

IRENA- Energy Community Joint Workshop

Cost-effective renewable energy in South East Europe

SUMMARY REPORT

20 March 2016

BACKGROUND

As part of IRENA's efforts to assess the technical potential for cost-effective renewable energy generation in South East Europe (SEE) by 2020 and beyond, a workshop was held in Vienna, Austria, 3-4 March 2016. The meeting gathered members of the Energy Community (Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Kosovo, Moldova, Montenegro, Serbia and Ukraine) as well as the European Union (EU) member countries (Bulgaria, Croatia, Romania and Slovenia).

With a view to identifying priority actions contributing to the achievement of the region's renewable energy targets by 2020 and ensuring an adequate role for renewables in the 2030 and 2050 energy development strategies, the initiative assesses the potential to develop the full range of renewable energy technologies in the region. There is a focus on developing solar photovoltaic (PV) systems, the costs of which have declined dramatically since the preparation of National Renewable Energy Action Plans (NREAPs) of South East Europe. The initiative will also analyse barriers to achieving the region's renewable energy potential and their solutions, including innovative financing mechanisms for renewable power systems. In this regard, the outcomes of the initiative are expected to provide a useful input to the prospective review process of the NREAPs.

WORKSHOP OBJECTIVES

The event was held to present and collect feedback from the region on the preliminary findings of the Phase-I implementation of the initiative. This covers the quantitative assessment of cost-effective PV power potential in SEE, and the qualitative assessment of overall renewable power potential. It also presented innovative financing arrangements for renewable energy projects, such as cooperative financing and crowdfunding.

SUMMARY OF THE WORKSHOP

Participation

The workshop gathered more than 70 representatives from governments, regulators, Transmission System Operators and Distribution System Operators, national energy agencies, energy market operators, international organisations, donors, research entities, private partners and non-governmental organisations.

Presentations and discussion

The workshop was introduced by Dirk Buschle, Deputy Director of the Energy Community, who stressed the importance of meeting the 2020 binding renewable energy targets, which will need to go hand in hand with other policy goals, such as energy market coupling and liberalisation; as well as

the importance of teaming up with organisations such as IRENA and international financial organisations in this process. In addition, IRENA's Acting Director of Country Support and Partnership Division, Gurbuz Gonul, introduced IRENA's project, explaining that the project goal is to provide concrete input to the decision-making process for the review of the Contracting Parties' NREAPs. He also emphasised that the workshop was just a starting point for IRENA's engagement in the region. The opening session was followed by presentations from:

- Energy Community Secretariat – Progress in promotion of renewable energy in the energy community;
- United Nations Economic Commission for Europe (UNECE) – Renewable Energy Policy Network for the 21st Century (REN21)/UNECE Renewable Energy Status.

Discussions were then held in three thematic sessions:

Session 1: Enabling frameworks for renewable energy investments in South Eastern Europe (SEE)

The presentation delivered by Joanneum Research provided an overview of key policy and regulatory barriers hindering the accelerated deployment of renewables in the region. The thematic presentations that followed provided experiences from:

- Montenegro - financing wind projects in Krnovo and Mozura;
- Kosovo - ongoing discussion on enabling policy solutions for renewables;
- European Bank for Reconstruction and Development - barriers to financing renewable energy projects in the region.

Participants raised the following points:

- SEE can no longer be perceived only as a corridor to transport gas to the EU, given the vast renewable energy potential of the region. To change this perception, a political mind shift is necessary in the region.
- Most Energy Community members have a significant share of hydropower in their energy supply mix, while deployment of wind and solar PV systems is influenced by, among others, lack of bankable Power Purchase Agreements (PPAs), insufficient feed-in tariff (FIT) support in some technologies, and difficulties related to the permitting process.
- Public institutions often have limited capacity to prepare the legal and regulatory frameworks to promote deployment of renewables, where Energy Community members are required to follow the EU approach.
- The renewable energy support schemes, FiT is broadly applied across the region while some countries are moving to feed-in premium (FIP). Setting FiTs that are too generous can be harmful for renewable energy development, as shown by the retroactive changes in the support schemes in Bulgaria and Romania. A hybrid approach could be an option for consideration, with auctions for large projects and FiT for small installations.

Session 2: Renewable energy potential in SEE – focus on solar PV

The presentation delivered by the University of Ljubljana set the scene, providing insights into significant PV potential in the region as well as assumptions to calculate the cost of its deployment. The thematic presentation that followed provided experiences from:

- IRENA – Cost trends in renewables generation investments;
- Croatia – net-metering as a viable approach for decentralised renewable energy sources;
- Former Yugoslav Republic of Macedonia – solar PV uptake;

- Bulgaria – positive developments and mistakes in development of a PV market.

Participants raised the following points:

- The resource potential for utility scale renewable energy has been determined thanks to the suitability maps prepared by IRENA Global Atlas. The initial results demonstrate that, even with a conservative approach, the cost of PV deployment would be lower than the current FITs in most countries in the region.
- The current FiT level for PV is high in many countries. Net metering can be a good solution for small installations, even without a FiT in place. However, conducive frameworks are necessary. Moreover, the risk of cross-subsidising needs to be taken into account. Auction schemes can be considered to develop solar PV and reflect falling cost of the technology.
- The energy market in the region has not yet fully developed – only 10% of consumed energy is traded in Bulgaria. In the early stages of PV development in Bulgaria, there was no protection of arable lands, which has caused significant problems in the later PV development stage. Bulgaria had to introduce retroactive measures since the FIT system did not impose any upper capacity limit. As a consequence, the country has exceeded its NREAP target by almost 300% in the first three years of implementation. Such a fast pace of PV deployment, however, helped to develop a renewable energy market, as well as the relevant engineering, construction and installation skills (over 3,000 qualified workers – many of whom are now largely working in abroad).

Session 3: Innovative financing for RE projects

The main presentation delivered by UNDP Croatia provided information on innovative business models, such as energy cooperatives, crowdfunding, and ESCOs, as well good practices from outside the region. The thematic presentation that followed provided experiences from:

- European Federation for Renewable Energy Cooperatives – role of the energy cooperatives in the European Union;
- Croatia – challenges and benefits related to development of energy cooperatives;
- Portugal – introducing crowdfunding solutions for RE.

Participants raised the following points:

- The countries of the region are facing a paradigm shift and democratisation of the energy sector. Since incumbent utilities still do not fully recognise and embrace renewable energy opportunities, individuals take initiatives to become more involved in renewable energy deployment. So far, this trend has had a very limited impact on SEE (despite some developments that are mainly in Croatia), but it has proven to be successful in Germany and Denmark. At present, there are many crowdfunding platforms in place to mobilise funding from individuals to invest in a renewable energy projects.
- Crowdfunding examples usually start with small projects and build reputations on their successful implementation to establish trust between the parties/individuals involved. No major problems have been reported as yet. Clearer frameworks for crowdfunding need to be developed in most jurisdictions.
- Crowdfunding and energy cooperatives can only play a supplementary role to the state-level support schemes. They could be considered as an alternative way of raising funds (although they cannot replace the function of financing institutions). However, there are several examples where renewable energy support schemes were not required for the successful

implementation of projects within the frameworks of crowdfunding and energy cooperatives.

- Crowdfunding and energy cooperative schemes promoting citizens' involvement in renewable energy deployment may face resistance from the incumbent market participants, the combination of traditional and innovative business models may be considered in order to achieve a higher level of acceptance. Utilities may play a role by helping to set up energy cooperatives (providing experience, knowledge and facilitating collaboration).
- Establishing enabling frameworks and building capacity are necessary to be able to fully exploit the potential to develop energy cooperatives in SEE countries.

OUTCOMES:

Workshop participants welcomed IRENA's presence in South East Europe and provided initial feedback on the Agency's expected role in the region. All the key regional energy players expressed interest in stronger collaboration in implementing the initiative, as well as the Action Plan of IRENA's engagement in SEE, currently under development. Moreover, IRENA verified and completed the factual information and preliminary findings of the project. The feedback provided by the participants will deliver a useful contribution to the final results.



On behalf of:



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