



# Policy Brief

## Green Transformation in the Western Balkans

September 2024



This Policy Brief provides an overview of the green transformation in the Western Balkans (WB), addressing various dimensions including infrastructure, skills, governance models, strategic frameworks, and legal and regulatory frameworks.

Climate change is a global threat. In response, the European Green Deal serves as the EU's development strategy for the 21<sup>st</sup> century, focusing on environmental sustainability and climate change mitigation. The Green Agenda for the Western Balkans (GAWB) is a shared commitment between the region and the EU, aligned with the ambitions of the European Green Deal. It is structured along five pillars: 1) Decarbonisation, 2) Circular Economy, 3) Depollution, 4) Sustainable Agriculture, and 5) Protection of Biodiversity and Ecosystems.

This Policy Brief is based on extensive research, including individual interviews conducted for each WB economy, as well as insights gathered from the discussions held during the Policy Dialogue on Aligning Priorities in the Western Balkans<sup>1</sup> organised in Sarajevo in 2023. By systematically exploring contributions from different sectors and fostering coordination, this document provides valuable recommendations for decision-makers in the region, based on identified challenges, barriers, and good practices for implementing the GAWB.

To assess the progress of the green transformation in the WB, the approach is based on seven roadmaps, corresponding to the five pillars (splitting the first one into three sections: Climate Action, Energy, and Sustainable Transport)<sup>2</sup>.

The Energy roadmap is the most advanced component in the WB region, followed by the Climate Action roadmap and the Sustainable Transport roadmap. However, when assessing the remaining pillars, the level of achievements is notably lower.

<sup>1</sup> POLICY ANSWERS Stakeholder Dialogue. Conference website. <https://eu-wb-policy-dialogue-stakeholder.b2match.io/page-4531>. Accessed 23 August 2024.

<sup>2</sup> Regional Cooperation Council (RCC). (2021). Action Plan for the Implementation of the Sofia Declaration on the Green Agenda for the Western Balkans 2021-2030. Sarajevo. <https://www.rcc.int/docs/596/action-plan-for-the-implementation-of-the-sofia-declaration-on-the-green-agenda-for-the-western-balkans-2021-2030>. Accessed 23 August 2024.

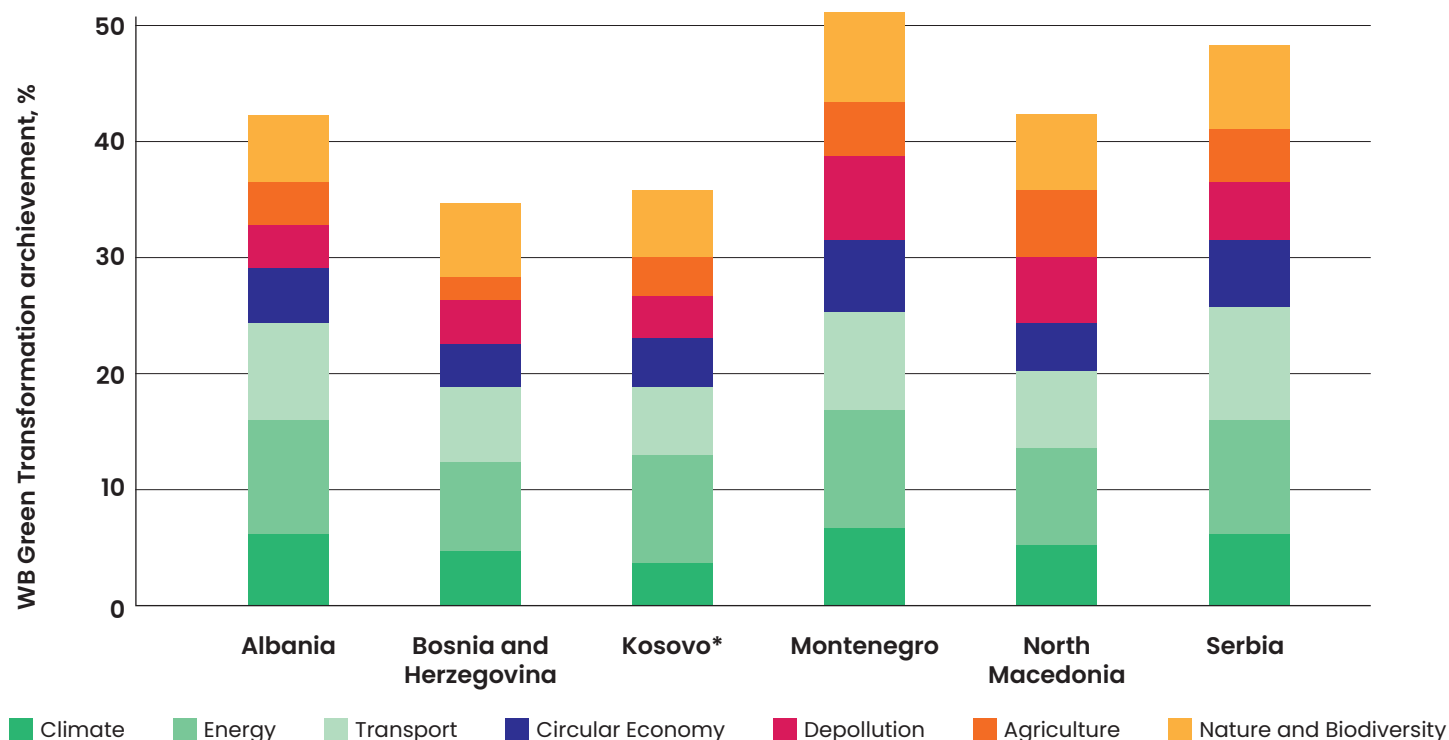


Figure 1: Overall quantification of the green transformation in the WB economies aligned with the European Green Deal.

Source: Djatkov, D. own elaboration. Adapted from RCC<sup>2</sup>. (2021).

## Biggest Challenges

According to the opinion of the interviewed experts for the specific GAWB pillars and the participants of the Policy Dialogue conference in Sarajevo, the biggest challenges among all pillars are:

- Lack of capacities of all kinds and at all levels
- Low public awareness on GAWB
- Low implementation of regulations
- Insufficient coordination among institutions and stakeholders across the pillars
- Lack of financial instruments
- Insufficient political willingness

In addition, the results of a regional public opinion survey conducted on a representative sample of over a thousand respondents per Western Balkans financial<sup>3</sup> showed that economic hardship is the most influential challenge for the energy transition, followed by corruption and energy crisis. Moreover, a significant portion of respondents feel that the EU requirements to reform the energy systems in the WB economies are excessive.

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

<sup>3</sup> Prelec T, Tzifakis N, Bechev D. (2023). Green Power Politics: External actors and energy transition in the Western Balkans. Balkans in Europe Policy Advisory Group (BiEPAG). <https://biepag.eu/publication/green-power-politics-external-actors-and-energy-transition-in-the-western-balkans/>. Accessed August 2024.

## ***Navigating the Path to Carbon Border Adjustment Mechanism Exemptions – A Challenge for the Western Balkans***

Finally, as the EU's Carbon Border Adjustment Mechanism (CBAM) approaches its implementation in 2026 with full application in 2034, some WB economies are encountering delays in the process to incorporate CBAM requirements into their legal frameworks.

## **Good Practices in the Implementation of the Green Agenda**

The good practices achieved so far in the WB economies in the implementation of the GAWB are primarily individual examples which need to be replicated and multiplied to form a complete puzzle in the field of green transformation. These practices are mainly related to strategies, platforms, and established organisations, rather than infrastructure (with notable exceptions in the clean energy sector).

Notable good practices achieved in each economy:

### **Albania**

Albania leads the region in renewable energy auctions and has already achieved the 2020 renewable energy target, with ongoing projects such as the pre-phase of the wind farming auction and the construction of the first photovoltaic (PV) power plants with market-based support. Two PV projects began operations in 2023, and a notable project has been launched for the production of battery energy storage systems. Albania has implemented mandatory 15% energy-saving targets for the public sector and introduced new measures for households, including a financing scheme for subsidising the installation of solar water heaters. Albania is deploying e-charging stations and supports the Green Transport Tirana project. Finally, it has undertaken tree-planting projects to restore areas affected by forest fires, and is implementing a Forestry Policy Document for sustainable forest management to prevent biodiversity loss.



### **Bosnia and Herzegovina**

Good examples of environmental initiatives include the commissioning of a large solar power plant, alongside the successful installation of a biogas plant, implemented without the need for investment subsidies. Two wind farm projects have been approved as part of the sixth package within the Economic and Investment Plan for the WB, and are set to be completed in 2027 and 2028 respectively. Bosnia and Herzegovina has also made significant investments in the modernisation of farms, including digitalisation and automation of processes.



Kosovo

Kosovo has made significant strides in environmental conservation, with 11% of its territory now legally protected. Kosovo’s mid-term energy strategy does not include new investments in coal-based power plants. Instead, it initiated auctions for renewable energies, with the first auction resulting in investments for a solar power plant to be installed on a coal ash dump. Moreover, Kosovo plans two auctions for battery energy storage projects. Building natural gas pipelines from North Macedonia and/or Albania, with diverse supply origins, stands out as a promising strategy for energy diversification and depollution in the region, which could significantly reduce reliance on lignite and lower emissions, aligning with the goals of the Green Agenda. Kosovo has adopted its first Law on Climate Change and is progressing in the incorporation of CBAM requirements into its legal framework.



Montenegro

Montenegro is recognised as a regional green energy hub, highlighted by its electricity interconnection with Italy via a submarine cable, and it is enhancing its green energy potential with a new wind farm. One more example is the promotion of protected coastal areas. Moreover, the Porto Montenegro marina stands out as a frontrunner in waste management, thanks to facilities such as a wastewater treatment plant and an engine oil collection and treatment system. Significant environmental protection projects include the ongoing industrial waste management system and the remediation of three hazardous industrial material landfills. Additionally, another significant step forward is the establishment of a Circular Economy Hub, which includes a digital platform for education and networking.



North Macedonia

North Macedonia launched the Just Transition Investment Platform to enable the complete phase-out of coal-based power plants, which will be replaced by renewable energies by 2030. Supported by the Climate Investment Funds, this initiative aims to ensure energy security while respecting just transition requirements. Additionally, North Macedonia has joined the LIFE programme for environment and climate action<sup>3</sup>. Moreover, the Instrument for Pre-Accession Assistance (IPA) project “Green Business Facility” will officially start in 2024, aiming to boost green business initiatives. North Macedonia is also progressing in sustainable waste management through public-private partnerships.



<sup>3</sup> LIFE Programme. [https://cinea.ec.europa.eu/programmes/life\\_en](https://cinea.ec.europa.eu/programmes/life_en). Accessed 23 August 2024.

Serbia is progressing in renewable energy infrastructure. Notable achievements include the construction of several renewable energy facilities, such as PV plants, wind farms, and biogas power plants (with organic waste disposal). Future efforts in decarbonisation and depollution include investments in biomethane as a substitute for natural gas and exploring renewable hydrogen options.

Serbia has adopted the Low Carbon Development Strategy for 2023– 2030 and is currently drafting its National Energy and Climate Plan (NECP).

Serbia is progressing in the incorporation of CBAM requirements into its legal framework. The transition period for the CBAM in Serbia began in 2023 and will continue until 2025. Additionally, Serbia has seen notable successes in the agricultural sector. One success story is the establishment of a PV facility to generate electricity for wastewater purification and fruit refrigerators.



## Key Recommendations

The key recommendations for the implementation of the GAWB in the WB economies are the following:

- Enhance cooperation with the banking sector to support sustainable investments and innovations
- Set specific targets for energy supply, including renewable energies shares and greenhouse gas emissions targets
- Establish a comprehensive and harmonised reporting system to track progress towards climate targets
- Focus on reducing food waste across the supply chain
- Enhance the competitiveness of small farms by implementing land reforms
- Advocate for circular economy practices at all levels
- Improve cooperation and coordination at local, regional, and economy level to boost R&I in all relevant sectors
- Raise public awareness and initiate public discussions
- Improve the skills of all relevant stakeholders
- Enhance knowledge management by employing e.g. academia
- Introduce additional financial support to actively include vulnerable groups in the transition process and mitigate negative outcomes
- Enhance the competitiveness of small farms by implementing land reforms
- Include external organisations such as NGOs, professional organisations, and think tanks in policy-making.

## Key Recommendations

Some recommendations focus specifically on the CBAM:

- Expedite the implementation of EU climate initiatives, such as the Emissions Trading Scheme (ETS) and the CBAM, by adopting appropriate carbon pricing mechanisms
- Provide training programmes for SMEs to ensure they comply with CBAM regulations
- Support SMEs' adjustments and investments into green technologies, ensuring compliance with CBAM standards
- Foster collaboration among WB economies to share expertise in CBAM compliance and carbon reduction strategies

A crucial measure for successful implementation, particularly related to concrete projects and activities, would be cooperation between national administration, industry, municipal-level authorities, and academia.

In addition, more recommendations emerged from the Stakeholder Policy Dialogue conference in Sarajevo. These recommendations are divided into specific areas according to the five pillars of the Green Deal:



### Pillar 1 – Decarbonisation (climate, energy, transport)

- Address the lack of concern among politicians
- Establish green action centres
- Involve local communities in the decision-making process
- Facilitate the collection of public opinion and public figures
- Develop a communication strategy

### Pillar 2 – Moving to a Circular Economy

- Include subsidies for the implementation of circular economy
- Encourage private investment in research
- Promote knowledge sharing and awareness
- Establish waste management with increased funding for local initiatives
- Implement return protocols
- Enable education and public-private partnerships to train and upscale workers



**Pillars 3 and 4 – Depolluting air, water and soil / Building sustainable agriculture and food systems**



- Establish an information system for environmental data
- Enable and boost exchange of good practices
- Enact legislation, documentation and reports
- Promote changes in the population’s eating habits
- Contribute to a “One Health” approach
- Improve air quality by replacing outdated small household heating systems
- Leverage opportunities from participation in European partnerships
- Align with the prioritisation of the United Nations’ Sustainable Development Goals (SDGs)
- Implement scientific solutions

**Pillar 5 – Protecting Biodiversity and Ecosystems**

- Map habitats and identify areas for protection
- Prioritise biodiversity in policy-making
- Improve more agricultural education, starting from elementary school
- Incorporate nature-based solutions
- Prevent the extinction of species
- Conduct evaluations of ecosystem services
- Sustain transboundary natural parks
- Facilitate a change of politics and establish an attitude of appreciation of free resources
- Increase communication efforts
- Implement new programmes, secure funding, and utilise funds from the Economic and Investment Plan for the Western Balkans (EIP) with clear political will and involvement of civil society
- Transition production methods towards sustainability



This Policy Brief is an executive summary of the Policy Report available here:



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## Strengthening Research and Innovation in the Western Balkans: The POLICY ANSWERS project

POLICY ANSWERS is a strategic initiative funded by the European Commission through the Horizon Europe project “R&I POLICY making, implementation ANd Support in the WEStErN BalkanS”. The project focuses on enhancing research and innovation (R&I) policymaking and governance systems in the Western Balkans, while also addressing aspects of education, culture, youth, and sports. By providing essential support to the region’s development, POLICY ANSWERS plays a crucial role in strengthening the Western Balkans’ potential for successful participation in regional and multilateral research and innovation activities.

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