ESP Newsletter – Summer 2021

Dear EUSAIR colleagues,

We invite you to take a look to the Summer Newsletter on Energy Networks and Green Transition in the Adriatic Ionian region.

Yours,

EUSAIR Stakeholders Platform

ENERGY NETWORKS AND GREEN TRANSITION IN THE ADRIATIC-IONIAN REGION

I. CONNECTING THE REGION

The EUSAIR Pillar 2 "Connecting the region" is coordinated by Italy, Serbia, and North Macedonia. The Pillar's objective, which is a prerequisite for the other Pillars of the strategy, is to develop transport and energy networks through the strengthening of intermodal connections and the establishment of a well-connected energy market

To achieve this objective, the pillar focuses on three topics:

- maritime transport
- intermodal connections to the hinterland
- energy networks.

This newsletter is dedicated to the last topic, energy networks.

Connecting the region in the energy field is crucial for improving the efficiency of energy use and for moving towards a stronger integration of the domestic economies.

Energy networks are regarded as a strategic resource, essential for sustainable economic growth. The second Pillar is committed to reducing the infrastructural disparities between EUSAIR Member States. This effort is in line with the requirements of the EUSAIR Action Plan 2014-2020, which highlights the fact that energy issues are macro-regional by definition and that interventions can only take place through "a cooperative and coordinated approach". Indeed, as the macro-region is composed of small countries, national or bilateral initiatives are not enough, and a wider cooperation is needed to overcome bottlenecks through the development of projects of common interest. It is indeed in the interest of all EUSAIR Member States to digitalise and interconnect their power grids, as a means to reduce costs and improve the services.

The achievement of such an interconnected energy market is a way to promote not only sustainability, but also competitiveness and the security of supply. Reaching the integration of the energy markets requires innovative solutions and joint capacity building.

Pillar 2 is a useful tool for promoting the alignment of Western Balkan countries with the EU legislation. As a matter of fact, it allows WB countries to be closer to the EU in the energy sector and the inclusion of such countries in the Trans-European Networks, including the Trans-European Network for Energy (TEN-E). The TEN-E Regulation is undergoing a revision to incorporate the Green Deal objectives, and these developments are important for the macro-region too, influencing the work of Pillar 2 in the energy field.

The decarbonisation of the energy systems is among the most important challenges the macro-region has to face: national governments need to draft and implement strategic plans on how to phase out coal. This is both demanding and costly. Governments have to find the necessary resources and need to remain strongly committed to the achievement of a sustainable and low-carbon energy sector. Therefore, EUSAIR acts as a useful forum for coordination and knowledge-sharing, as well as a place where resources can be collected for the development of projects of common interest. Moreover, EUSAIR can play a role in bringing stakeholders together, attracting further investments from international financial institutions and private investors, as stressed in the report "EUSAIR Facilitating the Enlargement Process of the Western Balkans".

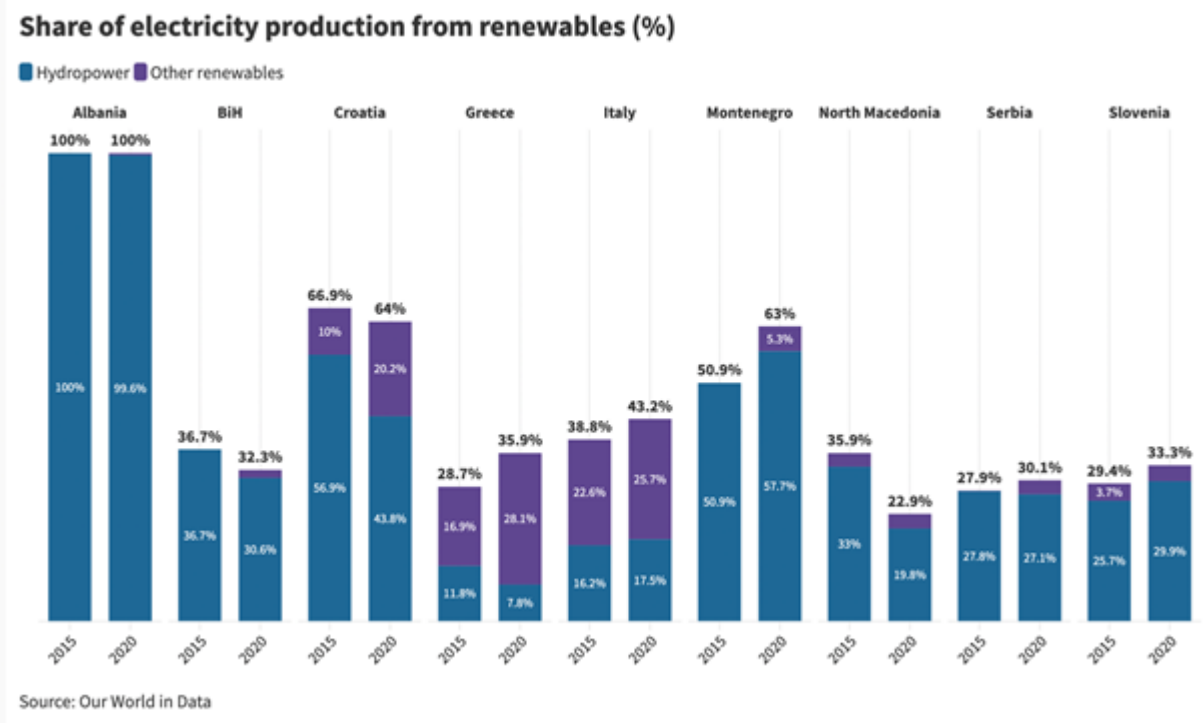
The relevance of the green transition and green connectivity has been stressed in numerous recent meetings and documents. For example, the Izola Declaration adopted on 11 May 2021 during the 6th Annual EUSAIR Forum recognises that green connectivity, which has been established as the thematic focus of the Slovenian Presidency, contributes to improving the quality of life in the macro-region and to Europe's green recovery and green future. On that occasion, EUSAIR Member States committed "to steer the post-

crisis recovery towards green & digital transition in line with the European Green Deal and the Green Agenda for the Western Balkans". The Annual Forum's session on "Connecting the region" remarked on the importance of technology innovation in smart power grids for accelerating the recovery and the transition towards a carbon-zero energy system. The meeting also called for a green energy deal for the Adriatic and Ionian region that would provide "opportunities for collaboration on smart power grids and hydrogen, share technology innovation, business potential and convergence on a common mission".

II. STATE OF THE ENERGY TRANSITION IN EUSAIR COUNTRIES

On a global scale, fossil fuels are the main causes for greenhouse gas emissions and air pollution. The effects of these phenomena are increasingly apparent, and numerous governments are finally undertaking measures to adapt to and prevent them. The energy sector is among the first ones that need to change in order to reduce the environmental impact. Since fossil fuel combustion is the main contributor to CO2 emissions, it is necessary to undertake concrete and effective measures to reduce the share of electricity production from fossil fuels.

We can see a particularly diversified situation in the Adriatic-Ionian macro-region. If we take into consideration only the last five years, it can be observed that the percentage of electricity production from renewable energies has increased only in some countries. If Italy, Slovenia, Serbia, Montenegro, and Greece have improved their performance, the same cannot be said for Croatia, Bosnia and Herzegovina, and North Macedonia. Albania is an outstanding case, given the fact that its share of electricity production from renewables has always been extremely high, and it has been 100% since 2008. It is also interesting to look at the mix of renewable energies utilised. Except for Italy and Greece, a high rate, if not the entire quantity, of the electricity produced from renewable sources is produced from hydropower.



The total Albanian hydro-dependence gives the country an advantage in the decarbonisation path, but it also increases its vulnerability. Although hydroelectric energy is renewable and emission free, it has many disadvantages that do not allow it to be considered completely sustainable. First of all, by diverting the course of the rivers, it poses a threat for the communities and villages along it and for the riverside habitats. The construction of dams is often associated with the disruption of the livelihood of local communities, given the fact that they need to be relocated to create space for the dam. When not relocated, local communities are exposed to high flood risks. This is why the exploitation of water resources in the EU is restricted by the Water Framework Directive and the Habitats Directive, given its negative environmental impact in terms of reduction of protected areas, fragmentation of natural landscapes, and loss of biodiversity, as stressed in the Territorial Analysis of the Adriatic-Ionian Region. The diversification of the energy sector would help the EUSAIR Member States realise the benefits of regional cooperation thanks to the creation of organised electricity markets.

At the EU level, it is interesting to look at the commitment of the European institutions towards a greener and more sustainable economy. On 5 October 2016 the EU ratified the Paris Agreement on climate change, which aims to limit global warming below 2°C and asks to set specific actions to cut emissions. In 2018, the EU approved a long-term strategy about a climate neutral economy up to 2050. In December 2019 the European Commission adopted the European Green Deal as an integral part of the EU strategy for implementing the sustainable development goals foreseen in the United Nations 2030 Agenda. The document shows a strong engagement with the transformation of the economy and of the energy sector, thus promoting the decarbonisation of the energy system. It stresses the need to develop smart infrastructure (e.g. smart grids) and to promote cross-border and regional cooperation. The European Green Deal is paired in the Western Balkans with the Green Agenda for the Western Balkans, which accompanies the Economic and Investment Plan for the Western Balkans approved during the Sofia Summit in November 2020. The Green Agenda sets out relevant actions and recommendations for the alignment of WB economies with EU green standards and details the five pillars covered by the Green Deal: decarbonisation; depollution of air, water, and soil;

circular economy; farming and food production; and protecting biodiversity. The overarching goal is to support the green and digital transition, with the aim to foster regional integration and convergence with the EU.

The document highlights the fact that Western Balkan governments have committed to pursuing a clean energy transition at the Ministerial Meeting in Podgorica in 2019. However, the development of a regional energy market is yet to be accomplished. Therefore, it is fundamental to promote a regional approach to infrastructure management to pursue energy efficiency. As pointed out above, hydropower makes up a significant proportion of renewable energy sources in the macro-region. There is a need to diversify these sources, and natural gas is seen as a first step towards diversification and decarbonisation. The EUSAIR could be a unique platform to share experiences and capabilities and to develop national energy plans.

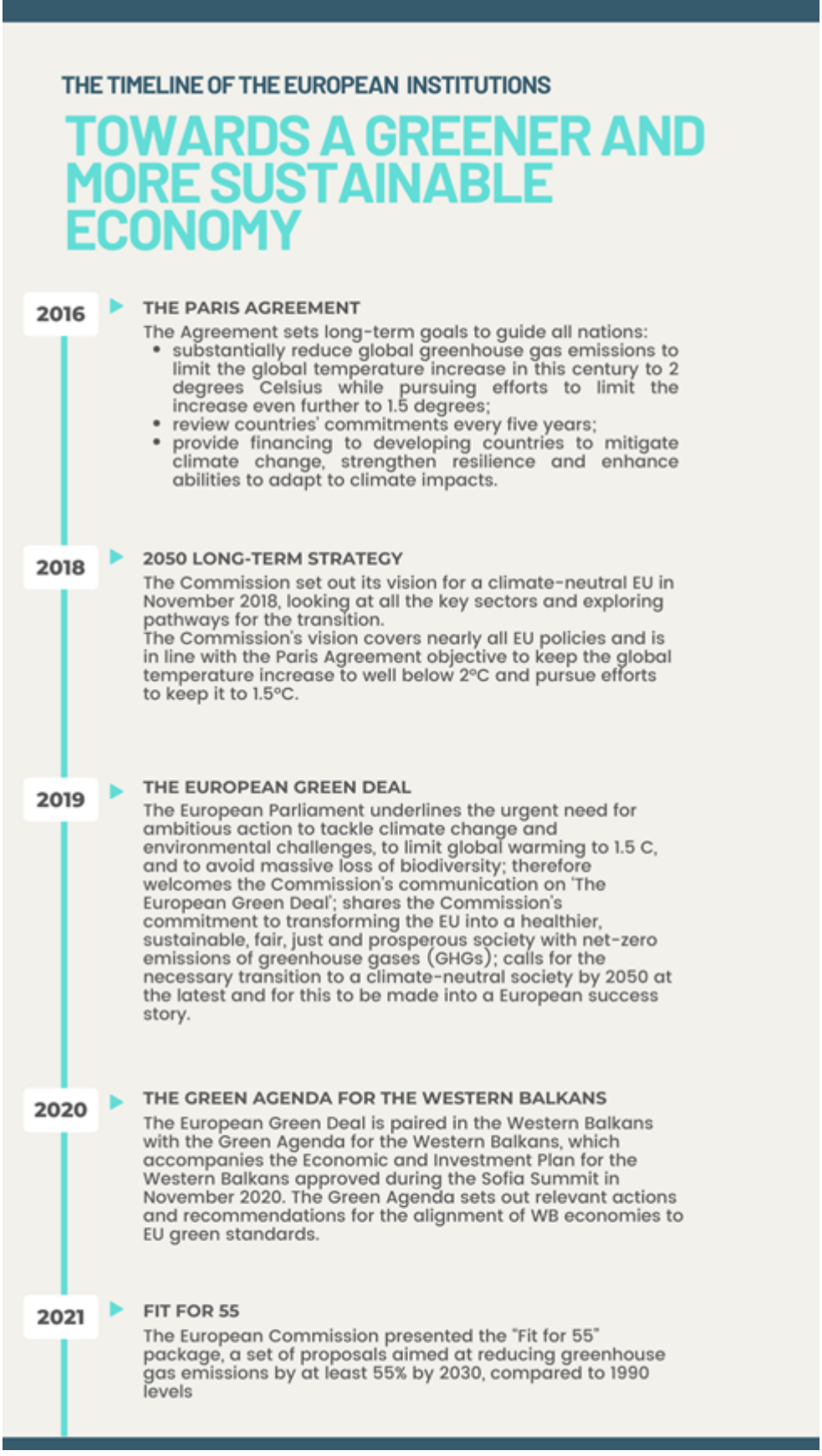
Lastly, on 14 July 2021 the European Commission presented the "Fit for 55" package, a set of proposals aimed at reducing greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels.

A success story: North Macedonia and the Energy Development Strategy

In February 2020, North Macedonia announced the adoption of a national energy strategy that made it the first country in the Western Balkans to commit to a coal phase-out before 2030. The strategy, which can be consulted here, provides a roadmap and brings opportunities for investments in renewable energy.

The strategy plans to significantly increase the use of solar and wind energy, integrating climate and environmental aspects of the energy sector while proposing sustainable energy for the future. It represents a platform for the energy sector modernisation in line with the European Union standards.

Moreover, the government has guaranteed an inclusive approach in the design of the strategy, involving civil society organisations since the very beginning. This is a major step towards increasing the accountability of national and local authorities.



III. RECENT DEVELOPMENTS, THE MASTER PLAN FOR ENERGY NETWORKS IN THE ADRIATIC-IONIAN REGION

We had the pleasure of interviewing **Sergio Garribba**, Pillar 2 coordinator for

Italy, who is in charge of energy networks, with the colleague **Biljana Ramić** of the Republic of Serbia:

“I believe that the attention for the energy sector is really important, also as a motivation for reapproaching the theme. The most recent news in this field is that we made the proposal for a Master Plan of energy networks for the Adriatic-Ionian Region. This Master Plan has a formulation that differs from the one approved in the transport sector. In that case, the Master Plan was a snapshot of the existing situation, with a list of project proposals and of the ongoing projects and measures. On our side, we took into consideration two time horizons: the year 2030, which is focused on the policies adopted by the Member States in the national energy and climate plans, and the year 2050, when the European Union foresees a complete decarbonisation of the national energy systems.

The other document project proposal we are working on is the Road Map towards the EUSAIR power exchange and natural gas trading hub. The harmonised market for power exchange and natural gas involves Italy, which is the core market, and the other EUSAIR member countries’ markets. The Master Plan and the Road Map are the two main activities that we proposed in the framework of the funds allocated to Pillar 2 in the energy sector.

More than that, in recent times we have been engaged in the project definition, which led us to the approval of flagship projects and to the revision of the open list of EUSAIR-labelled projects for energy networks”.

Scope and goals of the Master Plan

The Pillar 2 Sub-group on energy networks is engaged by the Master Plan of energy networks for the Adriatic-Ionian Region, which should be completed and delivered by the end of 2022. This is perceived as a strategic project with a strong impact on the effective implementation of the EUSAIR objectives and on the cooperation in the macro-region. Furthermore, the Master Plan should facilitate the understanding of the alignment of EUSAIR projects and measures with the more general goals, such as greenhouse gas emissions reduction and the commitments deriving from the Paris Agreement.

The Master Plan is conceived as a broad energy outlook for the long-term, providing projects and measures for transnational energy networks with a framework vision and long-term perspective. As Sergio Garribba announced to us, the Master Plan will be developed according to two time horizons, namely the year 2030 and the year 2050, while considering three different scenarios.

1. The Current Policies Scenario, which shows what would happen if EUSAIR Member States continue in their present national policies and business, making limited progress in the integration within the macro-region and between the macro-region and the EU market.

2. The New Policies Scenario, based on the governments' most recent commitments towards energy integration and decarbonisation by 2030.

3. The Carbon Neutral by the Year 2050 Scenario, which assumes the undertaking of the necessary actions and measures towards carbon neutrality by the year 2050.

While promoting a better integration of the Adriatic-Ionian Region into the European Union, the Master Plan should also foster the competitiveness, security, and sustainability of the electricity and gas systems of the EUSAIR Member States, respecting the different starting points and the structural peculiarities of each member.

The Road Map towards the EUSAIR power exchange and natural gas trading hub

The Road Map is in the most recently adopted measure by the Energy Networks Sub-group. Like the Master Plan, it should be delivered by the end of 2022. The main goal of the Road Map will be to define actions and steps aimed at the convergence towards a harmonised power market and at the progress towards a natural gas trading hub involving the whole macro-region. It is widely recognised that power exchanges and gas hubs are the cornerstones of the power and gas market and a tool towards

decarbonisation. Moreover, a power exchange and natural gas trading hub are fundamental for the EUSAIR Member States integration with the European Union. The Road Map will embrace a period up to the year 2030, but its effects will last long in the future.

The Road Map has five objectives.

1. Providing the EUSAIR with an analysis of power markets and natural gas trading through the macro-region.

2. Identifying proposals for a better market harmonisation.

3. Providing EUSAIR Member States with efficient market mechanisms in order to improve the security and resilience of energy supplies.

4. Creating opportunities for the integration of low-carbon and carbon-neutral energy resources.

5. Improving the competitiveness of energy supply costs to the benefit of final consumers.

IV. FLAGSHIP PROJECTS

In June 2020, the EUSAIR Governing Board approved three flagship projects proposed by Pillar 2 Energy Networks Sub-group. Flagship projects are actions regarded as priorities by the EUSAIR governance for their capacity to deal with the challenges that affect the macro-region. Because of their relevance, flagship projects have been approved in 2020 in order to allow their consideration in the 2021-2027 programming period, where they can contribute to the mainstream, transnational, and cross-border cooperation.

We summarise below the main characteristics of the three flagship initiatives.

1) Power networks and market for a green Adriatic-Ionian region: the goal of this flagship is to expand and interconnect national power systems, while exploring opportunities for the deployment of low-carbon energy sources and grid digitalisation. Interconnections are in the interest of all EUSAIR Member States, due to the chance to optimise the deployment of low-carbon power generation and to maintain grid stability and security. Among the actions proposed within this initiative, it is important to mention the creation of a wholesale power market for the macro-region and the digitalisation of the power system.

2) Integrated natural gas corridors and market for a green Adriatic-Ionian region: the expansion and interconnection of national gas systems is a priority for promoting security of gas supplies. As highlighted on the EUSAIR website, natural gas should be the fuel of choice in the energy transition. Therefore, investments in new infrastructures are needed as part of the transition towards a greener economy. The Ionian-Adriatic Gas Pipeline (IAP) and the Eastern Mediterranean Gas Pipeline (EastMed) are among the projects remarked as relevant for the macro-region. The first aims at connecting the existing Croatian gas transmission system, via Montenegro and Albania, with the Trans Adriatic Pipeline (TAP). The IAP could also transport gas to Italy via Slovenia, therefore promoting market integration in addition to gasification of Albania, Montenegro, Bosnia and Herzegovina, and the southern part of Croatia. EastMed is a pipeline which should connect Greece to Italy. The project has been evaluated as technically feasible, financially sustainable, and competitive, and the construction is expected to begin in 2022.

3) Development and operation of logistics for direct liquefied natural gas (LNG) use as a clean fuel for the Adriatic-Ionian region: promoting a stronger cooperation between EUSAIR Member States, LNG suppliers, and users' associations could boost competitiveness and investments in the macro-region. Moreover, the use of LNG as a fuel for transport would allow the reduction of greenhouse gas emissions, thus facilitating the compliance with the emission limits proposed by the EU and the International Maritime Organisation. This is the reason why a proposed action within this flagship is the design, construction, and management of an LNG infrastructure in major harbours of the Adriatic-Ionian Sea.

A feasibility study will be conducted for each flagship project to assess its potential and its contribution to the EUSAIR commitments towards the year 2030 and beyond.

V. THE OPEN LIST OF EUSAIR-LABELLED CLUSTERS OF PROJECTS FOR ENERGY NETWORKS

Reviewing and updating the list of EUSAIR-labelled clusters each one including several specific projects is another activity carried out this year by the Sub-group on Energy Networks, with the objective of publishing a report by Fall 2021. The list of the clusters of EUSAIR labelled labelled projects, initially agreed upon in 2017, responds to the priority actions identified in the EUSAIR Action Plan. It foresees the implementation of ten actions.

1) Transbalkan Electricity Corridor, a cluster of projects consisting of new electricity transmission lines, their reinforcement, and links.

2) Undersea Power Link between Italy and Montenegro, for the construction and reinforcement of the power lines.

3) Transbalkan Gas Ring, a cluster of projects consisting of new gas pipelines, upgrading, and counterflows.

4) Ionian-Adriatic Gas Pipeline (IAP), a strategic gas supply infrastructure to take advantage of the Trans-Adriatic Gas Pipeline and other gas interconnectors.

5) Trans-Adriatic Gas Pipeline (TAP), a key supply infrastructure carrying Azeri natural gas into South-East Europe.

6) Eastern-Mediterranean Gas Pipeline (East-Med), a gas pipeline from the South-Eastern Mediterranean Sea through the Crete Island into Greece mainland, including the interconnector Poseidon from Greece to Italy.

7) EUSAIR Master Plan on Energy Infrastructures for the Adriatic-Ionian Region.

8) Road Map towards the EUSAIR power exchange and natural gas trading hub for the creation of an integrated wholesale power and gas market.

9) Infrastructure development for LNG logistics in the Adriatic and Ionian Sea, for the construction and operation of LNG storage facilities and safety.

10) LNG use for maritime transport in the Adriatic and Ionian Sea, as the preferred fuel for marine transport.

ESP Marche Region

esp@regione.marche.it

Our mailing address:

EUSAIR Stakeholder Platform

Regione Marche via Gentile da Fabriano, 9

60125 Ancona, Italia

EUSAIR Stakeholders Platform website