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Energising EU enlargement?

The prospects of the Green Agenda for the Western Balkans

With the Green Agenda for the Western Balkans, the 2050 climate neutrality goal of the European Union has been extended to the six countries in South-Eastern Europe that aspire to join the Union.¹ The Green Agenda is a promising tool for fostering climate and energy policy measures in the Western Balkans, a region with high vulnerability to climate change risks and little energy diversification away from coal. But could the Green Agenda also be a catalyst for renewed interest and enhanced political engagement, leading to a much-needed impetus to the EU enlargement process? This policy brief asks how the Green Agenda can work in the interest of both the objective of a climate neutral continent and the EU accession of the Western Balkan countries.

Climate action in the Western Balkans and the role of the EU

In this decisive decade for tackling climate change, the Western Balkan countries face the challenging task of decarbonisation. By signing the Sofia Declaration on the Green Agenda for the Western Balkans in November 2020², the region's leaders acknowledged the need for more ambitious climate action and committed to align with

the European Climate Law and its goal of net zero carbon emissions in Europe by 2050.³

The main challenge is the reform of the energy sector, which accounts for two-thirds of the regional greenhouse gas (GHG) emissions.⁴ Moving away from coal and diversifying the power generation mix in the region is therefore key. Apart from Albania, where hydropower is dominant, the Western Balkan countries are highly reliant on coal for their electricity production. The substandard functioning of decades-old coal-fired power plants makes electricity production a major

1 These are Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

2 European Commission, "[Western Balkans Summit in Sofia: Important steps taken to advance regional cooperation to boost socio-economic recovery and convergence with the EU](#)", November 10, 2020.

3 Vladimir Spasić, "[Here's what Western Balkans committed to in Sofia Declaration on Green Agenda](#)", *BalkanGreenEnergyNews*, November 13, 2020.

4 Manjola Banja, Gordana Đukanović and Claudio A. Belis, "[Status of air pollutants and greenhouse gases in the Western Balkans](#)", *European Commission*, 2020, 4.

contributor to high levels of emissions. It accounts for two-thirds of the region's carbon dioxide (CO₂) emissions, which, relative to final electricity demand, is three times higher than the EU27 average.⁵

The region's coal-fired power plants also produce equally worrying emissions of atmospheric pollutants. On average, a Western Balkans coal power plant emits 20 times more sulphur dioxide (SO₂) and 16 times more particulate matter (PM 2.5-10) than EU coal plants.⁶ The result is hazardous transboundary air pollution, causing 3,000 premature deaths every year as well as other serious health impacts and billions of euros in costs, partly borne by neighbouring EU countries.⁷ Besides electricity production, the heating and transport sectors also contribute to excessive emissions.

These statistics are cause for concern and call for swift reforms. But several factors hinder their swift implementation. The region's fragile socio-economic context amplifies the problem of the costliness of the energy transition for citizens and governments alike. Moreover, investments by third powers, notably China, in outdated energy facilities and in the construction of new coal-fired power plants negatively impact the region's climate ambitions by creating inconvenient path dependencies.⁸ Lastly, weak governance, democratic deficits and dynamics of corruption and clientelism contribute to vested private interests in the energy sector which hinder enforcement and prioritisation. Poor implementation of adopted standards and policies therefore remains a key challenge for the region.

The support from the EU is crucial in moving away from this current state of play. The EU accession process remains one of the most important tools through which the EU can perform its transformative role in the region. Within the framework of the Stabilisation and Association Process, alignment with Chapter 27 of the EU *acquis* on Environment and Climate Change is an obligation for candidate countries. The Energy Community⁹ also has a key role in the transposition of relevant EU energy *acquis* to the countries in the Western Balkans, to which end they are currently developing National Energy and Climate Plans (NECPs).¹⁰ The Green Agenda for the Western Balkans is the latest avenue for Western Balkans convergence with the EU. Embedded in the Economic and Investment Plan for the Western Balkans (EIP), it translates the European Green Deal to the regional context, thus further enabling the needed climate policy and energy reforms.

Turning challenges into opportunities: the Green Agenda for the Western Balkans and the decarbonisation pathway ahead

The “greening” of the Western Balkans put forward with the Green Agenda revolves around five pillars. The first pillar, decarbonisation, has a primary role in achieving the European goal of 2050 climate neutrality.

A first step in promoting decarbonisation is through carbon pricing instruments. The region on average emits ten times more CO₂ than the EU27 to create the same amount of gross domestic product.¹¹ Except in Albania and Montenegro, however, emission costs in the region are not internalised through a carbon price. The Green Agenda explores

5 Energy Community Secretariat, WB6 Energy Transition Tracker: second edition, February 2021, 5.

6 Banja, Đukanović, and Belis, *Status*, 4.

7 Vlatka Matkovic Puljic, Dave Jones, Lauri Myllyvirta and Rosa Gierens. “Impacts of transboundary coal air pollution from Balkan region to European public health”, *European Journal of Public Health* 29, Issue Supplement, (November 13, 2019), 150.

8 Wouter Zweers, Vladimir Shopov, Frans-Paul van der Putten, Mirela Petkova & Maarten Lemstra, “China and the EU in the Western Balkans”, *Clingendael report*, August 31, 2020, 48.

9 See the Energy Community [website](#).

10 Vladimir Spasić, “Western Balkan countries on the way to finalizing their National Energy and Climate Plans”, *BalkanGreenEnergyNews*, June 16, 2020.

11 Energy Community Secretariat, [WB6 Energy Transition Tracker: second edition](#), February 2021, 5.

the early inclusion of the Western Balkans in the EU Emissions Trading Scheme (ETS) as a possible solution. A study commissioned by the Energy Community recommends a transitional regime with gradual carbon pricing and market integration which would see the region fully adhering to the EU ETS from 2030 onwards.¹² The ETS could incentivise the phasing out of coal by rendering coal uneconomic while driving the development of renewable energy.¹³ If the WB6 were integrated into the ETS, they might also be able to escape the carbon border tax the EU intends to introduce through the Carbon Border Adjustment Measure (CBAM).¹⁴ However, before reaching a stage where this could be feasible, the Western Balkan partners would need to build sufficient administrative capacity.

Investments in alternative clean energy sources are another important step. With the Sofia Declaration the region's leaders committed to gradually move away from coal subsidies, while creating the necessary investment conditions to increase the share of renewables. Hydropower and bioenergy are currently part of the region's power generation mix, but the region also has great untapped potential for solar and wind energy. The diversification of renewables is reinforced with the Green Agenda, although the EIP's Flagship 4 is mostly focused on hydropower.¹⁵

Further investment in solar and wind energy is thus recommended, especially as hydropower investments have in the past decade negatively impacted the environment

and local communities' access to water.¹⁶ In the short term, however, renewable energy is not at the forefront of the region's energy transition. The Green Agenda foresees fossil gas as the "transition fuel" and under Flagship 5 of the EIP substantial investments will be made to build up a currently non-existent gas infrastructure in the region.¹⁷ Such new infrastructure has the potential to increase energy security and could be used in the future for decarbonised gas and hydrogen production. Nevertheless, these investments should be treated with caution so as not to create another lock-in effect in the region changing from one fossil fuel to another, and thus hamper the development of renewable energy infrastructure.

Energy efficiency is another decarbonisation prerequisite. Combined with renewables uptake and the electrification of heating and transport, it could decrease the need for coal combustion and reduce regional GHG emissions. Reducing the carbon footprint of the building sector, currently accounting for over 43% of total regional energy consumption¹⁸, is a priority that is supported by the "renovation wave", the sixth EIP Flagship.¹⁹

While decarbonisation usually goes hand in hand with depollution and benefits people's health, it also needs to contribute to social justice and economic well-being. Current challenges such as energy poverty should not be exacerbated. For instance, a high percentage of households – between 10 and 40% – were unable to keep their homes adequately heated in 2019.²⁰ The Green Agenda foresees programmes to address these issues, including a Just Transition Mechanism for the region. However, a broader socio-economic impact assessment of the region's decarbonisation is yet to be undertaken.

12 Kantor, E3M, [Final report on Carbon pricing Design for the Energy Community](#), January 2021, 98.

13 Peter Palcec, [CAP and Trade Policy Best Option For Introduction of Carbon Pricing in EnC States](#), January 22, 2021.

14 European Parliament, "[Legislative Train Schedule – Carbon Border Adjustment Mechanism as part of the European Green Deal](#)", accessed May 11, 2021.

15 See European Commission, "[Annex to the Communication on An Economic and Investment Plan for the Western Balkans](#)", COM(2020) 641 final, October 6, 2020, 2.

16 Bankwatch, "[Western Balkans hydropower: who pays, who profits?](#)", September 25, 2019.

17 See European Commission, "[Annex](#)", 2-3.

18 Energy Community Secretariat, "[WB6 Energy Transition Tracker: second edition](#)", 14.

19 See European Commission, "[Annex](#)", 3.

20 Energy Community Secretariat, "[WB6 Energy Transition Tracker: second edition](#)", 8.

Finally, with regard to the application of the Green Agenda, the region's poor implementation record remains a concern. Therefore, ensuring binding measures and strong enforcement mechanisms is a lesson to be taken forward. Together, these steps highlight the potential of the Green Agenda in decarbonising the Western Balkans. However, the commitment from the EU in facilitating its implementation could be crucial to render polluting coal investments from third powers inadmissible and spur the region towards a clean energy future.

The clean energy transition of the Western Balkans - A step closer to EU integration?

The Green Agenda offers opportunities not only to tackle climate change, but also for broader EU integration as foreseen in the accession process. With the adoption of the Green Agenda, the EU has sent a strong signal that the Western Balkan countries are a significant partner in the decarbonisation of the European continent. It confirms the stance that the stability and the further development of good relations with the region are in the EU's strategic interest. By committing to align their policies with the European Climate Law, the Western Balkan countries have shown dedication to their EU membership aspirations. Having a common goal in climate neutrality delivers additional potential to bring the EU and the Western Balkans closer together.

As the EU becomes more involved in supporting the region towards energy transition, opportunities for closer cooperation between governments, companies and civil society may arise. The Green Agenda could therefore have the potential to spur the functional integration of the region through greater sectoral cooperation. The alignment of Western Balkan countries with the European Climate Law through a standardisation of climate policy and energy reforms could enable a bottom-up boost to the EU integration process. The Green Agenda could provide an additional incentive to build on the efforts already made within

the Berlin Process²¹ and, with guidance from the Energy Community Secretariat, to create a regional electricity market.²² It could further reinforce the region's work in connecting to the EU's energy market in line with the Energy Community Treaty. Moreover, the introduction of carbon pricing through an Emissions Trading System also has value for the region's integration by signalling maturity and a readiness to cooperate on implementing complex parts of the EU *acquis*.

The Green Agenda also provides an opportunity to further strengthen existing regional cooperation platforms, such as the Regional Cooperation Council (RCC). Its role in coordinating an action plan for a smooth implementation of the Green Agenda adds to the RCC's mission to work for the benefit of all people in the region and towards EU accession, for which good neighbourly relations and regional cooperation form an explicit prerequisite.²³ Similarly, the Coal Regions in Transition Platform for the Western Balkans and Ukraine, to which the countries reconfirmed their dedication with the Sofia Declaration, encourages ties and knowledge exchange between coal communities in the region and their EU counterparts.

These alliances offer additional avenues for tackling common problems as well as building mutual trust and good relations. While not providing a clear indication for the future of the EU accession process, the increased readiness on both sides to cooperate on issues of climate and energy can contribute to enhanced understanding and engagement among Western Balkan countries and the EU, thus

21 The Berlin Process is an initiative to step up regional cooperation in the Western Balkans launched in 2014. See The Berlin Process Information and Resource Centre, "[Berlin Process](#)" accessed May 11, 2021.

22 Energy Community, "[Western Balkans 6 initiative: Creating a regional electricity market](#)", accessed May 12, 2021.

23 European Commission, "[Enhancing the accession process - A credible EU perspective for the Western Balkans](#)", COM(2020) 57 final, February 5, 2020, 2.

unlocking potentially positive side effects of socialisation and the transfer of standards in the EU accession process.

Decarbonisation and democratisation – two sides of the same coin?

So far, the implementation of climate action has been hampered by weak institutions among other things. In this context, the Green Agenda provides an opportunity for the region to strengthen good governance and democratisation as imperatives for EU accession. To ensure that the Green Agenda works in line with these objectives, the EU will need to fulfil at least four conditions.

First, strengthening the capabilities of competent authorities to monitor, promote and enforce compliance with environmental obligations is crucial from a good governance perspective. Ensuring strong policy enforcement mechanisms, institutional transparency and accountability through EU technical assistance is key. The Commission has outlined suggestions to enhance policy coherence and the green growth dimension of public administration reform, e.g. through improving strategic planning, which could be further built upon.²⁴

Second, alignment with EU governance and democratisation objectives requires a strong political steer and engagement from the EU and its Member States. The revised EU accession methodology adopted last year aims to increase the opportunities for high level policy dialogue through regular EU-Western Balkans summits and intensified ministerial exchanges.²⁵ However, with 27 different voices within the EU, unambiguous political guidance is not a given.

24 European Commission, "[Guidelines for the Implementation of the Green Agenda for the Western Balkans](#)", SWD (2020) 223 final, October 6, 2020, 15.

25 See European Commission, "[Enhancing the accession process - A credible EU perspective for the Western Balkans](#)", COM(2020) 57 final, February 5, 2020.

Third, the Green Agenda is part of the EIP, whose aims can only be accomplished if EU funds do not consolidate clientelist systems and do not have the same effect as 'corrosive capital' from other third powers. Corrosive capital 'exploits and exacerbates governance gaps to influence economic and political developments in recipient countries'.²⁶

Especially the Western Balkans, e.g. in the case of Chinese investments in the Kostolac and Stanari power plants, have been prone to corrosive effects of capital due to rule of law, transparency and oversight deficits.²⁷

Fourth, the energy transition can only be made possible if it involves society at large. Open and participatory processes build trust and allow for citizens' ownership in the reform process, preconditioning its success.²⁸ Greater possibilities for civil society organisations to challenge environmental decisions also promote the development of a strong and vibrant civil society, and broaden civic space in general.²⁹

Conclusions and recommendations

Expectations for the Green Agenda are cautiously high and its realisation will

26 CIPE, "[Corrosive & Constructive Capital Initiative](#)", accessed May 11, 2021.

27 Tena Prelec, "[Caught in a vicious circle: how corrosive capital perpetuates state capture in the Balkans](#)", *EuropeanWesternBalkans*, November 8, 2019.; Zoran Nechev and Ivan Nikolovski, "[Hustled Into a Dead End: The Delusional Belief In Chinese Corrosive Capital for the Construction of North Macedonia's Highways](#)", *IDSCS report*, September 2020; Konstantinos Tsimonis, Igor Rogelja, Ioana Ciută et al, "[A Synergy of Failures: Environmental Protection and Chinese Capital in Southeast Europe](#)", *Journal of Current Chinese Affairs* 48, no. 2 (May 19, 2020).

28 Breffní Lenon, Niall P. Dunphy and Estibaliz Sanvicente, "[Community acceptability and the energy transition: a citizens' perspective](#)", *Energy, Sustainability and Society* 9, no. 3 (September 9, 2019), 35.

29 For example, see the research on [Climate Change & Civic Space](#) of the International Center for Not-for-Profit Law, accessed May 11, 2021.

depend on the commitment from both the Western Balkans and the EU. Cooperation on climate action is just one sectoral piece of a broader integration puzzle. Such cooperation alone cannot be expected to alter decisive political realities which constitute a serious impediment to the EU accession process. Systemic reforms in fundamental areas such as democracy, the rule of law and media freedom will remain a crucial requirement for the accession process to move forward.

However, the Green Agenda for the Western Balkans represents a promising window of opportunity for the region to catalyse decarbonisation, as well as further integration with the EU and democratisation processes. For the Western Balkans it provides opportunities to enhance engagements, reinforce reforms and build closer institutional and political ties with the EU. On the EU side, it provides an opportunity to showcase its investment in the prosperity of the region and to rebuild confidence in the enlargement process. If implemented in line with the objectives of good governance and democratisation, the Green Agenda could act as a catalyst for both climate action and EU integration of the Western Balkans.

We identify five recommendations for EU Institutions and Member States to consider in their engagements with the Western Balkans countries as part of the EU accession process and the implementation of the Green Agenda.

- The EU is advised to further support the swift alignment of Western Balkan policies with the EU Climate Law and related EU *acquis* through the Energy Community framework, as well as to explore options for early inclusion of the Western Balkans in the EU Emissions Trading Scheme.
- The EU would do well to continue or even scale up its technical assistance to the Western Balkan partners to carry out fundamental reforms, starting with the public administration. These should be in line with suggestions from the European Commission on how to enhance policy coherence and the green growth dimension of public administration reform.
- The EU institutions and its Member States are advised to step up their commitment and provide a strong political steer in line with the EU's revised enlargement methodology, as technical assistance alone will not be enough to foster alignment of Green Agenda-related initiatives with EU governance and democratisation objectives.
- The EU would do well to ensure that its financial support for climate and energy reforms is well distributed and spent to avoid the potentially corrosive effects of EU funds. It could do so by strictly imposing requirements on, *inter alia*, transparency, public tendering, and audits. EU funds should facilitate sustainable energy solutions based on renewables, energy efficiency and market integration.
- The EU is advised to ensure the inclusiveness of the energy transition by involving society at large. Reforms conducted towards climate-neutrality are to safeguard social justice principles and should enable multi-stakeholder forums, provide spaces for civil society inclusion in decision-making and stimulate citizens' engagement in local redevelopment plans.

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