



CLEAN ENERGY FOR THE WESTERN BALKANS

EU CONTRIBUTION IN BRIEF



€140 MILLION FUNDING PLEDGED¹



€1 BILLION INVESTMENTS SUPPORTED (EST.)



850 KT CO₂/YEAR IN EMISSION SAVINGS = 1 YEAR OF MONTENEGRO'S CAR FLEET EMISSIONS



190 KTOE/ YEAR PRIMARY ENERGY SAVINGS = 1 VLCC TANKER



148 MW NEW RE GENERATION CAPACITY = 1/2 STANARI TPP CAPACITY



40 NEW GREEN BANKS IN THE WESTERN BALKANS

¹ Contributions to the Western Balkans in 2007 - 2016 plus 2019 allocations.

OVERVIEW

The Western Balkans are still handling the transition of their energy sectors towards open and regionally integrated energy markets. They must at the same time start de-carbonising their energy sector. Large untapped potential for both energy efficiency and renewable energy in the region are key assets in the process. They can not only bring direct economic benefit, but also address energy security, import dependency, and climate and health concerns. Raising awareness of the benefits of energy efficiency and encouraging reform to support investment in energy efficiency and renewable energy are essential to harvest this potential.

The European Commission, international financial institutions and donors have all contributed to development of clean energy in the region with sizeable results already. Much more remains to be done to attain EU standards, and the European Commission is increasing its commitment with an additional pledge of €30 million to the REEP Programmes in 2019, a successful regional initiative it has supported from its creation. This pledge will further promote investment in highly energy efficient residential dwellings and deep energy efficiency refurbishments of public buildings and bring the contribution of the European Commission to the REEP Programmes to approximately €80 million.

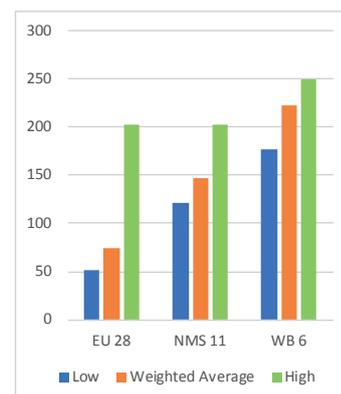
THE CASE FOR GREEN ENERGY IN THE WESTERN BALKANS

The Western Balkans emerged from the socialist era with energy intensive economies and power systems heavily reliant on fossil fuels. Energy intensity significant declined over the past 15 years but the region remains 3 times more energy intensive than the EU28. Renewable energy accounts for approximately 30% of consumption and consist mostly of socialist- era large hydro facilities and biomass.

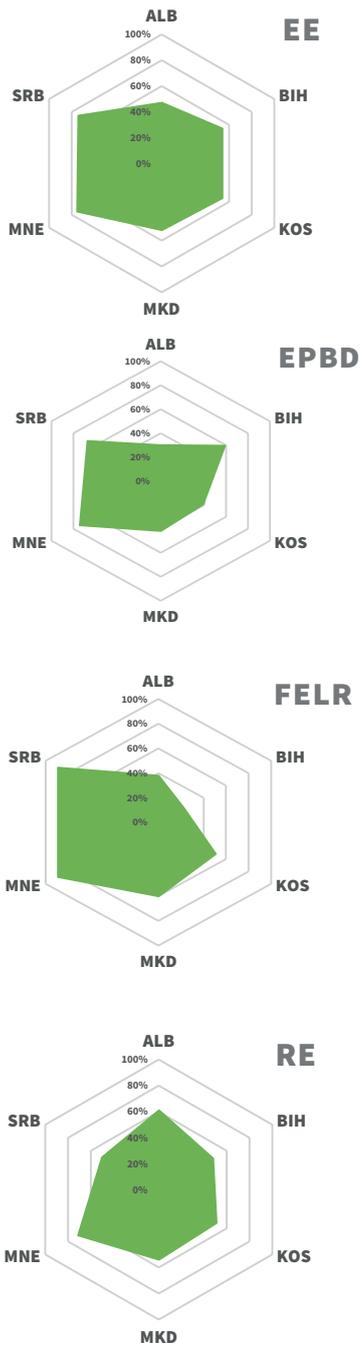
Estimates point to potential energy savings in the Western Balkans of 10-35% for households, 35-40% in the Public sector, or 10-30% in Industry and Services. Plans for 3.4 GW of new RES power generation capacity (excl. hydro) have to be seen in the perspective of a 12 GW potential for wind alone under positive circumstances.

Delivering such potential would have a significant impact on trade balances and public and household budgets; enhancing energy security, improving critical levels of air pollution, protecting against necessary energy tariffs adjustments and contributing to economic growth.

ENERGY INTENSITY OF THE ECONOMY



IMPLEMENTATION STATUS



As of September 2018.

Legend

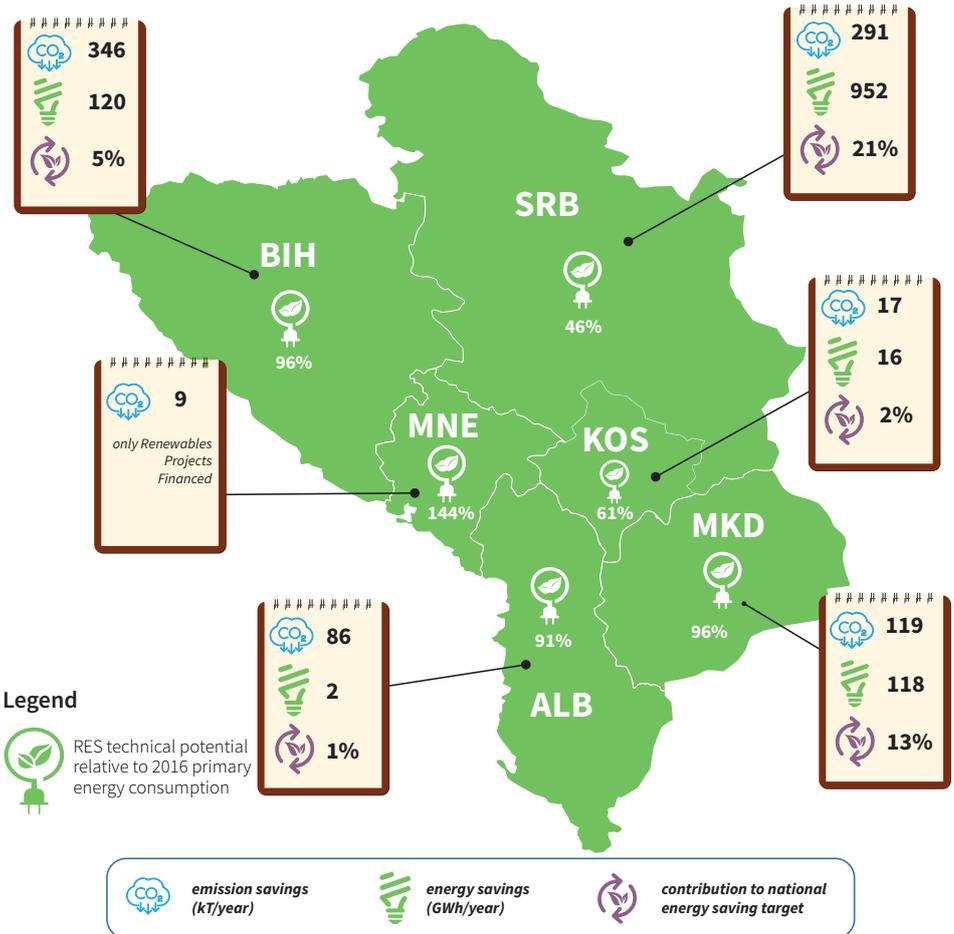
EE: Overall implementation ratio / Energy Efficiency

EPBD: Implementation Ratio / Building Sector

FELR: Implementation Ratio / Labelling

RE: Overall implementation ratio / Renewable Energy

EU CONTRIBUTION TO CLEAN ENERGY IN THE WESTERN BALKANS



REGULATORY FRAMEWORK: MOVING TOWARD ACQUIS IMPLEMENTATION

The Western Balkans are members of the Energy Community, which aims at extending the EU internal energy market to South East Europe. Since 2009, the Energy Community has worked to incorporate energy-efficiency-related EU directives into its legal framework in recognition of the contribution of energy efficiency towards sustainable energy:

- Energy Efficiency (**EED**-2012/27/EU, superseding the ESD-2006/32/EC);
- Energy Performance of buildings (**EPBD**-2010/31/EU); and
- Framework Energy Labelling Regulation (**FELR**-EU/2017/1369)

The **EED** seeks to cut energy consumption by 20% by 2020 with the Western Balkans' final energy consumption capped at 30 Mtoe, and further energy efficiency improvements after 2020. It calls for legally binding measures to step up efforts to use energy more efficiently at all stages of the energy chain, from production to consumption.

The **EPBD** sets minimum energy performance requirements for new and existing buildings. The **FELR** creates a framework for labelling and providing consumer information on energy consumption for energy-related products.

Implementation of these has made progress in the region but much work is still needed as implementation scores range between 30% and 60%. Progress is essential to ensure that the region can accelerate its transition towards cleaner energy and de-carbonisation.

POLICY IMPLEMENTATION: MAIN REGIONAL FINANCE FACILITIES

GREEN FOR GROWTH FUND (GGF)



GGF is the **first specialist fund focusing on energy efficiency (EE)**, renewable energy (RE) and resource efficiency in Southeast Europe, including Turkey, as well as in the nearby European Eastern Neighbourhood region and in the Middle East and North Africa (MENA). It provides financing and technical assistance to local financial institutions lending to enterprises and individuals undertaking green investments, as well as direct finance to eligible projects and entities.

GGF is a revolving fund structured as **public private partnership**. It was initiated in December 2009 by the KfW and the EIB. The **European Commission** contributed **€68.6 million** in risk capital and **€13.8 million** for technical assistance so far. GGF raises funds through instruments offering **varied risk/return** profiles. The EU subscribed to the highest risk instruments and increased the attractiveness of GGF to institutional and private investors. The fund is thus able to offer funding to local banks, ultimately **benefiting project promoters**, such as **SMEs, municipalities, and households**.



€ 482.6 million
Fund



€ 472.6 million
portfolio



Activity
72% EE
28% RE



Funding
79% Public
28% Private

REGIONAL ENERGY EFFICIENCY PROGRAMMES (REEP PROGRAMMES)



The REEP Programmes are an initiative launched in 2013 that blends **policy support** to the governments of the Western Balkans, **financing, technical assistance and incentives for banks**, and **incentives to borrowers** of 10 to 35% of loans depending on sector and scale of the investment.

Policy support activities aim at facilitating investment and focus on EPBD implementation, utility policies, and EE-specific public procurement – including ESCOs.

Financing activities include a €252 million credit facility to local banks for on-lending to smaller energy efficiency and renewable energy projects, and a €100 million direct financing facility targeting larger projects.

The European Commission is now working on an extension of the REEP Programmes which will further promote **investment in highly energy efficient residential dwellings** and **deep energy efficiency refurbishments of public buildings**. The contribution of the European Commission so far is €49.3 million and a further €30 million pledged for the Programmes' extension.



€ 420 million
Facility



Policy Dialogue:
EPBD
Utilities
ESCO



Private
Public
Residential

THE ENERGY DOCTOR

Milovan Kiperas makes part of his living as a landlord for tourist accommodation in the sunny town of Herceg Novi, Montenegro.

His properties were visited by the 'Energy Doctor', an energy advisor with an awareness raising campaign of the GGF partner financial institution Alter Modus. The campaign was supported by the GGF Technical Assistance Facility to educate clients about the benefits of energy efficiency and suggested measures that could improve the comfort of Mr Kiperas' rentals and reduce their energy bill, such as replacing the windows with high-quality double glazing that prevents warming in the summer and helps retain heat during winter.

Mr Kiperas followed the doctor's advice and replaced several doors and windows in the apartments he owns. After seeing the reduction in electricity and gas consumption he is planning additional investments to further improve his energy efficiency.

Benefits:

- Reduction of energy consumption
- Reduced reliance on heating and cooling
- Improved comfort and privacy for guests

Savings:

- 60% reduction of energy use and CO₂ emissions compared to previous doors/windows



“ Before, our electricity bills were twice as high. Following the (GGF) Energy Doctor's visit, we have been able to make significant savings. ”



GREEN FOR GROWTH FUND



REHABILITATION OF ZENICA CANTONAL HOSPITAL

The cantonal hospital of Zenica in Bosnia and Herzegovina was built about 60 years ago and it has never really been refurbished. The facilities aren't fit for purpose anymore, explains Dr Kasim Spahic, Assistant Director for Medical Affairs.

The upcoming works on the hospital are part of the EBRD's efforts, together with the EU and bilateral donors to work across the Western Balkans to cut energy use and CO₂ emissions.

It's a prime example of how REEP helps address the challenges of an old building stock and inefficient energy use. Across the hospital, staff are excited about the upcoming modernisation. "We're all well aware that it won't be without trouble to refurbish our hospital. After all these years, it's such a massive undertaking," a nurse says. "But we can't wait for it to happen both to make our patients' stays more comfortable and also for ourselves to have better working conditions."

Expected benefits:

- Better conditions for patients and hospital staff
- Greener environment due to emission cuts
- Prepared for flooding (climate change adaptation)

Expected savings:

- 60 % energy savings
- 80% less CO₂ emissions

“ We lack proper air-conditioning, heating and ventilation systems. Also, our windows and roof need to be replaced, so that we can save energy and costs. The list of things to do is long. ”

