IRENA
International Renewable Energy Agency

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# Note of the Director-General
# Region in Focus: South East Europe

## I. Background

1. South East Europe (SEE), encompassing the countries across southern and eastern Europe, including several European Union Member States, has substantial renewable energy potential, that is at present largely untapped. Despite the recently growing efforts, the renewable energy sector in the region can still be considered at an early stage – except for the significant hydropower capacity, most of which was constructed several decades ago.

2. According to IRENA's *Renewable Energy Statistics 2017*, SEE has around 36 GW of renewable energy installed capacity (corresponding to 30% share in total installed capacity), out of which hydropower accounts for 75%. Renewable energy deployment levels significantly vary across the region, depending on the resource base, indigenous energy production versus energy import dependency, and energy supply mix. With the exception of Albania, which relies almost entirely on hydro for its power generation, the region largely has a mix of hydro- and fossil fuel-based power generation.

3. IRENA's recent study on *Cost-competitive renewable power generation: Potential across South East Europe*[1] identified the technical renewable electricity potential of the region suitable[2] for development at around 740 GW, out of which up to 127 GW could be deployed in a cost-competitive way already today[3]. This is 15 times higher than the 8.2 GW of total planned capacity addition required by the National Renewable Energy Action Plans up until 2020. By 2030, with the further decline in technology costs as well as the expected lower cost of capital in the mid- to long-term, the cost-competitive potential for wind and solar PV may further grow to 650 GW.

4. South East Europe has increasingly aligned its energy and economic development plans with the EU climate and energy objectives. While EU member countries of the region adopted, back in 2009, national renewable energy targets for 2020, other countries have later established country-specific targets within the framework of the Energy Community[4] to accelerate the penetration of renewable energy in the region's energy mix, including non-hydro renewable technologies. At present, the Energy Community countries are in the process of establishing 2030 targets for renewables to provide higher stability, transparency of national efforts and increased investment certainty.

[1] The analysis covers the region encompassing six Western Balkan countries, Moldova and Ukraine.
[2] Based on the suitability analysis of IRENA Global Atlas.
[3] Based on the medium cost of capital scenario.
[4] The Energy Community is an international organisation that brings together the European Union and its neighbours to create an integrated pan-European energy market.

**II. IRENA's engagement in South East Europe**

5. Since 2016, IRENA has scaled up its engagement with countries of the region to support their growing efforts in creating frameworks conducive to renewable energy investments. Initiated at a regional meeting co-organized with the Romanian government (Bucharest, October 2016), the consultation process involving governments and key energy stakeholders helped identify IRENA's role and added value in supporting the region's ongoing efforts. Synergies and complementarities with efforts of key partners on the ground played an important role in this respect.

6. This process led to the adoption of the *Abu Dhabi Communiqué on Accelerating the Uptake of Renewables in South East Europe* at the High-Level Meeting on Renewable Energy in South East Europe organised on the side lines of the IRENA Assembly in January 2017. The Communique identified the key areas of regional collaboration, and corresponding actions (as described in the SEE action plan), to facilitate the renewable energy transition in the region. These include (i) resource assessment; (ii) long-term planning for renewable energy deployment; (iii) enabling technical, policy, regulatory, and institutional frameworks; (iv) renewable energy policy support schemes; (v) socio-economic benefits and affordability; and (vi) financing of renewable energy projects.

Since, the Agency has engaged with the region on multiple fronts to move forward with the implementation of the regional action plan.

7. *Renewable Energy Policy Support Schemes*. Renewable energy auctions have been at the centre of discussion in South East Europe as the region is moving towards market-based policy support schemes. Following the organisation of the regional workshop on Renewable Energy Auctions (Vienna, March 2017), IRENA collaborated with the European Bank for Reconstruction and Development and the Energy Community Secretariat in the development of *Policy Guidelines on Competitive Selection and Support for Renewable Energy* to provide policy guidance to the countries of South East Europe in the design and implementation of renewable energy auctions (March 2018). Building on IRENA's analysis on *Renewable Energy Auctions: A Guide to Design*, the Guidelines provides recommendations for governments in four broad areas of auction design: (i) the overall framework for the competitive process; (ii) choices relating to what is being procured; (iii) choices relating to the selection process; and (iv) the mechanism for the delivery of RE support. Particularly, the recommended approach aims to ensure that arrangements:

- deliver support for renewable energy at the lowest feasible cost, and greatest efficiency;
- deliver the desired level of renewable energy deployment within the desired timeframe;
- are transparent, open, predictable and objective to maintain broad investor confidence; and
- are consistent with the European energy law[5].

8. *Renewable Energy Strategy and Roadmap*. IRENA is supporting the region in the ongoing process of undertaking new commitments and developing long-term strategies for renewables. IRENA's *Renewable Energy Prospects for the European Union* (February 2018) identified cost-effective renewable energy options for all EU Member States –some of which are from the SEE region– spanning across all energy sectors and renewable energy technologies. While putting forward that the EU could double the share of renewables in its energy mix cost-effectively to reach 34% by 2030, the report contributes to the ongoing EU-wide discussion on setting renewable energy commitments for 2030. IRENA is undertaking a complementary regional REmap analysis for Central and South Europe to inform the ongoing efforts of the Energy Community countries to develop 2030 renewables targets.

9. *Renewable Energy Project Facilitation*. IRENA's two online platforms, the Project Navigator and the Sustainable Energy Marketplace, help address one of the key challenges in the region linked to the

[5] Guidelines on State Aid for Environmental Protection and Energy, European Union, 2014

need for improved bankability of renewable energy projects and facilitated access to finance. To this effect, in late 2017, a regional portal of the Marketplace came online to facilitate renewable energy project development and financing in Southern and Eastern Europe[6]. Furthermore, IRENA will organize a regional workshop, to be co-hosted by the Ministry of Mining and Energy of Serbia, on renewable energy projects development and financing to share best practices and global experience on renewable energy finance and risk mitigation, and offer training on IRENA's two online financing platforms (Belgrade, June 2018).

10. *Renewable Energy Statistics*. Collection of reliable renewable energy data, particularly for bioenergy, is a key challenge in the region. To strengthen internal capabilities in this area, IRENA has recently provided technical training at a regional workshop co-organized with the Albanian government (Tirana, December 2017).

11. *Renewable Energy Market Analysis*. As part of IRENA's Renewable Energy Market Analysis series, IRENA is initiating an analysis of South East Europe that will capture the wealth of knowledge and experience embedded in the region and identify emerging trends and themes at the intersection of public policy and market development. The analysis brings together outcomes from different IRENA activities, including data and statistics, potentials, policy, finance, tools, technology roadmaps, costs and macro-economics. The analysis will help raise awareness of the socio-economic benefits of renewable energy development in the region, including its impact on end-user prices and affordability.

12. *Renewables Readiness Assessment*. The Republic of Moldova is the first country in South East Europe that has engaged in the Renewables Readiness Assessment (RRA) process. The country has one of the largest renewable energy potentials in the region, with 20 GW of wind capacity that can be deployed in a cost-competitive manner already today[7]. Given the 2020 and expected 2030 renewable energy targets, the country-led, multi-stakeholder process supported by IRENA will assess the key barriers to accelerated deployment of renewables and recommend actions to overcome them. The process is envisaged to be finalized in 2019.

**III. Partnerships**

13. The implementation of the regional initiative in South East Europe is based on strong partnerships with regional actors.

a. *Central and South-Eastern Europe Energy Connectivity (CESEC)*. IRENA is participating in the European Commission-led *Central and South-Eastern European Connectivity (CESEC) initiative*, aimed at regional collaboration recently extended to electricity markets, renewables development and energy efficiency. Following the preparatory discussion during the CESEC Ministerial meeting in Budapest in 2016, renewables formally became part of the CESEC scope of work during the Bucharest Ministerial meeting in 2017. Considering the substantive input provided to both discussions, IRENA was asked to support the CESEC implementation plan on renewables, as part of IRENA's regional engagement with SEE.

b. *Energy Community*. The Agency has established strong links with the Energy Community through the alignment of work programmes on various fronts. IRENA has regularly contributed to the work of the Energy Community bodies, including the Energy and Climate Committee and Renewable Energy Coordination Group. Various activities in the region have been undertaken jointly or in coordination with the Energy Community Secretariat, which remains a key partner for engagement in the region.

[6] Excluding EU Member States in the region.
[7] Cost-competitive renewable power generation: Potential across South East Europe, IRENA, January 2017

c. *Development Partners*. The Agency has sought synergies and complementarities with other partners in the implementation of its regional and country-specific work. The European Bank for Reconstruction and Development, European Investment Bank, GIZ, KfW, UNECE, Energy Charter and Council of European Energy Regulators are among the key regional partners of the Agency.

**Objective of the session**

To share experiences and lessons learnt from SEE on the development and integration of renewable energy and collect feedback on the way forward for IRENA's further engagement in the region.

**Guiding questions**

- While the region is moving forward to achieve higher shares of renewables in the energy mix as required by the regional and national renewable energy deployment targets and corresponding action plans, what are the best practices and key lessons learnt that can be shared?
- IRENA's recent analysis underscored the high cost of capital as a key barrier to more accelerated renewable energy investments in SEE. Which best practices from other regions can be shared to effectively address this issue for improving the cost-competitiveness of renewables in the region?
- What are emerging issues in the context of the region's clean energy transition that IRENA could further address to strengthen the enabling frameworks for renewable energy development?
- Given the growing demand for IRENA country support services globally, how can the Agency's engagement with the region be sustained while activities are becoming more resource demanding?
- In light of various renewable energy programmes and initiatives implemented by development partners in the region, what should be the most effective modalities to channel the Agency's support to the region while ensuring synergies and maximising its impact? How can the Agency further develop partnerships with regional and development partners to support the region's clean energy transition?

**Suggested reading**

Abu Dhabi Communiqué on accelerating the uptake of renewables in South East Europe

Cost-competitive renewable power generation: Potential across South East Europe

Renewable Energy Prospects for the European Union