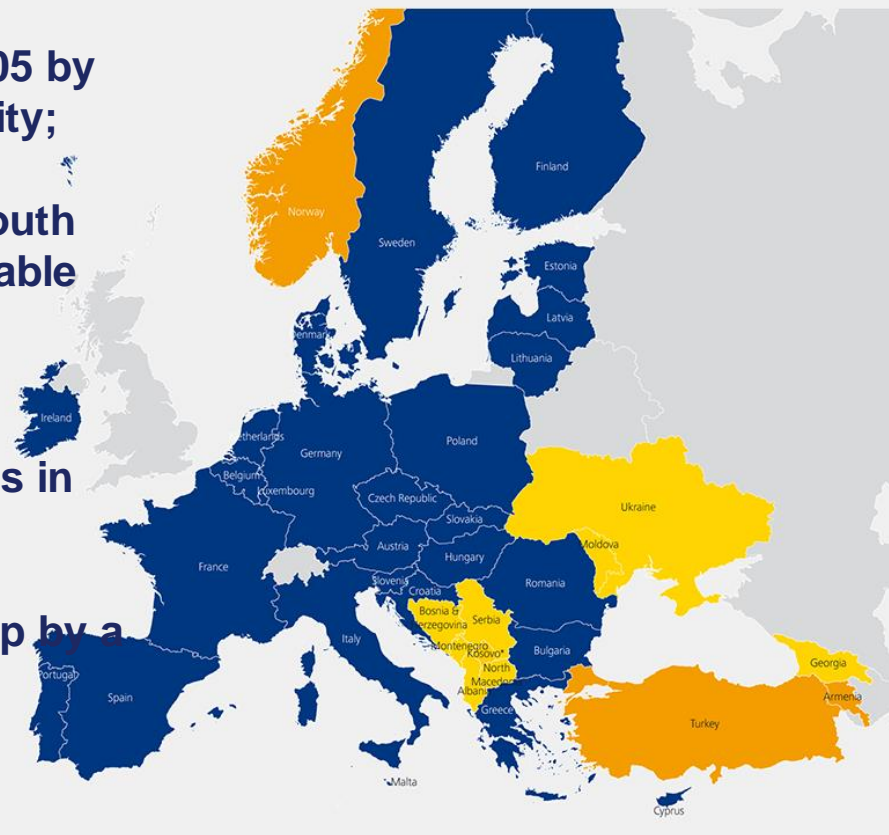


The background is a dark blue image of the European continent. Overlaid on the map are numerous glowing blue lines that represent energy transmission paths. These lines are curved and interconnected, forming a complex network across the landmasses. Some lines appear to originate from specific points, possibly representing power plants or major hubs, and then branch out or connect to other areas.

Energy Community: Readiness for transition

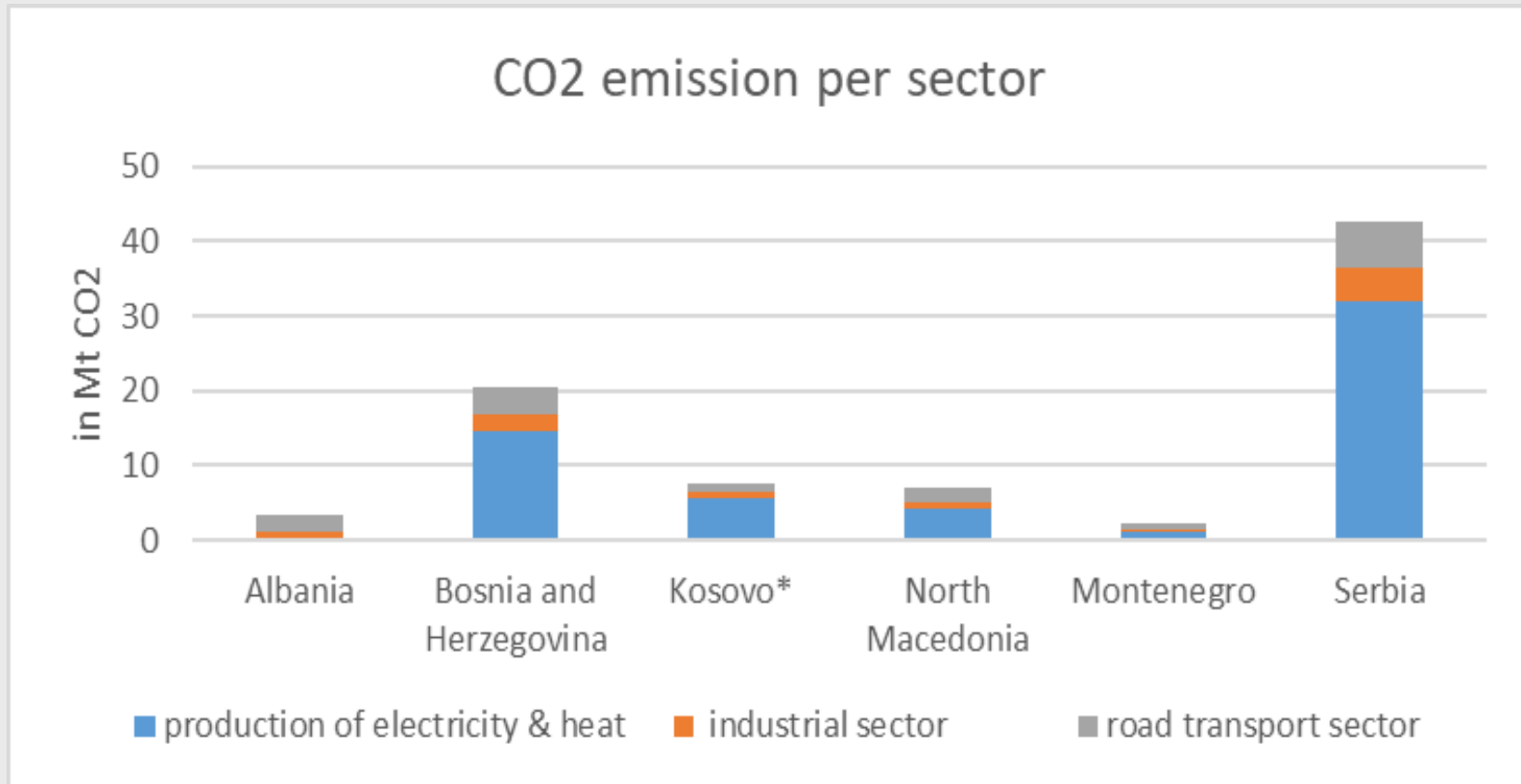
Milka Mumović

- ★ **International organization established in 2005 by the Treaty establishing the Energy Community;**
- ★ **Extends the EU internal energy market to South East Europe and beyond to create a sustainable pan-European Energy Market;**
- ★ **Instrument to assist countries in the EU's neighborhood to reform their energy markets in line with EU law and principles;**
- ★ **Treaty obligations are binding and backed up by a strong institutional setting and dispute settlement mechanism;**



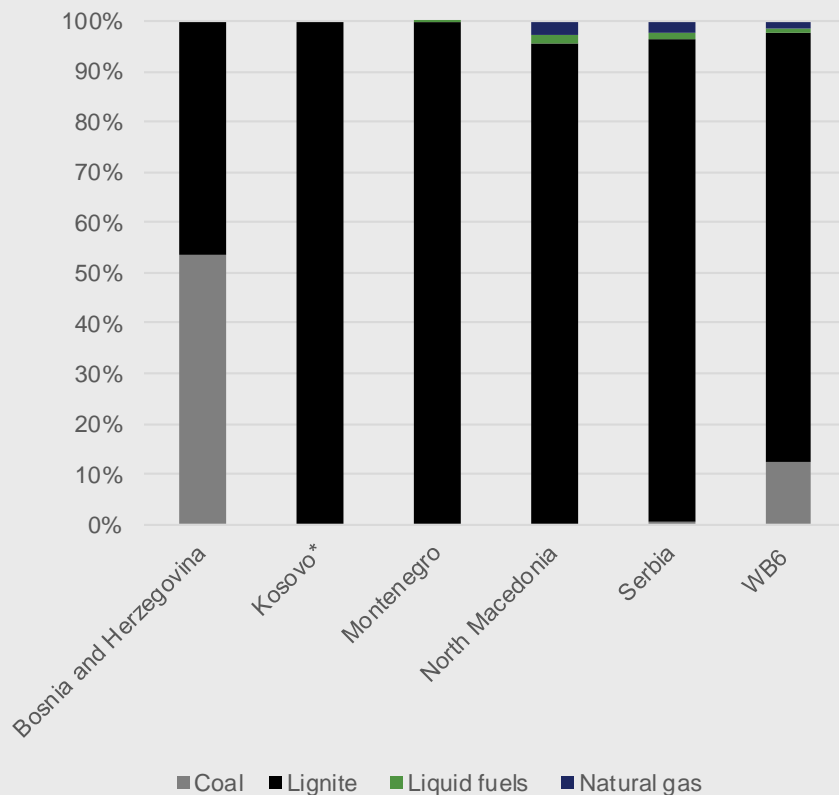
* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

CO₂ emissions from fuel combustion by sector in 2017

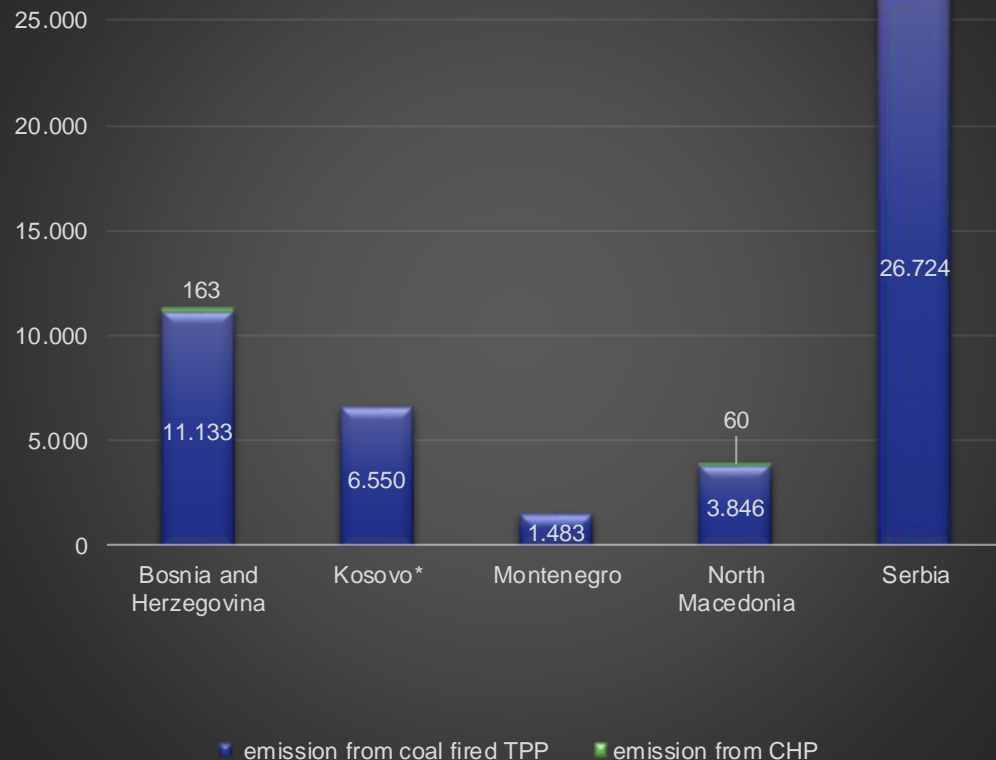


Combustion plants: Power and CHP plants

Fossil fuel burnt in power and CHP plants in 2019



CO₂ emission from fossil fuel fired plants (in kt)



The European Green Deal: Increasing Ambition for 2030 and 2050

Source: An update on European Commission's work on carbon border adjustment mechanism (N. Schuster, DG CLIMA)

Increasing the EU's Climate
ambition for 2030 and 2050

- European '**Climate Law**' enshrining the 2050 climate neutrality objective in legislation
- **Comprehensive plan** to increase the EU's climate target for 2030 to at least 50% and towards 55% in a responsible way by October 2020
- Review and revise where needed all relevant **legislative measures to deliver on this increased ambition** by June 2021
- Extend EU's **Emissions Trading** to the **maritime sector**, and to reduce the free allowances for **airlines** by June 2021.
- A new EU **Strategy on Adaptation** in 2020/2021
- A **European Climate Pact**

Carbon border adjustment mechanism

Timeline

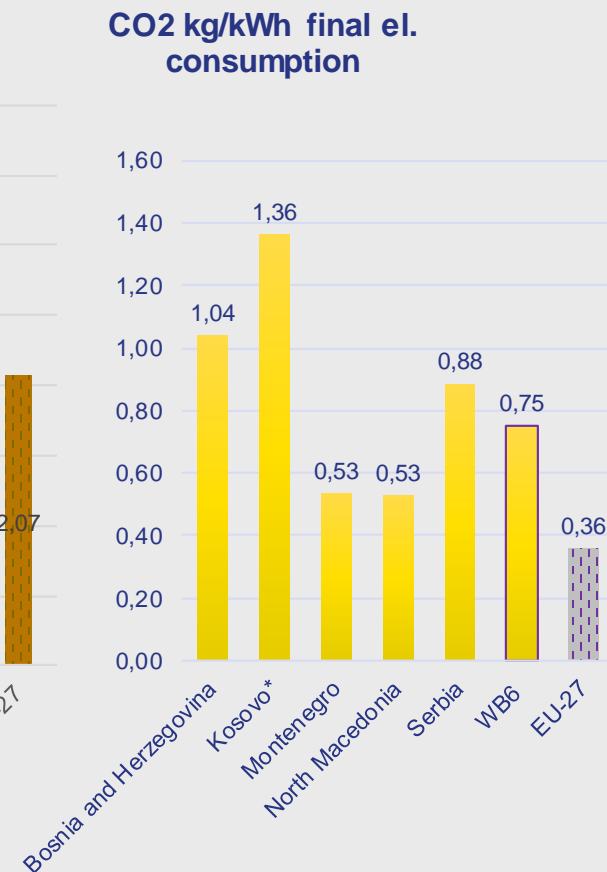
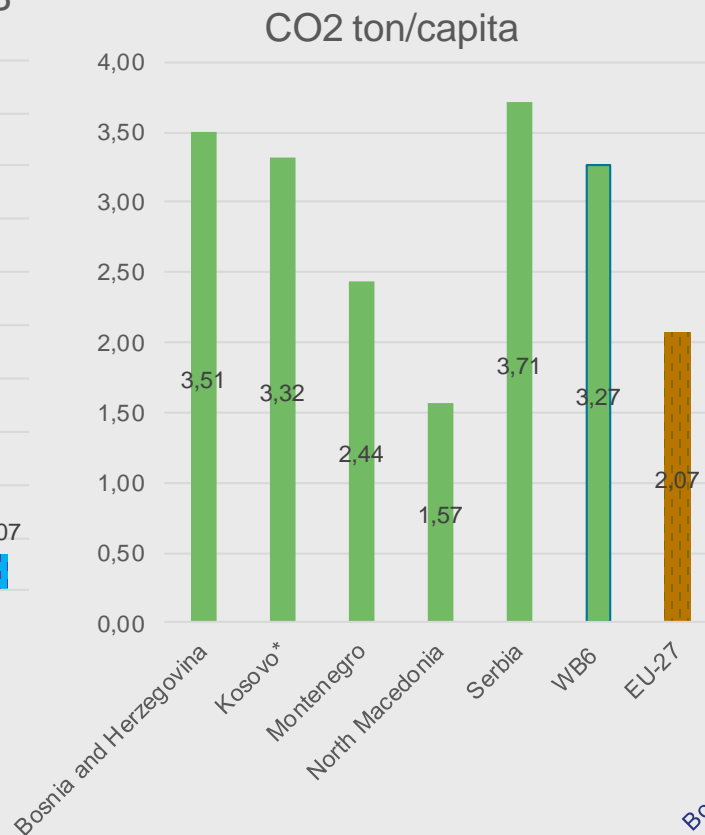
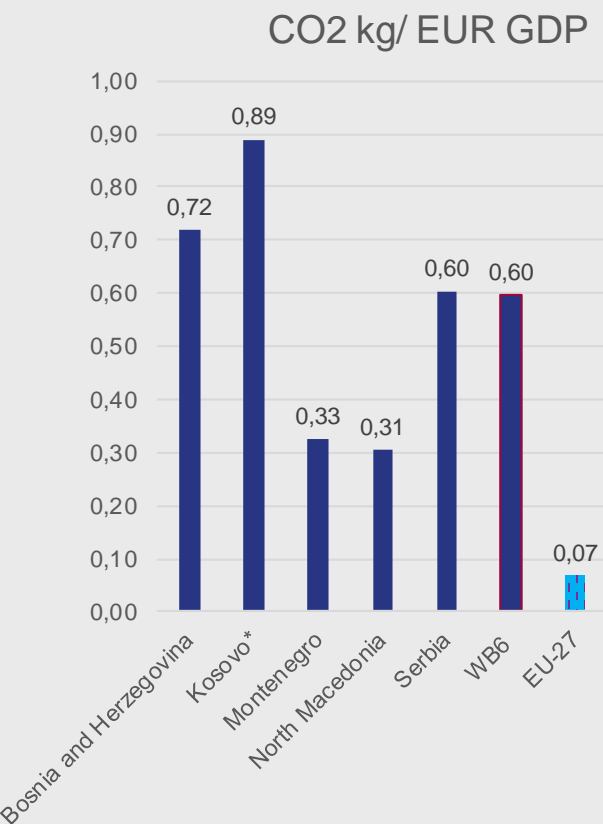
- | | |
|-------------------------------|--|
| • Inception impact assessment | 4 March – 1 April 2020 |
| • Studies | 2020 |
| • Impact Assessment | Ongoing (to be released with proposal) |
| • Public consultation | Third quarter 2020 |
| • Commission proposal | Second quarter 2021 |

When designing the Carbon Border Adjustment Mechanism, the Commission will take into account the level of ambition of climate policies of third countries.

Source: An update on European Commission's work on carbon border adjustment mechanism (N. Schuster, DG CLIMA)

The EU as a
global leader

Comparative indicators for 2018 (WB6 and EU-27)



Adding Carbon on production costs in existing TPP

Study on direct subsidies to coal electricity production in the Contracting Parties (2019)*

☀ EUR 1.2 billion of direct subsidies 2015-2017
(EUR 400 million annually on average)

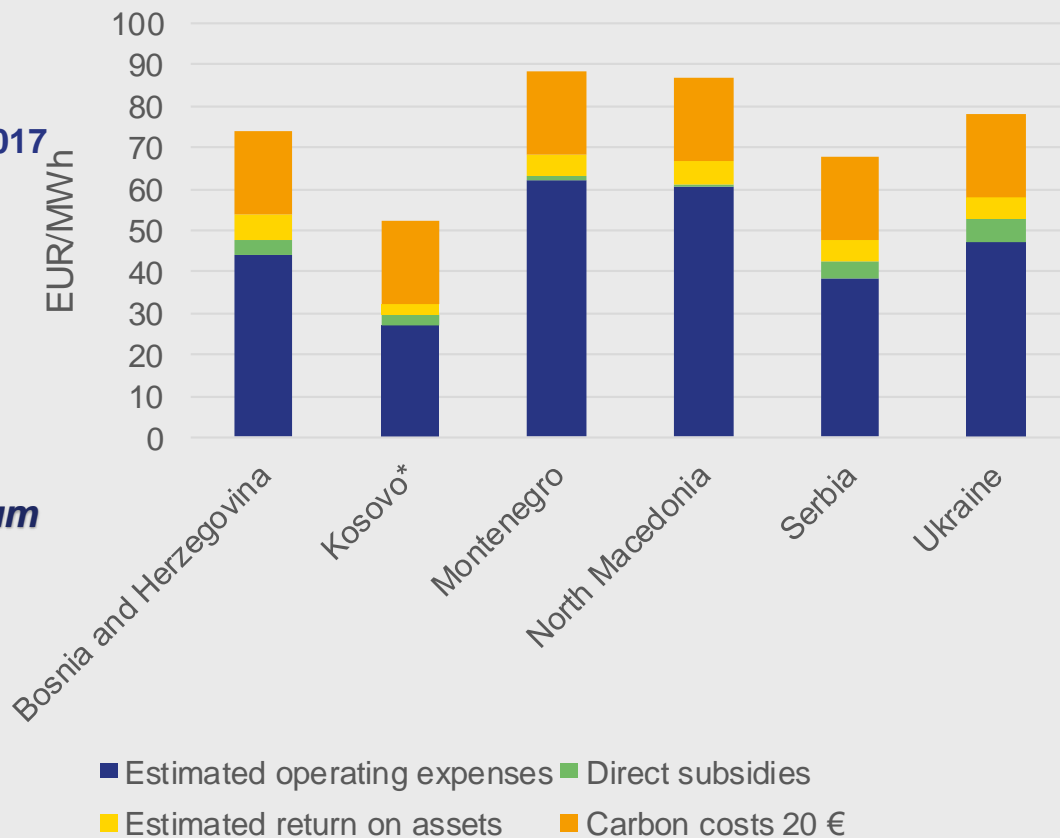
and selected hidden subsidies

- Non-payment of CO₂ emissions
- Operation under level of profitability

☀ Another EUR 1.8 billion annually

Montenegro – cap and trade with minimum price of 24 EUR/t CO₂ eq

Ukraine – carbon tax of 0.34 €/tCO₂e



Market and social welfare concerns

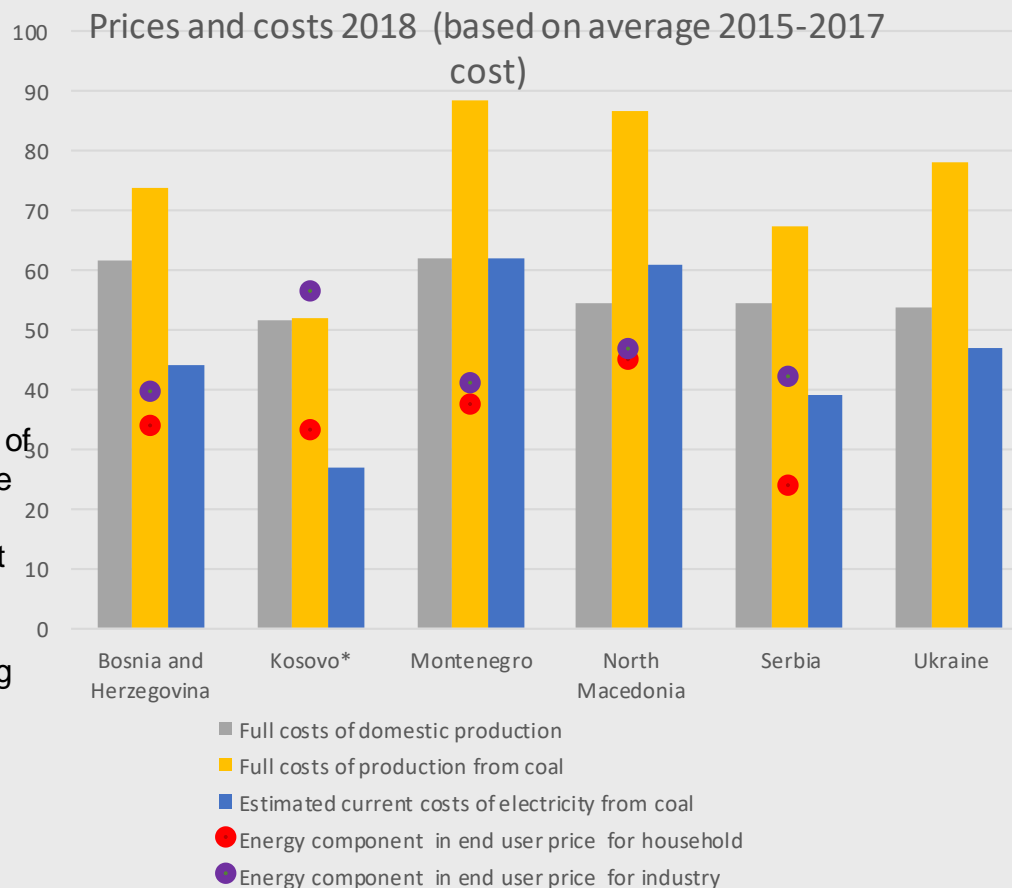
Impact of Carbon pricing in EU vs EnC

- carbon leakage
- trade barriers (EU border tax)
- disintegration of markets
- State aid and subsidies
- of emission, to allow demand to react to scarcity

Cross subsidization still persists

Social protection scheme – yes, but:

- Low prices for end customers at the expense of coal and/or coal fired TPP are not sustainable in the long run
- Low price as a social cohesion measure must not be preserved at the expense of environment
- Sale price has to reflect actual costs, including costs



Carbon pricing design options

Objective

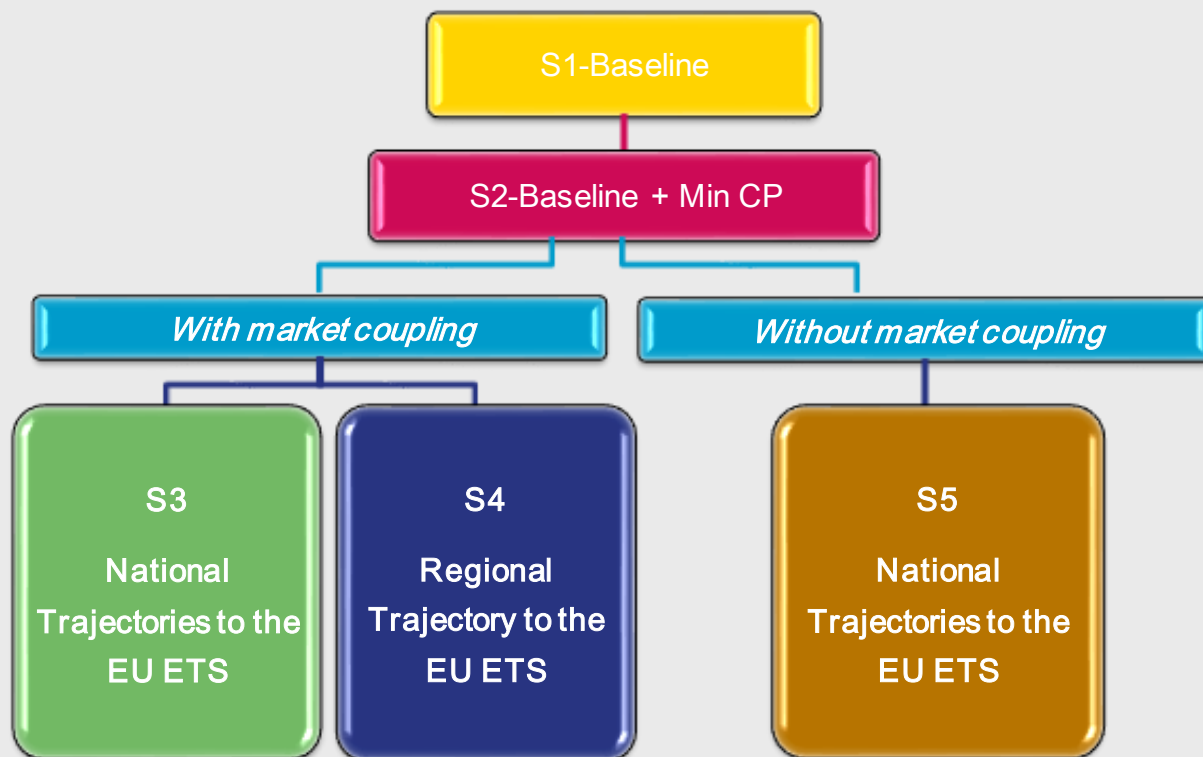
- to assess and propose an effective carbon pricing mechanism in the electricity sector
- to prepare EnC CPs for joining the EU ETS

Tasks

- Comparative analysis of the current status
- Analysis of different possible scenarios
- Final impact assessment and policy recommendations

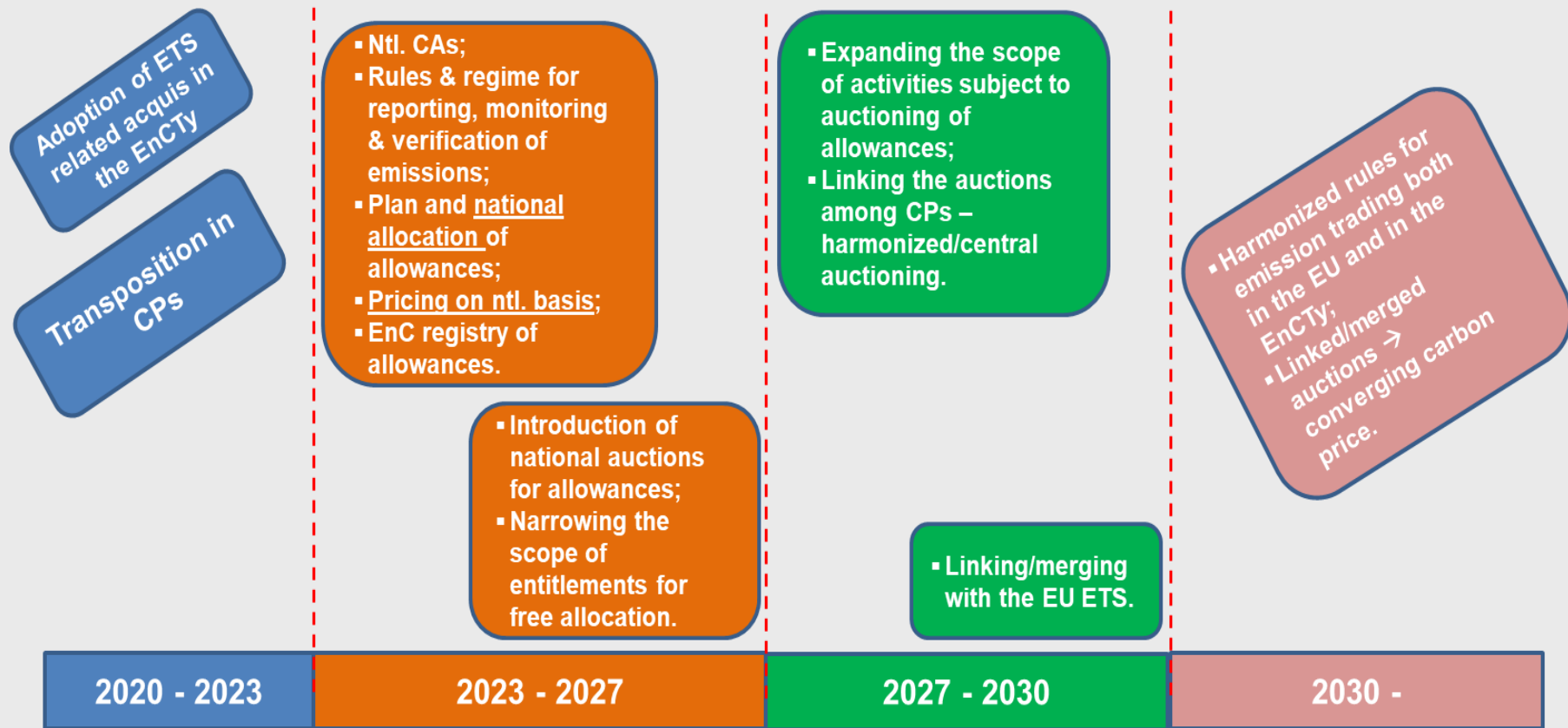
Finalisation

- Q3 2020



Source: E3modelling

Possible scenario (S4)



Green agenda for WB6 proposed by MNE Presidency



*Thank you
for your attention!*

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