significant additional operating costs in the form of emissions allowances will impact the electricity price and sustainability of power plants. The plans for most of the new coal plants were made when the situation was quite different and failed to take into account the massive changes in the electricity sector that have happened since. Taking CO₂ payments and technology improvements into account, it is highly unlikely that any of the plants are economically feasible.

The countries are attempting to solve problems in power generation sectors through increased coal production by subsidizing coal mines. In many cases, concessions for exploitation of coal are not paid, while conversely, concessions for renewables are paid almost regularly (even concessions for wind are required). In BiH, there were cases when years-of-service contributions for coal miners were paid from public budgets. Due to such subsidising, the price of coal for power generation becomes much cheaper for other consumers (industry, district heating etc.), and the expansion of natural gas networks is supported by public budgets without any requirement of energy efficiency by new users. This results in useless infrastructure, with the coal mine sector paying just a minor part of external costs (e.g. part of costs for air pollution and land damages).

Liberalization of the energy market (electricity and natural gas) is one of the main requirements of the Energy Community Treaty. Some progress has been achieved, especially in the electricity sector; however, this progress has been slow in the last several years (especially in Bosnia and Herzegovina). The consequences are the subsidizing of electricity generated from fossil fuel, which is the main barrier to higher penetration of renewables and the increase of energy efficiency (due to low price of electricity for final users). In the natural gas sector, the consequence is the relatively high price of natural gas and very limited development of the network, while public companies maintain concessions for new power plants in non-transparent processes.

Although it does not seem so, with the lack of spatial planning and rather easy concessions procedure, investing in renewable energy projects in the region is both a very protracted and tiresome process. The reason, especially in Bosnia and Herzegovina, is a complex administrative permitting procedure. It is estimated the investor needs to obtain approximately 50 different permits, at different administrative levels. Permitting procedures are usually conditioned, one permit being a precondition for another one; and moreover, permitting procedures are not always clear, requiring investors to revisit authorised institutions several times. The permitting process lasts up to 3 years. In addition, the supporting schemes set in place in all WB countries, especially feed-in tariffs, favour private investors and do not provide any privileges for community thus hindering wider deployment of renewable energy.

The energy transition in WB countries towards renewable energy is severely hindered, sometimes stopped, due to non-acceptance of projects by the local community. The current investment model, strongly supported by international financing institutions, prefers privately owned investors, which are very often closely linked to ruling political parties. Rarely do the local communities get engaged in the decision-making process, or have an opportunity to invest, and thus receive financial benefits from the project. Poor local community engagement has led to a significant number of projects which were subject to disputes and faced severe problems in project implementation or were abandoned. As a rule, community's interests and public participation in decision-making processes are all but being neglected, as is very often highlighted in local communities protesting against the construction of small hydroelectric plants. In many places local communities have resorted to patrols and vigils in order to keep construction companies away from their resources (e.g. rivers).

Recommendations: Preparation of a plan for gradual reduction of subsidies for energy is necessary. In parallel, preparation of back stop technologies for creation of jobs which will be lost in the traditional energy sector should be initiated. Establishment of supporting mechanisms for energy efficiency should be initiated in order to make energy bills affordable to the citizens. Promotion of an electricity market for final users should be initiated.

The local communities ask for collaborative decision-making, opportunities for employment, involvement in management and/or ownership, building mutual trust, and risk sharing. These aspects act as enabling conditions for local acceptance of the RES projects, as they allow for the community to identify with the project (energy cooperatives are one of the most applicable business models to overcome this issue). Active involvement of the public (civil societies, citizens, interested NGOs, etc.) in all phases of the project development and implementation means not only informing them about the activities, and the process, but talking to them, analysing their comments and feedbacks, and elaborating on the reasons for any rejections.

Given the current popularity of energy-efficiency projects in the WB, all this potential should be used to guide the strategic approach to planning and implementation of other innovative initiatives observing novel approaches to design, construction works, production of building materials and elements, monitoring and certification, waste management, clean technologies – an interdisciplinary approach which would create the conditions to open many new, green jobs throughout the region. Unemployment, as a huge problem in the whole region, can be resolved through a strategic approach to the sector of energy efficacy by recognition of this sector not only as a social but as a very big economy driven sector. This sector is the one that can create the so-called green jobs through engagement of existing unemployed labour force (local experts and engineers, building companies, local producers of the required construction materials, farmers). It is necessary to develop local potentials, especially local clean and sustainable production through utilization of local natural, sustainable raw materials such as wood, wool, clay, lime, straw, and other construction waste materials that, aside from a thermal effect, have a strong impact on the protection of environment, reduction of CO₂, rural development, agriculture development, employment, provision of healthier and quality living conditions.

Other recommendations are listed below:

- Establish cooperating mechanisms in accordance with the Directive on the promotion of the use of energy from renewable sources (2009/28/EC);
- Introducing feed-in premium incentives as soon as possible;
- More transparent permitting procedures;
- Providing assistance for and education of investors on the procedures and necessary steps to be able to invest into renewable energy projects;
- Application of recommendations set by the Energy Community Secretariat on energy poverty.

TOPIC #3: CLEAN AIR

Problem statement: Poor air quality and inadequate air quality management

Problem description: In the countries of the Western Balkans, air quality depends on several factors. One of the impact factors is the intense usage of fossil fuels (primarily poor quality coal with significant sulphur content) for industrial purposes, for energy purposes, and for household heating purposes. Continually, the usage of other solid fuels (primarily wood) for heating of households significantly impacts the air quality in the cities. High unemployment rate and low social standard is one of the causes for inappropriate heating in households. People are forced to buy cheap, low-calorific fuel for home heating; this has a significant influence on air quality. In addition, one of the problems that affect air quality is the lack of inspection, and the lack of implementation of emission reduction measures.

One of the most significant factors impacting the air quality is low traffic development caused by:

- Underdeveloped public transport,
- Average vehicle age of 10–15 years, which do not meet the EU emission standards, and
- Low development of rail transport (with a very low priority).

Air quality management in most WB countries is typically scaled down to individual measurements of air quality, without any statistical data processing and analysis, including research which differs from country to country. Essential PM⁴ source apportionment studies have never been done in the region. The large amount of data that is used should be replaced by a management system model using tools necessary for emission inventories, for instance. There is no unique air quality management model in the region, which introduces indicators enabling the comparison between different cities and monitoring the effects of the measures taken.

In addition to all challenges, poor Indoor Air Quality (IAQ) presents one of the major problems in the region as well. Polluted outdoor air has more than 50 % influence on the IAQ. The fact that humans today spend more than 85 % of their time inside buildings requires focus also on the IAQ.

Recommendations: Large combustion plants have to implement all feasible techno-economic measures to reduce emission into air (e.g. investments in desulphurization). Given the energy efficiency sector's enormous potential for comprehensive and sustainable socio-economic growth of the country, its development must be approached strategically. Long-term aim must ensure optimal ventilation and recuperation systems with prioritisation of the use of materials that remain non-toxic throughout their lifecycle for the optimization of the IAQ. Quality of stoves is a very important component of the IAQ as well.

Every area with evidently poor air quality has to conduct measures depending on local circumstances and causers. Some measures are solely applicable for a single city/municipality while others are uniformly applicable. Therefore, it is necessary to develop air quality protection action plans for all affected areas. The action plans have to be conceived in a way so as to make their implementation possible and to create win-win outcomes as much as possible, e.g. to implement measures which reduce air pollution and contribute to employment (such as energy efficiency in households, expansion of district heating, deployment of renewable energy, improving of mobility etc.). In terms of mobility, the projects related to increased transport effectiveness should be prioritized rather than building new roads, parking lots etc. From the other side, action plans have to enable local authorities and authorities at other levels to establish an efficient system of air quality management. The system has to be efficient and effective especially during episodes of poor air quality. In addition, it has to enable the achievement of long-term goals regarding air quality. Moreover, such plans should contribute to a greater accountability of relevant authorities when it comes to air quality.

- Establishment of an outdoor and indoor air quality management system
- Establishment and maintenance of air quality monitoring system (including reporting, data gathering, statistical processing, validation and verification)
- Education of representatives of local communities, relevant ministries, inspection and others
- Methods for determining current air quality
- Determination of the degree of impact of certain activities on air quality at local level
- Implementation plan, including annual monitoring and assessment of air quality upon the realization of the plan.