

PROGRESS REPORT

INTEGRATED ENERGY AND CLIMATE PLANNING IN THE WESTERN BALKANS

September 2022



CAN

CLIMATE ACTION NETWORK

Europe

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Abbreviations

NECP – National Energy and Climate Plans
EnC – Energy Community
UNFCCC – United Nations Framework Convention on Climate Change
WAM – Scenario with additional measures
WEM – Scenario current measures
LULUCF – Land use, land use change, and forestry
PaMs – Policies and measures
GHG – Greenhouse gases
tCO₂eq – Tonnes of carbon dioxide equivalent
AFOLU – Agriculture, forestry and other land use
NDC – Nationally Determined Contribution
ETS – Emissions Trading System
MMR – Monitoring Mechanism Regulation
RES – Renewable energy sources
EE – Energy efficiency
TBUR – Third biennial update report
IPPU – Industrial processes and product use
WEO – World Energy Outlook
BAU – Business as usual
HPP – Hydro power plant
EEAG – Energy and environment aid guidelines

EXECUTIVE SUMMARY

The **National Energy and Climate Plans** need to address five dimensions of the Energy Union, including specific policies and measures for:

- decarbonisation (including renewable energy);
- energy efficiency;
- energy security;
- internal energy market; and
- research, innovation, and competitiveness.

Following the structure and process envisaged by the Governance Regulation ^{/1/} the National Energy and Climate Plans (NECPs) should cover the period between 2021 and 2030, encompassing the 2050 perspective, and act as a key tool for the strategic planning of energy and climate policies that would ensure alignment with the long-term related goals of the European Union, Paris Agreement and the Energy Community (EnC).

In order to align with EU climate and energy policies and reach climate neutrality by 2050, the contracting parties ^{/2/} to the Energy Community, like EU countries, are also required to prepare NECPs. **As all of the Western Balkans countries are contracting parties of the Energy Community Treaty, the preparation of such NECPs becomes imperative in order to reach the commitments stemming from the adoption of the Sofia Declaration on the Green Agenda for the Western Balkans, in November 2020.** The NECPs are aimed at getting countries to reach high enough energy and climate ambition by 2030 to pave the way for climate neutrality goals by mid-century.

There is limited progress in the integrated energy and climate planning in the Western Balkan region. Although there are operational working groups and modelling capacities for the development of NECPs in all Western Balkan countries, only Albania and North Macedonia managed to submit drafts and final versions of the NECPs to the Energy Community Secretariat, and neither managed to achieve the initially set timeline. These delays meant the plans were adopted retrospectively and implementation is lagging behind schedule. However, the progress so far established a good basis for the full transposition of the Governance Regulation, and provided multi-stakeholder engagement and coordination in all of the five dimensions of the energy union.

Only the Macedonian final NECP contained improvements on the recommendations received by the EnC Secretariat and connected with the 2050 outlook that needed to be added. Both the Albanian and Macedonian NECPs need to be revised and updated in order to reflect the recommendations received by the Secretariat, to integrate the SEA report findings and public consultations results, and to take into consideration the recent subsequent health, economic and energy crises. Concrete steps in this regard have not been taken.

This report provides a qualitative evaluation of the adopted NECPs focusing on 5 key segments: stated climate and energy ambition; consistency; credibility; transparency and regional aspects. Within the climate and energy segment, the energy and climate headline targets are evaluated, namely the greenhouse gas (GHG) emissions reduction, renewable energy and energy efficiency goals. With regards to the consistency, the conformity with the governance regulation, the coherence between the NECP and other policies and strategies, as well as the fossil fuels phase out compatibility is analysed. The credibility is assessed through the finance allocated for the achievement of the climate and energy target, the specific policies and measures, the social and environmental effects. In the transparency segment the effective public consultation and multi stakeholder engagement is evaluated. The regional approach is examining if the NECPs complement and where possible reinforce each other.

^{/1/} Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, which sets the common rules for integrated climate and energy planning, monitoring and reporting, ensuring alignment of the EU ambition with the obligations under the Paris Agreement.

^{/2/} Contracting party refers to members of the Energy Community, which have signed and ratified the Treaty Establishing the Energy Community.

The revised Albanian NECP needs to increase its ambition level, especially with regards to GHG reduction targets. It needs to further develop the existing and provide new policies and measures, harmonise with other strategic documents and better address the linkages between different dimensions. Many of the envisaged policies and measures are only on a policy level and their operationalisation, ways of securing appropriate funding and timelines are missing. Although Albania does not rely on coal as an energy source, the revised NECP should provide a clear pathway for phasing out all fossil fuel use and decoupling growth from emissions. The public consultations process needs to enable effective participation in the decision-making process. The environmental concerns raised by the SEA process also need to be addressed.

With regards to North Macedonia's NECP, although it presents ambitious climate and energy targets, the lack of a legal basis for it to have a binding character, the fact it is lagging behind in its adoption and the need to develop accompanying documents for the implementation of the envisaged PaMs, hinders the plausibility of achieving its targets. The coal phase out date envisaged in the document is only achievable if the revised NECP contains clear decommissioning plans for existing coal-powered plants, with exact timeline and financial resources secured. At the same time, many of the planned gas developments are not reflected in the emissions calculations. The development and consultation process of the NECP was exemplary, however it failed to result in a public consultation report showcasing this engagement. The revised NECP needs to integrate the outcomes of the consultation process, as well as the findings of the SEA report.

As the Governance Regulation foresees the submission of final NECPs by Contracting Parties in 2024 for the period of 2025-2030, Albania and North Macedonia will be requested to report on the basis of a revised level of ambition, in line with the 2030 targets on GHG emissions, energy efficiency and renewable energy adopted at Energy Community level in the upcoming Ministerial Council envisaged for December 2022.

The other contracting parties from the Western Balkans region will need to speed up their efforts when submitting their draft NECPs and align their ambition with the new energy and climate headline targets for the post-2020 period that are planned to be adopted by December 2022 on the basis of the European Commission's study "Extension of the EU energy and climate modelling capacity to include the Energy Community and its nine Contracting Parties" /3/.

As is evident from the already submitted NECPs, as well as the implications of the energy crisis that are affecting the region, it is of utmost importance that the revised and new NECPs tackle regional aspects of energy and climate planning more thoroughly, that the NECPs are developed with a coordinated approach and that opportunities for cross-border and regional cooperation are used to their full potential.

The working groups established by the contracting parties will need to improve the design of policies and measures that will meet the new GHG emissions reduction, energy efficiency and renewable energy targets adopted in December 2022. They will also need to make bigger efforts to enhance transparency and enable effective public participation in the development of the draft NECPs that will be submitted to the Energy Community Secretariat in June 2023. As Western Balkan countries are also obliged to implement and transpose the Governance Regulation by the end of 2022, Governments need to step up their work and efforts to develop fully compliant NECPs in a timely and inclusive process.

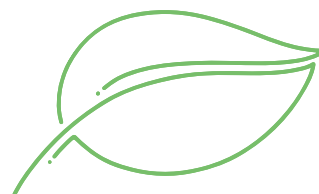
/3/ <https://ted.europa.eu/udl?uri=TED:NOTICE:142871-2020:TEXT:EN:HTML>

I. National Energy and Climate Plans in the Western Balkans

Working towards achieving the global climate goals set by the Paris Agreement, under the United Nations Framework Convention on Climate Change, and acting like a climate leader among developed countries by adopting ambitious 2030 climate and energy targets, EU countries have established a clear and legally binding framework to deliver these commitments. The National Energy and Climate Plans (hereafter: NECPs) were introduced by the Regulation on the Governance of the Energy Union and Climate Action in 2018 /4/, agreed as part of the Clean energy for all Europeans package, which was adopted in 2019 /5/, which was adopted in 2019. The NECPs aim to deliver specific energy efficiency, renewable energy development, and greenhouse gas emissions reduction goals, while at the same time addressing the interconnections, as well as research and innovation in energy and climate related policies and measures. These 10-year integrated plans provide the necessary coordination across all government sectors, but also the timely involvement and participation of many other stakeholders, which should result in a level of planning that will ease public and private investment /6/.

In order to align with EU climate and energy policies and reach climate neutrality by 2050, the contracting parties to the Energy Community, like EU countries, are also required to prepare NECPs. This requirement was first introduced with the adoption of the Recommendation 2018/01/MC-EnC by the Ministerial Council of the Energy Community in 2018, and then with the incorporation of the Regulation (EU) 2018/1999, or the Governance Regulation, in the Energy Community acquis at the Ministerial Council in November 2021. This placed a legally binding obligation on Contracting Parties to develop an NECP and to take due account of the recommendations from the Secretariat.

For the parties of the Energy Community in the region of the Western Balkans, the preparation of such NECPs becomes imperative after the adoption of the Sofia Declaration on the Green Agenda for the Western Balkans /7/, in November 2020.



The NECPs are aimed at getting countries to reach high enough energy and climate ambition by 2030 to pave the way for climate neutrality goals by mid-century.

Following the structure and process envisaged by the Governance Regulation, the NECPs need to address all five dimensions of the Energy Union, including specific policies and measures for:

- decarbonisation (including renewable energy);
- energy efficiency;
- energy security;
- internal energy market; and
- research, innovation, and competitiveness.

/4/ https://energy.ec.europa.eu/topics/energy-strategy/energy-union_en#regulation-on-the-governance-of-the-energy-union-and-climate-action

/5/ https://energy.ec.europa.eu/topics/energy-strategy/clean-energy-all-europeans-package_en

/6/ https://ec.europa.eu/info/energy-climate-change-environment/implementation-eu-countries/energy-and-climate-governance-and-reporting/national-energy-and-climate-plans_en

/7/ Available at <https://www.rcc.int/docs/546/sofia-declaration-on-the-green-agenda-for-the-western-balkans-rn>.

The NECPs should cover the period between 2021 and 2030, encompassing the 2050 perspective, and act as a key tool for the strategic planning of energy and climate policies that would ensure alignment with the long-term related goals of the EU, UNFCCC and the Energy Community.

Transposing the Governance Regulation /8/, which contains a detailed document structure that should be used as a mandatory template for the NECPs, the EnC Recommendations and Guidelines prescribe the essential elements the NECPs should contain for contracting parties. These include: an analysis of the current situation; national objectives, policies and measures for all five dimensions of the Energy Union; integrated projections and indicators; and monitoring and reporting on the implementation of the plans.

In accordance with the Guidelines issued at the earliest stage of EnC work on the NECPs, it is crucial that the national plans are developed in a holistic manner with multileveled stakeholder dialogue, that they provide long-term predictability and certainty for investment, ensure greater cooperation and coherence among Contracting Parties' approaches, and are harmonised with EU Member States on climate and energy policies. Furthermore, the EnC highlights regional perspectives by requesting that the national plans of the contracting parties complement and, where possible, reinforce each other, using national strengths to address regional challenges in the most secure and cost-effective way /9/.

The Energy Community Secretariat also facilitates the process of developing and adopting NECPs by issuing recommendations on draft national plans. With the guidelines following the Recommendation, the EnC introduced a schedule for submitting the draft and the adopted NECPs to the Energy Community Secretariat, as well as for submitting NECP Updates and Integrated Progress Reports, by which the first final NECPs should have been adopted by the end of 2020.

With the decision adopted in the last Ministerial Council Session in 2021, the development and assessment of submitted NECPs was postponed until 2024 at the latest, and the process will be pursuant to the provisions of the Governance Regulation. This correlates with the timeline for the negotiations and adoption of the energy and climate headline targets of the post-2020 period by the nine contracting parties that is planned to be completed by December 2022 on the basis of the European Commission's study "Extension of the EU energy and climate modelling capacity to include the Energy Community and its nine Contracting Parties".

/8/ As with the Decision 2021/14/MC-EnC, the Contracting Parties committed themselves to transpose and implement the Governance Regulation by 31 December 2022. The mandatory structure and the content of the NECPs is outlined in Annex I of the Governance Regulation and includes the following:

- Overview and process for establishing the Plan
- National objectives and targets;
- Policies and measures;
- Current situation and projections with existing policies and measures;
- Impact assessment of planned policies and measures.

/9/ Policy Guidelines by the Energy Community Secretariat on the development of National Energy and Climate Plans under Recommendation 2018/01/MC-EnC, PG 03/2018

II. Assessment of the adopted NECPs

In 2022, working groups for the preparation of the NECPs are operational and modelling capacities existing in all EnC contracting parties. By July 2021, the Secretariat had provided informal comments to preliminary drafts from four countries in the Western Balkan region: Albania, Bosnia and Herzegovina, Montenegro and North Macedonia /10/.

In the autumn of 2020, the Secretariat provided comments and recommendations on the submitted draft NECP by North Macedonia, and in December 2021 on the Albanian one. In December 2021, Albania adopted its NECP for the period 2021-2030; North Macedonia adopted its first NECP in May 2022. Additional drafts are expected from the other Contracting Parties.

In the following sections the assessment will focus on the two final versions of the NECPs that were submitted to the Energy Secretariat /11/, namely the NECP of Albania and the NECP of North Macedonia.

II.1. ALBANIA

In March 2019, Albania established a national working group for the preparation of the country's first NECP. The Draft NECP for Albania was prepared over two years and was submitted for assessment to the Energy Community Secretariat on 21 July 2021. The Energy Community Secretariat issued recommendations in December. The Government of Albania adopted the first version of its NECP in December 2021; an updated version following the EnC recommendations has not yet been submitted.

The Albanian NECP is based on the National Energy Strategy and the first NDC, and during its preparation, efforts were made to harmonise it with the work on the revised NDC that was underway.

It presents the following goals/targets:

- **Renewable energy share in final energy demand target is 54.4%**
- **Energy efficiency target of 8.4% reduction in final energy consumption compared to the scenario with existing measures (hereafter: WEM)**
- **GHG emission reduction by 18.7% compared to the scenario WEM, reaching 10.2 MtCO₂eq.**

/10/ As well as Georgia, from all contracting parties.
/11/ This report covers the period till 1st of July 2022.

1. Climate and energy ambition

1.1. Energy and Climate headline targets

a) Climate ambition

Albania aims to emit 10.2 MtCO₂eq in 2030, which, according to the NECP, represents a 18.7% reduction of the scenario with additional measures (hereafter: WAM) compared to the scenario with existing measures. This is a non-conventional method of representing the targets and it should be made clear what emissions reduction this actually represents for Albania. The Albanian NECP projects emissions to increase in all scenarios, even beyond 2030. This trend goes against the NECP's *raison d'être* and does not comply with Albania's international pledges, either as a country that has ratified the Paris Agreement or as a signatory of the Sofia Declaration on the Green Agenda for the Western Balkans, which aims at climate neutrality by 2050.

The NECP also lacks clarity regarding LULUCF in the calculations, namely whether the emissions reduction ambition includes land use or not. Contrary to all other Western Balkans countries, LULUCF is added on to the emissions from other sources, representing roughly 12% of all national emissions. This figure is mainly due to the disastrous wildfires in the country. The NECP lacks a plan to even reach the no debit rule at any near or mid-term future.

The policies and measures in the NECP also lack any ambition which would lower emissions in industries related to economic development, failing to adapt to today's reality of decoupling emissions from economic development.

While the electricity sector in Albania is almost 100% GHG emissions free, as it depends on hydropower for the production of electricity, the energy sector heavily relies on oil. The old and inefficient refineries have made Albania almost completely rely on imports.

While there are plans to boost renewable energy, there are clear indications that Albania is exploring possibilities to switch to gas, especially since it is a transit country for the Trans Adriatic Pipeline.



Despite the economic and political transition which took place in Albania in the early 1990s, which led to steady and almost a positive trajectory increase in emissions, Albania must focus on lowering emissions, at least compared to today's levels, taking the 'compromise route' of linear emissions reduction.

Taking into account the wildfires challenge, Albania should work to achieve the no-debit rule, and help reduce emissions from LULUCF by mid-century. Albania should linearly reduce emissions to reach climate neutrality by 2050. To calculate by how much Albania should cut emissions by 2030 to reach this goal, we assume that Albania should linearly lower its current level of emissions by 90% by 2050 /12/. The table below shows in detail the Albanian NECP ambition.

/12/ Attributing the remaining 10% of current emissions reduction to LULUCF.

Table 1: Albania's GHG emissions ambition in MtCO ₂ eq				
COUNTRY	Emissions in 1990	Current emissions (2018)	2030 target in AL NECP	CAN Europe pathway example
ALBANIA	4.34	9.17	10.2	6.87

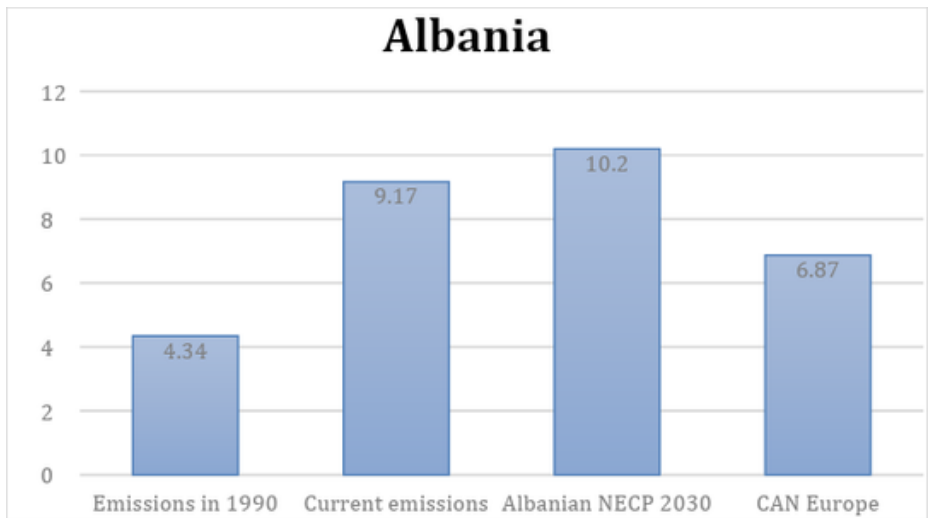


Figure 1: Albania's GHG emissions ambition in MtCO₂eq

b) Renewable energy

The Albanian NECP sets the target of 54.4% of renewable energy in gross final energy consumption. According to Albania's 2020 energy balances, renewable energy represented 45.01% in gross final energy consumption, surpassing its national 2020 target of 38%.

While the target may be acceptable, when taking into account the impacts that the dry weather may have on water levels in Albania due to climate change and the high risk of reliance on fossil fuels for energy and industrial purposes, the renewable energy target in gross final energy consumption should be higher. Solar energy, which only had its first accounted capacities installed in 2017, accounted for 0.43% of all electricity produced from renewable energy in 2020. The remaining electricity was produced by hydropower plants. There was no wind power capacity in Albania in 2020.

Albania needs to work on its biomass use as it represents the majority of the energy input in the heating and cooling sector.

c) Energy efficiency

While Albania has officially reached its 2020 energy efficiency targets, staying below the primary energy consumption cap, the NECP projects an increase in energy demand. Yet again this increase is related to an inability to foresee low carbon and energy efficient technologies in the economy and a failure to present ambitious energy efficiency PaMs, especially for the residential sector.

It is striking that the energy efficiency targets in the NECP do not correspond with the Albanian Energy Strategy, staying below the goals of the strategy by 15%.

Taking into account the need to lower emissions and switch to energy efficient technology, and work to include the principles of the circular economy in the daily business of key economic actors, it is imperative that Albania works on increasing the energy efficiency targets in primary and final energy consumption.

1.2. Emissions pathways towards mid century

A long-term outlook until 2050 in the decarbonisation section of the targets and objectives chapter is missing in the adopted NECP that was submitted to the EnC.

With the Intended Nationally Determined Contribution, which was used as a basis for developing the NECP, the emissions trajectory of Albania aims to reach 2 tons of GHG emissions per capita by 2050. As in October 2021, a revised Nationally Determined Contribution (hereafter: NDC) to the Paris Agreement was submitted, the target reduction is 20.9% fewer GHG emissions by 2030 compared to the business-as-usual scenario. Although this NDC includes actions on Agriculture, forestry and other land use, gender and adaptation, especially in coastal zones, the country's ambition is lower than that proposed in the NECP. Some perspectives up to 2050 were included, but a clear emissions reduction target in the document is still lacking.

As stated in the NECP, despite a willingness and some effort, there was limited success in aligning NECP policies and measures and NDC policies and measures. Coordination of the working teams, data availability and data transparency all posed major challenges.

It is of utmost importance that a transparent database for future updates is ensured and that the revised versions contain one harmonised pathway to carbon neutrality by 2050.

2. Consistency

2.1. Conformity with the governance regulation

The Law on Climate Change /13/ has created the basis for transposing the Governance Regulation and relevant EU legislation on climate change. However, the full implementation and enforcement of the energy and climate policies requires further development and the adoption of necessary secondary legislation on energy efficiency, including on the energy performance of buildings, as well as for renewable energy sources.

At the same time, the institutional setup for planning and reporting energy and climate related policies and measures is still under development.

On a general note, the NECP addresses all five dimensions of the Energy Union, following the structure set out in the Governance Regulation. However, the NECP does not adequately establish a link between the targets, policies and measures of the various Energy Union dimensions, and, as such, falls short of properly integrating all sectoral documents. The lack of linkages is particularly evident between the internal market, energy security and renewable energy.

2.2. Coherence between the NECP and other policies and strategies

In Albania, the biggest share of energy sources is dominated by oil and oil by-products, especially in the transport sector, followed by hydro and electricity, and biomass. The analytical basis of the NECP (chapters 4 and 5) explains that targets are influenced mainly by the mode of operation of renewable plants, the reduction of fossil fuel use in transport and industry by fuel switching and energy efficiency measures targeting the building sector. Furthermore, forestry management has a major influence.

In the NECP it is stated that electricity generation in Albania relies exclusively on hydropower and that this trend shall continue in the short term. Since there is no dependency on coal or other fossil fuels for the production of electricity, it is considered that there is no need for fossil fuel subsidies.



However, for the year 2021, a subsidy scheme was envisaged to be applied in the agriculture sector for certain categories of agricultural products, by which the norms of oil consumption per hectare for all these groups and subgroups are determined to envisage parameters under which oil will be provided free of charge. The total fund that is planned to be used for the financing of the above-mentioned measures is one billion ALL (approx. EUR 809 000) for the year 2021, of which 950 million ALL will be used as a tax subsidy and 50 million ALL for the monitoring of the subsidy scheme.

When it comes to overall fossil fuel phase out, apart from the electricity sector, the supply of fossil fuels and fossil fuel products plays a crucial role in Albania's energy security because of the strong reliance on the import of refined oil products due to low and ageing refinery capacities. While the crude oil production is high and is largely exported, the refined oil products are mainly imported which corresponds to a strong import dependency.

The planned conversion of the Vlora TPP from oil use to gas, is one example of deepening fossil fuels reliance, without clear projections of the emissions impacts.

2.3. Fossil fuels phase out compatibility

The information provided with regards to the development of the draft NECP and the NDC evidences that these processes should be better coordinated and aligned. Developing NDCs and NECPs separately jeopardises the establishment of coherent targets and plans and affects the objective of creating long-term certainty and predictability for investors. With respect to greenhouse gas emission inventories in the draft NECP, only the non-energy part follows the UNFCCC – and thus the NDC – methodology and is easily comparable. The energy part appears to be customised for the NECP only and thus cannot be compared to the information in the NDC.

The Albanian Energy Strategy is partially aligned with EU Climate Change Policy, however the relevant *acquis* for its update, as well as general implementation needs to be further transposed.

In the Energy Community Secretariat recommendations for the Albanian NECP, it is stated that the draft NECP is transparent as to where and why the proposed targets deviate from existing strategies and plans (the National Energy Strategy 2017-2030 in particular), however, the Secretariat had to request that several sections of the final NECP were updated before adoption, as they include references or data from 2018 or before.

3. Credibility

3.1. Finance for climate and energy targets

Many of the policies and measures envisaged with the NECP are not accompanied by an estimation of their impact on GHG emission reductions nor on the finance necessary for implementation. These gaps result in an inability to compare the costs between the WAM and the WEM scenario. Analysis of the needed investments, as well as other economic implications or benefits, therefore remain unassessed.

3.2. Policies and measures to achieve targets

Although there are policies and measures provided for all five dimensions of the Energy Union, in certain chapters, such as the agriculture and waste one, the emission levels are identical in both WEM and WAM scenarios. Overall, the plans and projections for the agricultural and forestry sectors can be developed further.

In order to be able to properly monitor and assess the effectiveness of the policies and measures in achieving the targets, the operationalization of the monitoring and reporting of greenhouse gas emissions is essential. The regulatory measures envisaged for the setting up of an Emissions Trading System as well as a Monitoring Mechanism Regulation in Albania are proposed with an ambitious timeline, however they need to be further integrated with other cross-cutting policies and measures.

It is important to develop additional appropriate structural PsMs that would decouple emissions from growth plans, especially in the transport and industrial sectors.

In order for the NECP to present a clear pathway to achieve the 2030 targets, it needs to provide a detailed assessment of the current situation as regards the development of renewable energy, fully align Albanian energy legislation with the Energy Community and EU Directives for RES with their substantial secondary legislation. All of this is still missing. The NECP needs to clearly state the planned RES capacities that will be developed, with a clear timeline for the completion of each unit and how they will change the share of renewable energy in final energy consumption.

The NECP identifies the importance of improving the transmission and distribution system, but there is limited information about the specifics of electricity grid related measures, the needed investments and the interlinkages of these measures with the other PAMs.

3.3. Social aspects

The NECP recognises that the development and implementation of national energy policies will significantly impact economic growth in different economic sectors. It estimates that many investments foreseen to be realised across the energy sector will have a significant impact, increasing sectoral GDP, generating revenues and increasing labour forces in different areas.

PaMs related to the construction and renovation of buildings as well as the construction of photovoltaic systems should contribute substantially to creating green jobs.

It is also estimated that reduced dependence on energy imports, apart from contributing to the security of energy supply, will affect the macroeconomic and political security of the country through decreasing the domestic budget deficit.

The mentioned connection between investments and employment in the energy and building sector is considered to affect overall living standards and wellbeing in society.

Some information on energy poverty is included in the draft, however more details about related social policies can be provided and interlinked with the other envisaged PAMs. There are some preparatory actions envisaged without a specific timeline for their implementation. There is only one specific energy poverty concrete activity, which is determined as a regulatory measure without any accompanying budget.

The idea of affordable energy is only mentioned in passing in connection with the energy efficiency targets, where it is acknowledged that the aim is to reduce energy consumption 'per unit' and that this can also contribute to making energy more affordable and to reducing poverty.

The reduction of dependency on imports is planned to be addressed by developing a diversified Albanian energy system using alternative energy resources like gas and renewables, as well as through energy efficiency measures based on cost effectiveness. In the NECP, it is stated that the system must rely on domestic production and be affordable for consumers by having an impact on poverty reduction, however this needs to be further developed.

Plans to increase more gas resources in the energy mix can hinder the GHG reduction plan and are a threat to the energy security strategy.

3.4. Environmental aspects



Concession contracts to build and operate hydropower plants (HPPs) have raised serious doubts about the quality of SEAs and EIAs carried out on energy projects in Albania.

With regards to the NECP, a Strategic Environmental Assessment (hereinafter: SEA) was initiated for the draft NECP and a draft SEA report was prepared. Albania is updating the NECP it adopted in December 2021 and a new strategic environmental assessment has been launched.

4. Transparency

In the NECP it is stated that to find better solutions, the draft NECP was the subject of hearings, discussions and opinion exchanges with various stakeholder groups including: ministries/agencies affected directly or indirectly by the NECP; local governments (big ones), civil society; energy experts; and different business associations. It is also stated that the stakeholders were involved partly/entirely through the cycle of the compilation, implementation and monitoring of the NECP.

The NECP states that consultation procedures were organised in accordance with the national framework for public information and consultation held by public authorities/institutions in policy and decision-making processes.

There is a legal framework /14/ securing the right of civil society groups to be involved in the process of drafting policies and legislation by the central or local authorities, including the environmental impact assessment process. However, it was recognised in the draft NECP, that the authorities should reflect on the inputs collected by different consultation tools as the level of their incorporation in the final NECP remains unknown as there is no accompanying public consultation report.

5. Regional approach

Article 3 of Recommendation 2018/01/MC-EnC suggests that NECPs of the Contracting Parties should complement and where possible reinforce each other. There is no reference in the NECP of Albania about any conducted or planned bilateral or multilateral consultations with neighbouring Parties, which are crucial regarding policies and measures that have a cross-border focus or impact. The NECP does not investigate possibilities for regional cooperation, especially for policies and measures that are closely related to neighbouring markets and energy systems. The NECP should also include a description of the impacts on neighbouring Contracting Parties and in the wider region. The identification of cross-border impacts can significantly enhance synergies and avoid the duplication of capacities and infrastructure.

There is an objective for market coupling, however it remains too general and insufficient. There is a need for a more thorough and regional approach for market integration, beyond market coupling with Kosovo.

The EnC Secretariat Recommendations strongly emphasise maximising existing interconnection capacity for cross-border cooperation instead of focusing on building new interconnectors as Albania comfortably satisfies the 10% and 15% interconnection targets applicable in the EU via its current infrastructure.

/14/ Consultation procedures are organised according to Law No. 146/2014 "On Public Information and Consultation" and according to Decision of CM No. 247 dated 30.04.2014 "On the definition of rules, requirements and procedures for public information and their involvement in processes of decision-making". Law No. 146/2014 applies rules and procedures on public information and consultation held by public authorities/institutions in policy and decision-making processes.

II.II. NORTH MACEDONIA

Work on the draft National Energy and Climate Plan of the Republic of North Macedonia started in 2019 and the national working group submitted the draft NECP to the Energy Community Secretariat for assessment on 29 July 2020.

It was planned to be passed in a timely manner, however it was only adopted in June 2022, after a longer period of silence from the authorities following the last public debate in August 2021.

The NECP is based on the Third Biennial Update Report (TBUR), the enhanced NDC and the Energy Strategy. In the meantime, work on the Plan for the Implementation of the Energy Strategy moved forward, and the enhanced Nationally Determined Contribution and Long-term Strategy for Climate Action with an Action Plan were adopted.



At the moment of adoption, as the document was approved retrospectively, the NECP was already lagging behind in its implementation. This delay throws into question whether its objectives can plausibly be reached within the set timeframe.

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The NECP is adopted as a governmental operational document, as the necessary legal amendments that would ensure its binding character were not completed prior to its adoption. It was also not shared with Parliament, as envisaged by the Governance Regulation and as recommended by the EnC Secretariat.

The ambition level of the NECP of North Macedonia is the following:

- 51% greenhouse gas (GHG) gross emissions reduction relative to 1990 levels by 2030 (82% net, including LULUCF),
- 20.8% savings of final energy consumption, 34.5% savings of primary energy consumption relative to the business-as-usual scenario,
- 38% share of renewable sources in gross final energy consumption by 2030.

1. Climate and energy ambition

1.1. Energy and Climate headline targets

a) Climate ambition

Greenhouse gas emissions from the energy sector in North Macedonia represent roughly 74% of total national GHG, while emissions from the electricity sector represent around 50% of total emissions from the energy sector. Almost all of these emissions come from coal power plants.

North Macedonia's NECP follows the energy ambitions set out in the National Energy Strategy, which focuses on a coal phase out in the country with thermal power plant Oslomej being decommissioned in 2021 and Bitola in 2027. It fails, however, to show a pathway for the decommissioning. In 2016, emissions from coal power plants represented 32.91% of overall greenhouse gas emissions, a trend which most likely continues today.



As it is phasing out coal, North Macedonia's NECP envisages the introduction of gas in energy and industry. The IPPU sector is the only sector where emissions are expected to grow. Emissions here are forecast to grow by 45% relative to 1990 with a failure to introduce PaMs that would lead to the decoupling of emissions and economic development.

The NECP does not reflect plans to introduce gas in the energy and IPPU sectors or the increase in emissions this would engender, throwing into question the forecast 51% emissions reduction, as well as the possible effects of a carbon pricing mechanism once introduced. Furthermore, policies and measures related to carbon pricing should be more detailed and fully explained and projected, with specific indicators as well as budgets and revenue plans, as well as an impact assessment around the introduction of a carbon price.

The main decarbonisation policy is carbon pricing, based on the projected prices of the World Energy Outlook in 2017. Due to recent developments around the carbon price in the EU, we consider that data from WEO 2017 should not be taken into account, and the modelling of WEM and WAM should be adjusted to take into account the most recent projections of carbon pricing, which are higher than those used in the NECP draft. This information alone could impact the coal phase out date, namely, making it happen much sooner than 2027.

The reported natural sinks should also be re-evaluated. The economic and social expansion in North Macedonia, coupled with recent wildfires which are expected to become more frequent due to climate change (Sixth IPCC report), question the LULUCF ambition. The work on nature protection and ecosystem restoration is critical to safeguard biodiversity, and has a role in mitigating climate change. However, the LULUCF sector should not be solely responsible for North Macedonia's emissions reductions.

Previously CAN Europe provided a briefing paper for discussion on the level of ambition of the greenhouse gas emissions reductions in the Western Balkans by 2030, in order to reach climate neutrality by 2050, based on a range within the two models presented.

Our findings show that, in both scenarios, the Western Balkan countries face an emergency: they need to mitigate and adapt to the severe effects of climate change and significantly reduce emissions and air pollution. While our recommendations are that greenhouse gas emissions reductions should happen across all economic sectors, we highlight the need for an immediate reduction of emissions from the power sector, focusing on coal power plants.

That is why the option for emissions reductions by 2030 follows two calculations of one model, namely:

- The decommissioning of all coal power plants, as envisaged in the NECP
- Linear greenhouse gas emissions reduction in other industries until 2050 (90% of the current level), by calculating the intercept in 2030.

Further assumptions:

- No new coal power plants are commissioned
- No new gas projects are developed
- All emissions are presented without the LULUCF sector
- A scenario is built assuming the country reaches climate neutrality by 2050.

Table 2: N-Macedonia's ambition in MtCO2eq					
COUNTRY	Emissions in 1990	Current emissions (2018)	Emissions in 2030 (NECP)	NECP ambition vs emissions in 1990 (increase/reduction)	CAN Europe reference vs emissions in 1990 (increase/reduction)
NORTH MACEDONIA	12.48	10.13	6.36	-51%	-62.48%

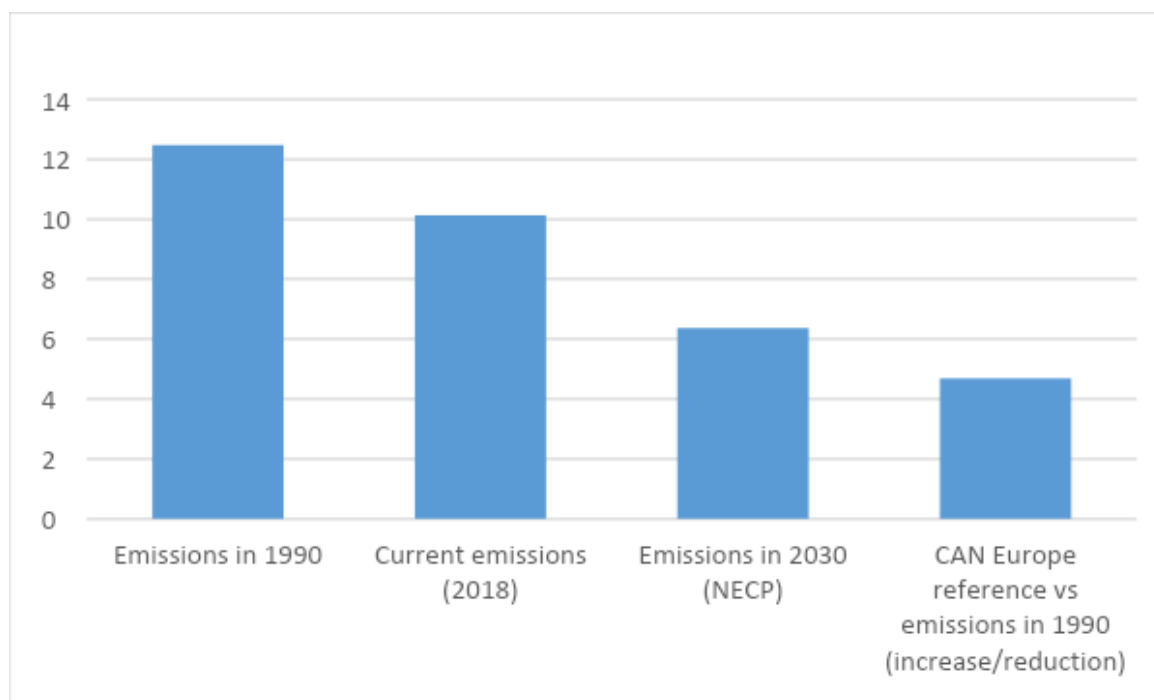


Figure 2: N.Macedonia's GHG emissions ambition in MtCO2eq

b) Renewable energy

In the draft NECP it is envisaged that North Macedonia will achieve a 38% share of renewable sources in its gross final energy consumption by 2030.

According to the 2020 energy balances, North Macedonia had 19.22% of renewable energy in its gross final energy consumption, failing to reach the target of 23%. While the 38% target for 2030 may seem significant, from the current level, this ambition falls short in safeguarding the country's transition from fossil to renewable energy.

Renewables accounted for only 23% of all electricity produced in 2020. To avoid the use of gas as a transition fuel, the share of renewable energy in the electricity sector needs to increase by more than three times. The NECP goal for the share of renewable energy in the electricity sector by 2030 is 66%.

c) Energy efficiency

- 20.8% savings of final energy consumption
- 34.5% savings of primary energy consumption relative to the business-as-usual scenario,

The 2030 target for energy efficiency is 20.8% savings in final energy consumption compared to the BAU scenario and 34.5% savings in primary energy consumption compared to the BAU scenario. Improvement in energy efficiency is crucial for North Macedonia, which has the lowest energy efficiency performance in the region (60% less than the EU average).

North Macedonia hardly managed to reach its energy efficiency target of 2020 by staying below the primary energy consumption cap. To lower energy demand, support the industrial sector's move towards efficient technologies and introduce the working principles of the circular economy, North Macedonia should further increase the ambition of energy efficiency in primary and final energy consumption to at least 45%.

The NECP bases some future energy savings on the Energy Strategy, however the secondary legislation that should deliver on the targets and roadmaps has not yet been developed.

1.2. Long term vision – 2050 perspectives

The NECP contains a 2050 outlook based on the draft of the Long-Term Strategy for Climate Action, which was adopted in September 2021. This strategy further addresses the period 2040–2050. Meanwhile, the enhanced WAM scenario of the TBUR and the green scenario from the Energy Development Strategy are the main documents on which the NECP is based.

In the WEM scenario GHG emissions are projected to decrease by 23%, whereas in the WAM scenario, they are projected to decrease by 72% compared to 1990 levels. Given that most emissions come from the energy sector, a 72% reduction in total net greenhouse gas emissions can be achieved if emissions in the energy sector are reduced by 64% by 2050, compared to 1990 levels.

There are no measures envisaged in the IPPU sector, and the AFOLU sector consists of the same PAMs for the WEM and WAM scenario. It is important for the period after 2040 to introduce new technologies to reduce greenhouse gas emissions, especially with regards to the transport of goods.

2. Consistency

2.1. Conformity with the governance regulation

The Integrated National Energy and Climate Plan of North Macedonia elaborates on all five dimensions of the Energy Union i.e. decarbonisation (addressing two segments, greenhouse gas emissions and renewable energy sources), energy efficiency, security of energy supply, internal energy market, and research, innovation and competitiveness.

The draft provides overall targets and objectives for each of the dimensions, accompanied by policies and measures.

The draft NECP clearly allocates the policies and measures to a specific dimension and cross-references where the PAMs are attributed to more than one dimension. However better integration between the different dimensions is still necessary. Targets and PAMs for energy security are missing, as well as market integration targets, namely specific targets for regional and pan-European markets.

There could be better connection and integration between the specific chapters and different dimensions, and some of the PAMs lack funding, a time-frame and a clear action plan.

All five dimensions should have a clearer explanation of current measures, including the status of implementation and difficulties. Proposed measures should also identify possible difficulties with implementation and ways to mitigate them.

The legal basis for the adoption of the NECP as a legally binding planning document in the Republic of North Macedonia's energy legislation is still missing.

The NECP also contains a quantitative assessment in line with Annex I of the Governance Regulation and reports on the parameters and indicators stipulated in Annex I of the Governance Regulation. Information on impacts and budget is included for the vast majority of individual policies and measures in the final NECP, as is their impact on different dimensions, and information on concrete policies and measures, including plans on the use of revenues, proposed tax or emission price levels. However, as the EnC Secretariat stated in its recommendation, the budgetary implications of the proposed tax and emissions pricing, and more concrete indicators on the effects of carbon pricing, are needed.

2.2. Coherence between the NECP and other policies and strategies

The NECP is fully in line with the revised NDC and it follows the green scenario from the 2040 Energy Development Strategy. The Law on Climate Action and Long-term Strategy were initially supposed to be adopted before the NECP and provide a basis for the NECP. However, only the Long-term Strategy for Climate Action with an Action Plan was adopted in September 2021 by the Government and the Law still hasn't reached governmental procedure.

The Program for the implementation of the Energy Strategy was not adopted by the envisaged deadline of mid-2020, six months after the adoption of the Energy Development Strategy, because of early elections and the COVID-19 crisis. Following public debates, the announcement for its adoption in the first half of 2022 was not fulfilled. This Program is supposed to be accompanied by a revised Energy Development Strategy, a process that also hasn't been finalised.

Although there are some positive examples, the existing mainstreaming of climate change considerations in other sectoral policies does not ensure the full exploitation of the synergetic potential of relevant sectors. Some important strategic and planning documents are yet to be adopted, like the National Adaptation Plan, and cooperation and communication among relevant sectors should be further enhanced or established to build synergies, reduce trade-offs, increase efficiency and improve governance among different sectors.

2.3. Fossils Fuels Phase Out Compatibility

The draft NECP aims at a GHG emission reduction of 66% in the energy sector (6,321 Gg CO₂-eq) mainly through the decommissioning of the coal-fired plant TPP Oslovej in 2021 and TPP Bitola by 2027. TPP Oslovej was still not decommissioned when this report was published.

When analysing the current situation, the security of supply risks for Macedonia are noted in the NECP. As domestic energy production is mainly based on only three energy resources (lignite, biomass and hydro), there is a risk of depletion of coal/lignite, which will further increase import dependence. Beside the exhaustion of the coal reserves, thermal power plants may be decommissioned earlier if a CO₂ tax is introduced.

Despite the stated intention to gradually decommission existing coal power plants and accelerate the use of renewable sources in the electricity generation mix in conjunction with energy efficiency measures in all sectors, the coal phase out plans (in particular related to the decommissioning of Bitola) should be elaborated in more detail in the final NECP. This is also stated in the EnC Secretariat's recommendations, with a reference to the need to develop replacement plans for coal-fired power plants, where considered necessary. The objective of gradually phasing out coal for electricity generation does not include a detailed action plan and is not reflected in the graphs showing the planned consumption of coal. According to several graphs in the NECP, coal consumption remains stable between 2020 and 2030/2040 /15/.

Natural gas will also play an important role in realising the GHG target, especially in industry. As there is only one gas interconnection (with Bulgaria) this also represents a security of supply risk. Although the Government has undertaken steps and moves forward with investments in a new interconnector with Greece, as well as a LNG terminal, the NECP does not contain the needed information on resolving the main issues in the gas sector, such as the lack of unbundling of the gas TSO and does not further develop the ways forward for regional gas markets.

In the draft NECP, gas market data is missing, and there is no sufficient elaboration on national gas market development, nor are reforms proposed. The draft NECP contains no information on big infrastructure projects, nor on gas operators. Moreover, no information on how to resolve the main problems in the gas sector (lack of unbundling of the gas TSO) and no vision of the benefits of integration in the regional gas markets (benefits of increasing liquidity in the neighbouring markets) are available in the draft NECP.

The draft NECP envisages major investments in gas transmission and distribution networks, while not providing information on funding or a clear action plan. The draft also envisages a transit gas role for North Macedonia as a potential for additional income.

The need to develop a methodology to select the most appropriate locations for solar and wind power plants is highlighted, and there is a plan to prioritise land that has already been disturbed by industrial activity such as mines or quarries. In territories that have been historically dependent on coal production, depleted coal and other mines are identified as potential areas for that purpose.

There is a lack of envisaged EE measures in final energy consumption for industry sectors like the use of efficient technologies that will enable fuel switching (from coal to gas) and the use of efficient electric motors (in industry) as well as energy management in manufacturing industries.

As noted earlier in this section, carbon pricing mechanisms, combined with market integration, could lead to a much earlier and more effective coal phase-out. Their impacts should be further analysed in upcoming updates of the NECP, and especially within the regional context.

With regards to fossil fuel subsidies, according to an EnC study on fossil fuel subsidies in the Contracting Parties /16/, for the period 2018-2019 in North Macedonia there were no direct subsidies for electricity generation from coal, with the exception of public finance support in the form of four state loan guarantees, where on average, the subsidy was EURO.64/MWh. The sum total of direct subsidies provided to coal-fired electricity generation during the observed period was EUR 3.83 million.

Energy subsidies are only mentioned in relation to energy poverty measures. The draft NECP does not address the phasing out of energy (in particular, fossil fuel) subsidies to producers of electricity which are lower in North Macedonia, compared to the rest of the region.

The increase of energy efficiency and renewable sources in energy generation are key components to decarbonising the economy and to provide clean and sustainable energy to consumers. The draft NECP includes thoroughly described support schemes and fiscal systems in general, however there are also support schemes for small hydropower plants with no capacity threshold. The absence of such a threshold could be considered as a direct incentive to develop small HPPs.



The RES subsidies schemes need to be assessed in a way that they will not have a disproportionate environmental impact.

Feed-in tariffs for small hydropower of over 500 kW installed capacity in North Macedonia are subject to a complaint to the Energy Community Secretariat because they are not in line with the EU's Energy and Environment Aid Guidelines. Unlike solar and wind, which are gradually being made subject to auction schemes, and biomass and biogas which have very limited quotas, an unlimited amount of small hydropower is still allowed to receive new feed-in tariffs, giving it an unwarranted advantage.

/16/ Investments into the past. An analysis of Direct Subsidies to Coal and Lignite Electricity Production in the Energy Community Contracting Parties 2018-2019, Damir Miljević, December 2020

Moreover, any aid provided to hydropower under the EEAC can only be provided for plants which are compatible with the Water Framework Directive - something which is not being assessed for any of the plants in North Macedonia. For these reasons, the implementing legislation needs to be revised in line with the EEAC. Due to their high level of environmental damage and low contribution to the electricity supply, in our view no new incentives should be granted for small hydropower.

3. Credibility

3.1. Finance for climate and energy targets

Most of the policies and measures envisaged with the NECP are accompanied by an estimation of the budget needed for their implementation as well as the source of such finance. However, the policies and measures related to the just transition process lack such estimations, and a timeframe, sources of finance and monitoring indicators are missing.

The NECP also does not provide a clear action plan or information about the large investments needed to develop gas transmission and distribution networks.

As the NECP envisages the introduction of a carbon tax, it should further develop plans around the use of such revenues, a tax model and emission price levels, as well as budgetary implications.

The Energy Community Secretariat in its recommendations also suggests further consideration of the regional aspects of introducing a carbon pricing mechanism, which could have a significant impact on the electricity production and energy mix of other Contracting Parties and Member States in the region.

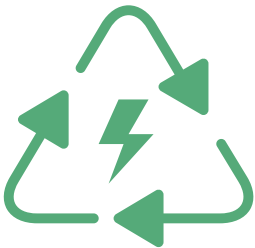
3.2. Policies and measures to achieve targets

The NECP's pathway to achieve the set targets is based on a few key assumptions that will affect the feasibility of the target. This is because of several reasons:

The biggest part - 66% reduction of emissions in the energy sector is foreseen due to the closure of TPP Oslovej coal in 2021 and TPP Bitola after 2027.

However, the documents that are supposed to deliver on this, and many of the other relevant PaMs, are still to be adopted. As the NECP follows the green scenario from the 2040 Energy Development Strategy, the Program to realise the Strategy for energy is a key tool for its implementation. However, political changes, the COVID-19 crisis and the subsequent economic and energy crisis mean it was not adopted within the planned six months and remains unadopted. At the same time, following these developments, a revision of the 2040 Energy Development Strategy was initiated, but hasn't been completed. As the amendments to the Energy Law that provide the legal basis for the development of the NECP and that are necessary to conduct effective and harmonised national reporting for various energy and climate purposes are still not adopted, the NECP is not legally binding. This is not the case for the Law on Energy Efficiency that was successfully amended, and the related fourth Action Plan on energy efficiency that was adopted accordingly. Achieving EE targets remains preconditioned by the adoption of the Strategy for the renovation of residential, commercial and public sector buildings, which is still lagging behind, and the Decree on establishing an obligatory EE scheme, that is still not adopted. The Decree should set goals for energy savings in final consumption, which distribution system operators and/or energy market suppliers will be obliged to apply.

The targets also depend highly on the operationalisation of the hydro power plant Chebren (by 2028), which is a project that is slowly moving forward, but around which there is uncertainty. Chebren and other planned large hydropower plants will significantly improve the system's flexibility and allow greater inclusion of variable RES in the system. In addition, in conditions of reduced production or the closure of TPP Bitola, this measure is crucial to increase security of supply and contribute to increasing the share of RES. The NECP states that if Chebren and other hydropower plants are not built, the construction of a gas power plant should be considered. This would increase system flexibility, but compared to the option of building hydropower plants, will not contribute to improving the overall share of RES and reducing import dependence. The construction of a new gas power plant is conditioned by the construction of a new interconnection for natural gas. The last option is to increase electricity imports and energy. This means that without Chebren and hydropower the GHG emission and RES goals will not be achieved nor will the foreseen level of energy security, and there will be higher imports than those that are projected currently (59% import dependency which is already high).



The NECP promotes RES and EE as solutions and enablers of decarbonisation, but it also, foresees an “ambitious gasification” plan, with new infrastructure and interconnectors (with Greece, Serbia, Kosovo) seen as the alternative to coal. The NECP fails to address the fact that gas is still a fossil fuel and that there will be gas-related emissions from its use, which will impede the ambitious task of reducing emissions by 51%.

There are no clear pathways on how RES targets will be enabled - the prosumers category is mentioned but there is no clear regulatory solution that will enable this and incentivise it economically. On page 22, it says that the goal is to have 250 MW - for consumers-manufacturers or for systems where all electricity will be used for producers' own needs or will be stored. However, the Rulebook on RES sets restrictive conditions on how to transfer the extra produced electricity to the grid. Moreover, it is expected that business will invest in RES and related research and innovation without pointing to economic measures that would incentivise such spending. With the foreseen high investments in gas, investments in RES and EE might be crowded out.

3.3. Social Aspects

The NECP does not contain measures on the socio-economic impacts of the plan. Although it acknowledges that energy poverty needs to be properly defined in the regulations, it does not provide further measures on how to deal with the issue or suggest an energy reduction target.

There is likewise a reference to the just transition, but concrete indicators and targets are missing. An assessment of the potential for green jobs for the WEM and WAM scenario, and of the health benefits of improved environmental conditions add to the credibility of the envisaged PAMs, and are a good basis for further analysis on the cross-cutting aspects of the different sectors and transition enablers.

The EnC Secretariat provided recommendations towards further work on the potential of a green transition in terms of jobs creation, and the creation of linkages with targeted skills development and the promotion of green and social entrepreneurship, as well as the promotion of innovation and technological progress. On the other hand, the Secretariat also recommends that the final NECP elaborates further on other social implications of decarbonisation, such as the impact of the coal phase out on employment and consumer energy prices, with a particular focus on energy poverty.

3.4. Environmental aspects

An Environmental Impact Assessment procedure has been initiated and a Draft EIA Report developed and published. This was followed by a public consultation (online due to the COVID-19 restrictive measures), however the process hasn't moved forward since then.

The public consultation report needs to be made publicly available and an updated version of the NECP addressing the issues raised during the consultation process prepared.

With regards to the mitigation of environmental impacts, a positive step forward is the prioritisation of already depleted land areas for the development of RES in order to avoid additional nature degradation that is envisaged in the NECP. In the case of wind power plants, additional considerations need to be made.

4. Transparency

In a process led by the Ministry of Economy and the Ministry of Environment and Physical Planning, the Government of North Macedonia established a national working group in March 2019 to prepare the draft NECP and conducted a robust drafting process. There has been a transparent and inclusive public consultation process, including several working group meetings with the participation of a wide range of stakeholders, such as public institutions, academia, local and international experts, private sector and civil society.

An online public debate was organised after the preparation of the draft Strategic Environmental Assessment Report in 2021, but no consultations report or updated version of the draft NECP and SEA Reports have been published since then.

The working group hasn't reconvened after the Energy Community Secretariat provided its comments.

The fact the NECP public consultations took place at the end of July 2021, during annual vacations, and that the SEA and the final draft of the NECP was only sent 10 days before the public presentation, was not fully transparent and hindered effective public participation in line with the Aarhus Convention.

Overall, the climate and energy related strategic and planning documents complement each other and are based on thorough analytical work and consultations with the relevant ministries and other relevant stakeholders. These processes also established structures that enabled multilevel climate and energy dialogue.

However, the final plan was not shared with members of the parliament in line with Articles 10 and 11 of the Governance Regulation.

5. Regional Cooperation

The NECP recognises that regional cooperation is key for a small country such as North Macedonia that is dependent on imports, but at the same time connects the transmission lines between Serbia and Greece, and is a corridor for electricity transmission between Bulgaria and Greece. The necessity for regional cooperation is also mentioned in regards to the management of energy demands and surpluses, as well as in regards to the regional electricity market.

Although the NECP acknowledges platforms such as the Western Balkans Sixprocess and Committee meetings within the Energy Community, it fails to thoroughly develop methods of cooperation.

It references the regional aspects elaborated within the Energy Development Strategy where concrete measures and projects of transboundary importance are identified. But these possibilities for cross-border and regional cooperation should be followed with specific steps on a bilateral or multilateral level that would result in the respective NECPs complementing and reinforcing each other.

As the NECP recognises the importance of market integration, objectives and targets for regional and pan-European market integration would be a step forward in achieving the set goals.

With regards to this, the NECP fails to address the EnC Secretariat recommendation that the final NECP should define policies and measures to achieve a fully integrated and competitive market on all timeframes (forward, day-ahead, intraday balancing) and borders. In addition, intraday market coupling and cross-border balancing and facilitating trade should be considered more explicitly.

Integration in the regional and European market is also noted as a tool for ensuring energy security, however this is not accompanied by specific policies and measures.

Lastly, regional aspects have to be appropriately assessed when developing and establishing a carbon pricing mechanism in the country as it could have a significant impact on the electricity production and energy mix of other Contracting Parties and Member States in the region, which could also determine its success.

III. Conclusions:

What is the way forward?

Overall, there is limited progress in the integrated energy and climate planning in the Western Balkan region. Although there are operational working groups and modelling capacities for the development of NECPs, **only two countries managed to submit drafts and final versions of the NECPs to the Energy Community Secretariat, and neither managed to achieve the initially set timeline.** These delays meant the plans were adopted retrospectively and implementation is lagging behind schedule. **However, the progress so far established a good basis for the full transposition of the Governance Regulation, and provided multi-stakeholder engagement and coordination in all of the five dimensions of the energy union.**

Only **the Macedonian final NECP** contained improvements on the recommendations received by the EnC Secretariat and connected with the 2050 outlook that needed to be added. Both the Albanian and Macedonian NECPs need to be revised and updated in order to reflect the recommendations received by the Secretariat, to integrate the SEA report findings and public consultations results, and to take into consideration the recent subsequent health, economic and energy crises. Concrete steps in this regard have not been taken.

The revised Albanian NECP needs to increase its ambition level, especially with regards to GHG reduction targets. It needs to further develop policies and measures, harmonise with other strategic documents and better address the linkages between different dimensions. Many of the envisaged PaMs are present only on a policy level and their operationalisation, ways of securing appropriate funding and timelines are missing. Although Albania does not rely on coal as an energy source, the revised NECP should provide a clear pathway for phasing out all fossil fuel use and decoupling growth from emissions. The public consultations process needs to enable effective participation in the decision-making process. The environmental concerns raised by the SEA process also need to be addressed.

With regards to **North Macedonia's NECP**, although it presents ambitious climate and energy targets, the lack of a legal basis for its adoption, the fact it is lagging behind in its adoption and the need to develop accompanying documents for the implementation of the envisaged PaMs, hinders the plausibility of achieving its targets. The coal phase out date envisaged in the document is only achievable if the revised NECP contains clear decommissioning plans for existing coal-powered plants, with exact timeline and financial resources secured. At the same time, many of the planned gas developments are not reflected in the emissions calculations. The development and consultation process of the NECP was exemplary, however it failed to result in a public consultation report showcasing this engagement. The revised NECP needs to integrate the outcomes of the consultation process, as well as the findings of the SEA report.

As the Governance Regulation foresees the submission of final NECPs by Contracting Parties in 2024 for the period of 2025-2030, Albania and North Macedonia will be requested to report on the basis of a revised level of ambition, in line with the 2030 targets on GHG emissions, energy efficiency and renewable energy adopted at Energy Community level in the upcoming Ministerial Council envisaged for December 2022.

The other contracting parties from the Western Balkans region will need to speed up their efforts when submitting their draft NECPs and align their ambition with the new energy and climate headline targets for the post-2020 period.

In **Bosnia and Herzegovina**, the work on the NECP has restarted, however no draft has been shared yet. Early public participation needs to be ensured to enable a transparent and inclusive public consultation process, and the SEA has to be initiated in a timely manner.

Kosovo has established NECP working groups and has secured modelling capacity. It has also started to develop a legal basis for the plans, and has started drafting the policy and analytical sections of the NECP. Kosovo recently drafted an Energy Strategy from 2022 until 2031. This strategy is most likely to be synchronised with the proceedings of the NECP working group. Although still a draft, the Energy Strategy focuses only on the electricity and heating sectors of the energy sector, with no substantial reductions of coal capacities in the electricity mix.

In **Montenegro** although draft chapters of the NECP have been shared with the Secretariat for informal review in 2021, the working group hasn't reconvened since then and no new efforts have been made. It is crucial that an agreement on the coal phase out date is reached to proceed further.

Serbia has completed the harmonisation of its legislative framework for the development and adoption of an NECP in accordance with the EU Governance Regulation. The country has progressed with the further Development of Energy Capacity Study and the basic scenarios needed to develop its first NECP draft ^{/17/}. It is crucial that these processes move forward with the necessary pace and ensure the level of stakeholder involvement needed for a transparent and ambitious planning process.

As is evident from the already submitted NECPs, as well as the implications of the energy crisis that are affecting the region, it is of utmost importance that the revised and new NECPs tackle regional aspects of energy and climate planning more thoroughly, that the NECPs are developed with a coordinated approach and that opportunities for cross-border and regional cooperation are used to their full potential.

The working groups established by the contracting parties will need to improve the design of policies and measures that will meet the GHG emissions reduction, energy efficiency and renewable energy targets that will be adopted by the Energy Community in December 2022. They will also need to make bigger efforts to enhance transparency and enable effective public participation in the development of the draft NECPs that will be submitted to the Energy Community Secretariat in June 2023. As Western Balkan countries are also obliged to implement and transpose the Governance regulation by the end of 2022, Governments need to step up their work and efforts to develop fully compliant NECPs in a timely and inclusive process.

^{/17/} Four scenarios were published and disseminated with the public for early pre-consultative engagement in August 2022. As this happened after the period which this report refers to, they are not within the scope of the analysis.

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