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# A Clean-Energy Transition in Southeast Europe: Challenges, Options and Policy Priorities

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## Introduction

Right now is an auspicious moment for advancing a clean-energy transition in Southeastern Europe (SEE).<sup>1</sup> First, the EU along with the vast majority of the international community has pledged to meet the climate targets laid down by the 2015 Paris Agreement. Second, the EU has begun to push for an integrative approach to climate and energy policy in the region, where four countries are already EU members, four Western Balkan (WB) countries are candidates for EU membership and two Western Balkan countries are potential candidates. Third, this integrative approach, in addition to helping the climate, will narrow the divide between Western Balkan countries and the SEE EU, and between SEE and the other regions of Europe.

Fourth, the costs of renewable energy technologies have fallen markedly in recent years. If the SEE is to reap the benefits of these cost reductions and develop low-cost renewable energy projects that are cheaper than conventional alternatives, however, it must overcome significant barriers in its regulatory, policy, financing and market framework for investment.

This paper addresses the main challenges to a clean-energy transition in SEE and provides a number of policy recommendations for achieving it. The paper is a result of two projects: the Western Balkans Energy Transition Dialogue project<sup>2</sup> and South East Europe Energy Transition Dialogue.<sup>3</sup>

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1 For example, the recent SEERMAP project has demonstrated that deployment of renewable capacity in the EU SEE and Western Balkans not only is feasible but also has several advantages over fossil fuel-based investment: Deployment of RES does not result in higher wholesale prices, avoids stranded assets in fossil fuel power plants, decreases reliance on imported fossil fuels for improved external balances and lowers investment needs in fossil fuel energy infrastructure. See [http://rekk.hu/analysis-details/238/south\\_east\\_europe\\_electricity\\_roadmap\\_-\\_seermap](http://rekk.hu/analysis-details/238/south_east_europe_electricity_roadmap_-_seermap)

2 See <https://www.agora-energiewende.de/en/projects/western-balkans-energy-transition-dialogue/> for more details on our ongoing project in the Western Balkans. The project is funded by the Austrian Federal Ministry for Sustainability and Tourism

(BMNT). The information and views set out in this paper are those of the authors and do not necessarily reflect the opinion of the Austrian Federal Ministry for Sustainability and Tourism.

3 See <https://www.agora-energiewende.de/en/projects/south-east-europe-energy-transition-dialogue/> for more details for our ongoing project in EU SEE. This project is part of the European Climate Initiative (EUKI) of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). The opinions put forward in this paper are the sole responsibility of the authors and do not necessarily reflect the views of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

## Opportunities for a clean-energy transition in Southeastern Europe

Countries throughout SEE have high shares of electricity generated by an aging fleet of coal-fired power plants. Some of the “youngest” coal plants in the Western Balkans were built in 1988, before the break-up of Yugoslavia. Within the next decade, utility companies and governments will have to decide whether to modernise or replace roughly 50% of the region’s existing coal and lignite generation capacity (see Figure 1 and Footnote 1).

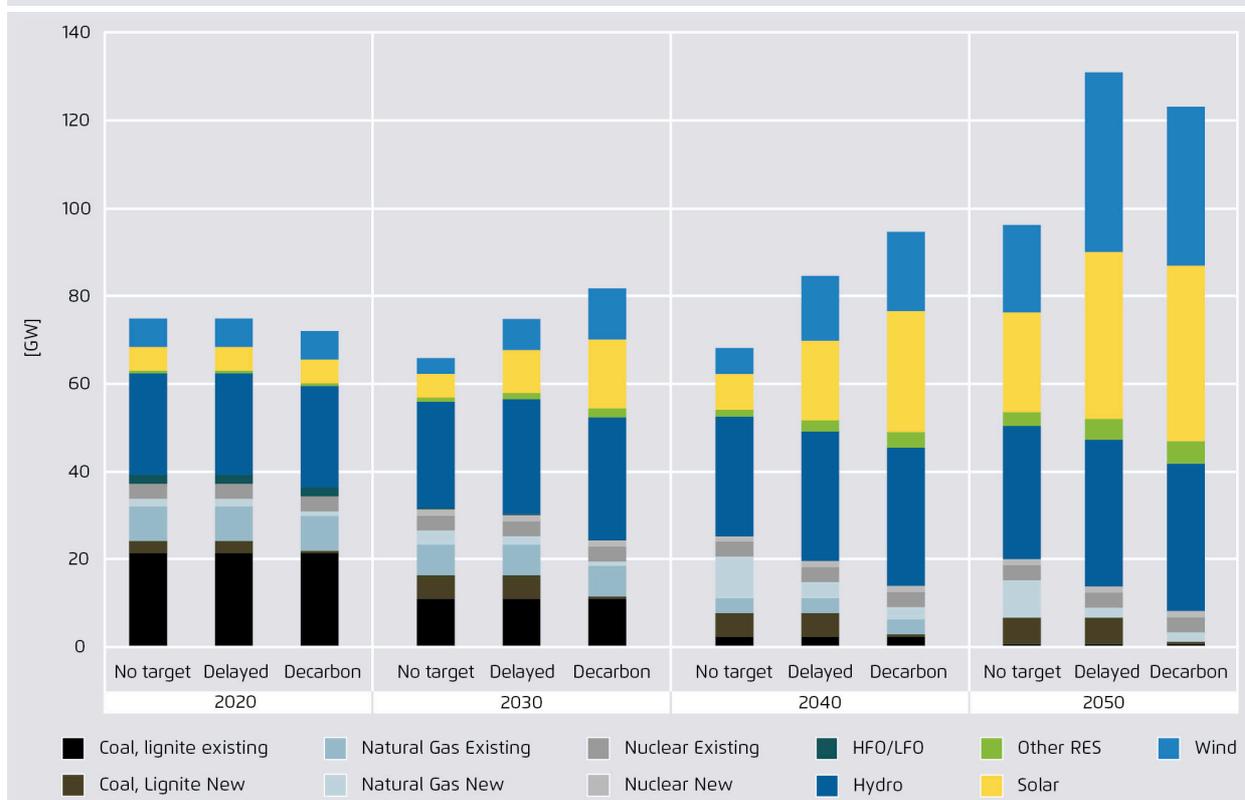
The debate about how to proceed comprises a host of concerns: the vested interests of utilities, negative effects on health, tighter standards for air quality and carbon dioxide emissions, more integrated

power markets and specific political targets for increasing renewable energy, energy efficiency and the number of interconnections.

In the EU, a focal point for this debate is the development of integrated national energy and climate plans (NECPs) required by the new European Regulation on the Governance of the Energy Union. In 2018 and 2019, Member States will develop NECPs in consultation with their neighbours and the European Commission.

The contracting parties of the Energy Community, which includes the Western Balkan countries, are pursuing similar goals. In particular, they are discussing new national targets for reducing greenhouse gas emissions, increasing renewable energy and enhancing energy efficiency.

Figure 1: Installed generation capacities in SEE in business as usual and decarbonisation scenarios



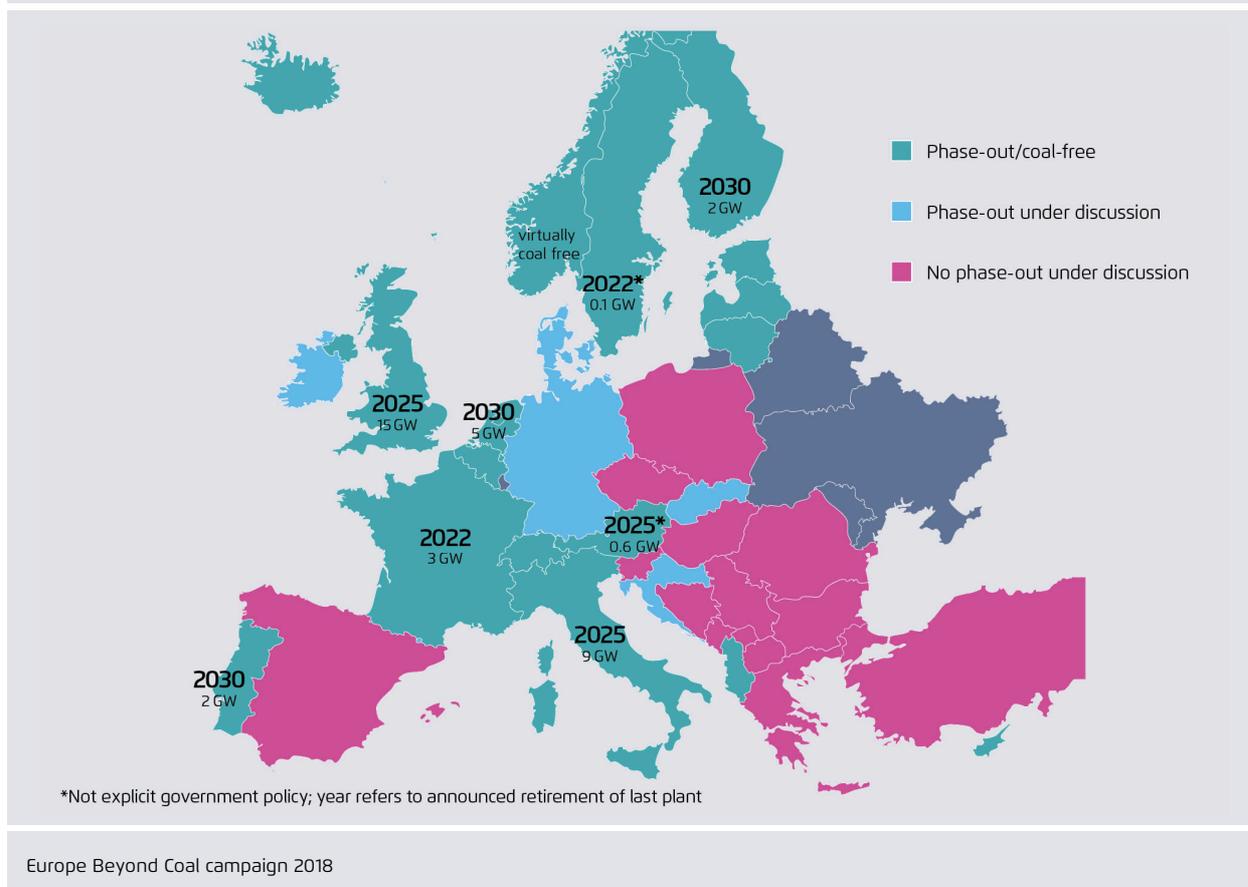
REKK (2017): SEERMAP Regional report

The combined effects of EU targets for renewable energy and energy efficiency will – if achieved – reduce EU greenhouse gas emissions by 2030 by well over 45% compared with emission levels in 1990. By 2030 an average of 55% of electricity in Europe’s power grids will be from renewable energy sources.<sup>4</sup> Solar photovoltaics and wind power – driven by significant cost reductions – will almost certainly contribute the largest share of zero-carbon technologies. This presents new challenges to power system operators, regulators and planning authorities.<sup>5</sup>

However, while the majority of Western European countries have committed to phase out coal generation by 2030 or before, no country from SEE has announced concrete plans (Figure 2). On the contrary, many of them, especially in the Western Balkan countries, are looking for investors for new lignite and coal TPPs.

Given the region’s strong reliance on coal, renewable energy – in particular, renewable electricity – has enormous potential for the future development of power systems in SEE countries.<sup>6</sup> By 2030, renewable electricity could in principle cover 45–55% of

Figure 2: Coal phase-out years and operational capacity



4 This would be a cost-effective share of the EU average based on Commission modelling, though it will be significantly higher in Austria (100%), Denmark (>90%), Germany (65%), Portugal (>80%), Spain (>70%) and Sweden (>80%).

5 See IEA (2017), Getting Wind and Sun to the Grid.

6 IRENA (2017), Cost-competitive renewable power generation: Potential across South East Europe

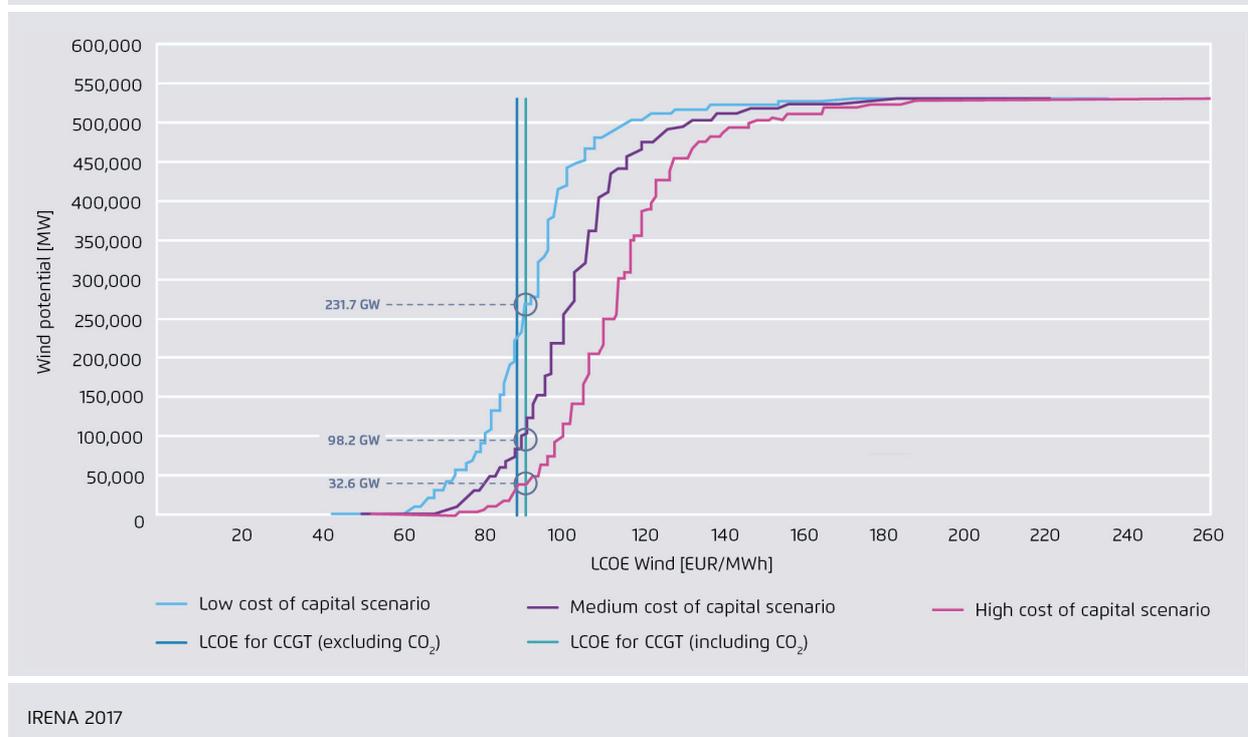
power demand in Western Balkan countries even if demand rises as projected.<sup>7</sup>

Unlocking this cost-competitive potential depends on the satisfaction of a number of preconditions. Figure 3 above shows how cost-competitive potential corresponds directly with the perceived political, regulatory and financing risks of developing renewable energy projects. The higher these risks, the higher the cost of capital for renewables investors and the lower the cost-competitive renewables potential. The International Renewable Energy Agency recently showed that a 4-percentage-point reduction in the financing risk for renewables in Southeast Europe would increase the cost-effective potential in 2016 from 53 GW to 293 GW – an increase of 450%. Concrete steps to address investment risks should thus be part and parcel of any clean-energy transition strategy in the region.

Furthermore, sound planning for the expected increase in the share of variable renewable electricity will significantly reduce the costs and the practical challenges of power system integration. Regional cooperation can play an important role in this regard. The development of NECPs provide space and focus for identifying specific challenges of a clean-energy transition and for developing pragmatic solutions.

Because decarbonisation rests on continuous investment in wind turbines and solar photovoltaics (PV), a policy environment that promotes **coupled power markets, the coordination of security of supply policies, the deployment of renewables, the managed phase-down of coal-fired assets, energy efficiency investments and de-risking policies** is key for a cost-effective clean-energy transition.<sup>8</sup> Below, we describe these policy areas, associated challenges and our recommendations in more detail.

Figure 3: Cost-competitive wind potential in SEE as a function of cost of capital



7 See REKK (2017), SEE Regional report.

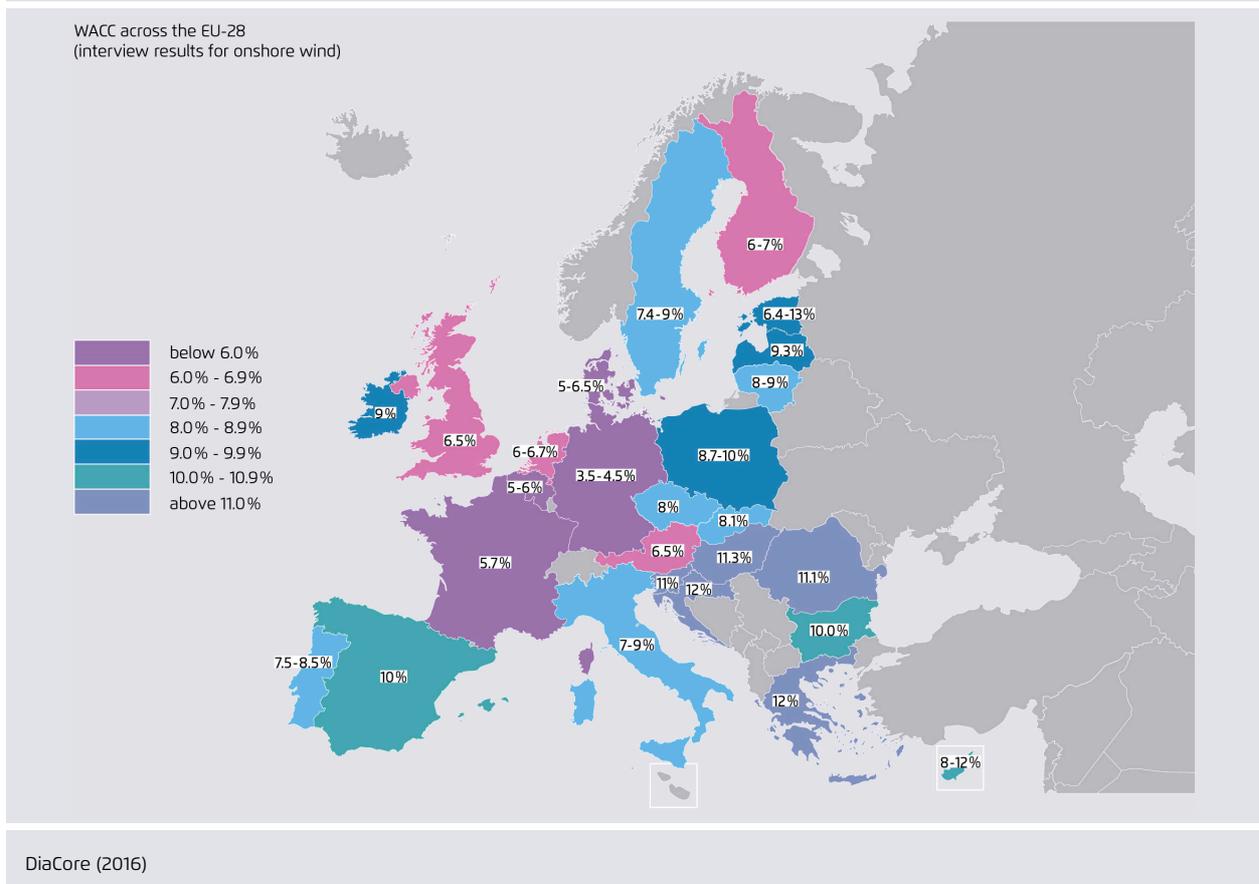
8 See, for instance, Agora Energiewende (2016): The Power Market Pentagon: A Pragmatic Power Market Design for Europe's Energy Transition.

**Policy priority area #1:  
Remove barriers and implement instruments to lower the cost of capital of deploying renewables**

Robust and reliable renewable energy frameworks are crucial for providing investors with the confidence to invest in RES capacity. At the same time, there are significant barriers to RES investment in the regulatory, policy and market framework. These barriers have kept the costs of capital for RES projects in SEE significantly above the European average.<sup>9</sup>

Robust and reliable frameworks are seen as lower risk, which translates into lower costs for project developers and lower rates of return needed to make an investment profitable. Low-risk projects will need less or even no help in closing possible revenue gaps and are thus cheaper for consumers and taxpayers. At the current level of capital costs, investment in RES in SEE EU and SEE Western Balkan countries costs up to twice as much as it would in Germany or France (Figure 4). It is critical, therefore, that countries **remove** the most important and costly **barriers to RES** and **promote instruments to lower the cost of capital of RES projects**.

Figure 4: Capital cost estimations for onshore wind projects in Europe in 2014



<sup>9</sup> See Eclareon and Ecofys (2017), Pricetag. Mapping the cost of capital for wind and solar energy in South Eastern European Member States.

**Identifying barriers** to RES investments in the national regulatory and policy framework **leads to better cross-border RES cooperation**, which can **minimize distortions from differing domestic frameworks** with regard to, say, permitting, grid connection rules, fiscal policies and taxation.<sup>10</sup> At the same time, removing policy and regulatory barriers to investment helps lower cost of capital regardless of a country's financing conditions.

Renewables investment is very capital intensive. Furthermore, the capital costs of RES investment directly reflect how investors perceive risk. Hence, it is important to **lower relevant risks through the use of financial de-risking instruments**.<sup>11</sup> **Reducing the costs of capital** for investment in renewables in SEE would ensure that renewable energy projects are economically more attractive than continued investment in conventional capacity. Likewise, it would avoid new investment in coal, which is likely to become stranded by future decarbonisation policies; it would generate significant savings to consumers and taxpayers; and it would allow for more sharing of the social, economic and health benefits of renewable energy.

New instruments for de-risking RES investment have already been discussed for intra-EU and the EU neighbourhood as part of the 2021–2027 EU budget.<sup>12</sup> Such an instrument should also be available for WB countries, not least because some investments in conventional assets come with government-backed guarantees (such as those from Chinese banks). The European Investment Bank could play a role in de-risking RES investment, as could the European Bank for Reconstruction and Development or the Western Balkan Investment Framework. There could also be bilateral arrangements between, say, the German development bank KfW or the French development bank AFD.

#### Recommendations:

- A comprehensive approach by SEE countries, the European Commission, the Energy Community and development banks is needed to overcome key barriers to RES deployment and to establish best-practice renewable energy policy environments that keep the cost of new renewables as low as possible.
- Financial de-risking instruments need to complement best-practice renewable energy policy environments to fully reap the benefits of low-cost renewables. Thorough analysis of ex-ante investment risk factors can help policy makers reform those elements that lead to the strongest decrease in cost of capital for investors.
- International financial institutions should assess the scope for pooling available funds (e.g. EU budget, EIB, KfW, AFD, etc.) and from this develop a joint financing strategy for South-eastern Europe.
- De-risking pilot projects should be established in SEE prior to 2021. These would help gather experience with larger-scale de-risking instruments that will become available through the EU's 2021–2027 budget.

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<sup>10</sup> See Ecofys and eclareon (2018), Cross-border renewables cooperation. Study commissioned by Agora Energiewende.

<sup>11</sup> For example, see Ian Temperton (2016): Reducing the cost of financing renewables in Europe. Study on behalf of Agora Energiewende.

<sup>12</sup> See Footnote 11 and the RES-CRF concept in the 2030 EU framework for climate and energy.

## Policy priority area #2: Increase security of supply through regional cooperation

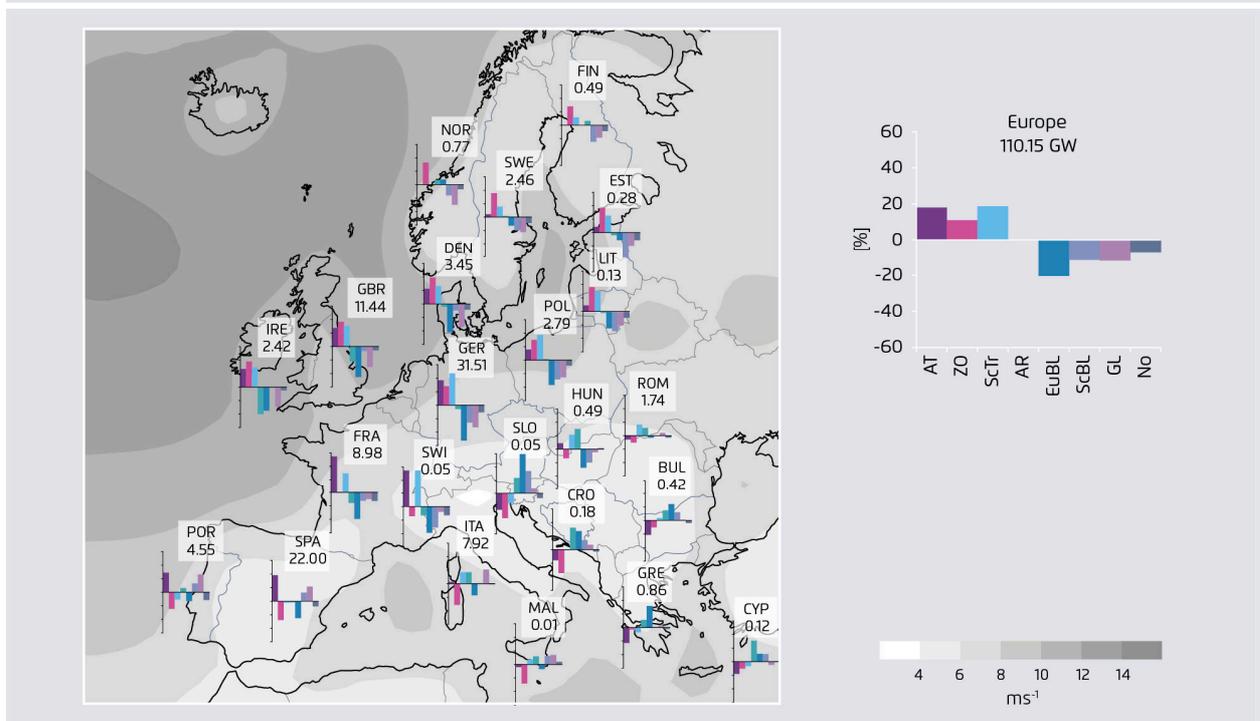
The need to collaborate across borders on security of supply issues is of utmost importance. This is especially crucial in crisis situations, such as extreme weather, but system integration and other forms of cross-border collaboration bring additional benefits as well. Regional cooperation and power system integration are a low-cost and effective way to strengthen the supply security of electricity.

When it comes to achieving a reliable power system, regional approaches cost less than national approaches. The quantity of required resources decreases and options for balancing the system expand as market size increases. Peak-load periods are decorrelated among neighbouring countries, as is the feed-in from variable renewables, especially wind

power. As a result, countries benefit from geographical “smoothing out” effects, the regional residual load peak is lower than the sum of national load peaks and fewer power plants must meet the load.

In the European energy market, opportunities for regional cooperation must be seen in both intra-regional and inter-regional contexts. With regard to wind and solar deployment, particularly strong benefits from reduced flexibility needs and increased system reliability can be achieved by integrating countries with fundamentally different weather regimes, as shown in Figure 5 below. For example, Grams C. et. al. (2017) find that balancing future wind capacity across regions – deploying slightly more capacity in the Balkans than at the North Sea, say – would eliminate most wind production output variations, better maintain average generation, and increase fleet-wide minimum output.

Figure 5: Weather-regime-dependent changes in wind electricity generation



Grams et al. (2017)

Central Western Europe also stands to benefit directly from supporting a clean-energy transition in the Western Balkans through reduced flexibility needs and enhanced, low-carbon system reliability. (This assumes adequate transmission capacity, however.) Grid infrastructure, both domestically and across borders, is the cheapest and most effective flexibility enabler. Accordingly, the sound planning of transmission infrastructure requirements within and between European regions is key.

Regional cooperation can take various forms, from improved collaboration between existing institutions to new, "stronger" institutions with a regional mandate. Moreover, regional assessments of system adequacy can help national decision makers better project when reliability problems with domestic power systems will appear on the horizon.

#### Recommendations:

- Fostering regional cooperation and trust building between countries is a slow process, but no regrets come with it. Achieving it requires top-down approaches initiated, say, by the European Commission and the Energy Community, and bottom-up cross-border approaches initiated voluntarily. Each type can reinforce the effects of the other. In particular, the latter can provide important lessons for integrating top-down processes so that they can be transferred more easily across regions.
- Experience from existing regional initiatives on system adequacy (such as the TSOs' regional adequacy report in the Pentalateral Energy Forum) should be transferred to the SEE region.
- The Energy Community, the European Commission and EU member states should assist in solving regional disputes especially in the Western Balkans, where the legacy of past conflicts still lingers.
- An analysis is needed of the benefits of the increased deployment of wind and solar in South-eastern Europe, where potentials are still under-explored. The analysis should consider not only

the benefits for SEE but for other regions in Europe as well. Furthermore, it should include assessments of the infrastructure investment and regulatory reforms needed to unlock these benefits, which can help catalyze outside investment or finance support in the region.

### Policy priority area #3: Create flexible power systems

Flexibility is key to tackling the real-world challenges of transforming today's power systems towards clean energy. It applies to both power system operation (by TSOs) and power market operation (by power exchanges and other trading venues). **Cross-border coupling of systems and markets must be accompanied by deeper market reforms to reap the full benefits of progressive integration.** Accordingly, regional developments should reflect the reforms discussed in the Clean Energy for All Europeans (CE4All) package.

The SEE region could also consider **lessons from other regional initiatives** in the area of market coupling and power market reform, such as the Pentalateral Energy Forum. These experiences of these initiatives could provide a basis for deeper regional cooperation between EU and non-EU countries and, even more importantly, between Western Balkans countries, where mistrust from past conflicts still hampers deeper cooperation in many fields, including energy.

#### Recommendations:

- The Western Balkan countries should prioritise implementation of the CE4All package. The European Commission, the Energy Community and EU member states should lend their strong support to this cause.
- All countries in the SEE region should prepare power system flexibility roadmaps. Policy makers should consider recommendations from the EU and regional bodies as well as input from

think-tank networks, the private sector, civil society and other stakeholders.

- Timely power market reform, power system integration and cross-border cooperation can benefit from knowledge exchange between regional cooperation forums in Western, Eastern and Southern Europe.
- Increasing demand flexibility (demand-side response) should be a policy priority.

#### Policy priority area #4: Gradually phase out coal

Due to aging power plants, countries in the SEE region will need to replace approximately 50% of their current generation capacity by 2030 and around 95% by 2050 (see Figure 1). Many countries in the region, especially the Western Balkans, are planning to replace their old generating units with new fossil fuel capacity. (As many as 26 new coal-fired power plants are in the pipeline.) This new investment in coal-based generation will result either in a **carbon lock-in** or in a significant amount of **stranded assets**, making **decarbonisation costlier and politically uncertain**. The environmental impact assessments carried out so far have all been challenged in court.

China is emerging as the main funder of these projects. Ongoing Chinese investment in the Western Balkans' energy sector is already enabling coal projects such as Serbia's Kostolac B3 and Bosnia's Tuzla 7, which do not comply with EU emissions regulations and thereby jeopardize **European regulatory harmonisation and decarbonisation**.<sup>13</sup>

In EU SEE, the share of hard-coal- and lignite-fired generation in the power mix ranges from almost 20% in Croatia and 25% in Romania to 45% in Bulgaria and 50% in Greece. As in the Western Balkans, the

power plant fleet in these countries is generally very old; the average coal plant went into operation 30 years ago. To take one example, Greece needs to replace approximately 40% of its current fossil fuel generation capacity by the end of 2030. In doing so, it plans to build two coal-fired power plants, totaling 1100 MW. Romania, for its part, wants to construct a new 600 MW lignite unit.<sup>14</sup>

#### Recommendations:

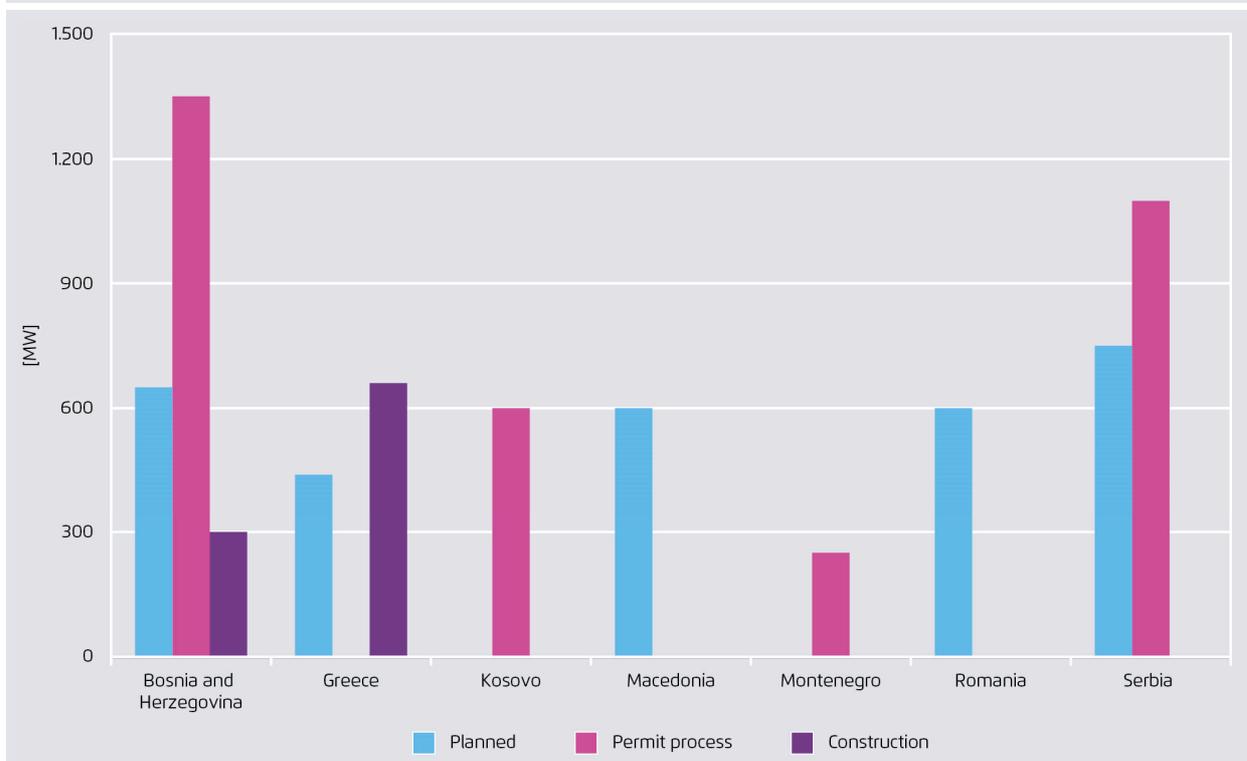
- Energy planning strategies need to address both the phasing-in of renewables and the phasing-down of coal.
- The EU's Coal Regions in Transition Platform is a good example for an enabling and empowering approach to national coal phase-out discussions. The Platform activities could be expanded to the Western Balkans.
- Insights from national coal phase-out discussions (such as the German Coal Commission) should be used in other countries as well.
- Progressive utilities could add important perspectives and insights to discussions on lowering the share of coal in the power system and planning the larger energy system transition.
- Targeted financing instruments should help to facilitate the social and economic transition of mining regions and the clean-up of mining sites.
- Reducing the share of coal and developing low-cost renewables should be regarded as the central building blocks of integrated national energy and climate plans.

<sup>13</sup> See Bankwatch, Coal in the Balkans, <https://bankwatch.org/project/coal-in-the-balkans#1503303885469-aa188fed-71ee>

<sup>14</sup> See Bankwatch's "Rovinari unit 7, Romania." <https://bankwatch.org/project/rovinari-unit-7-romania>; and "Greece Set to

Win €1.75bn from EU Climate Scheme to Build Two Coal Plants," The Guardian, 3 November 2016. <https://www.theguardian.com/environment/2016/nov/03/greece-set-to-win-175m-from-eu-climate-scheme-to-build-two-coal-plants>

Figure 6: Planned new coal-fired power plant capacities in SEE



CEE Bankwatch, WWF, News outlets

### Policy priority area #5: Improve energy efficiency, particularly in buildings

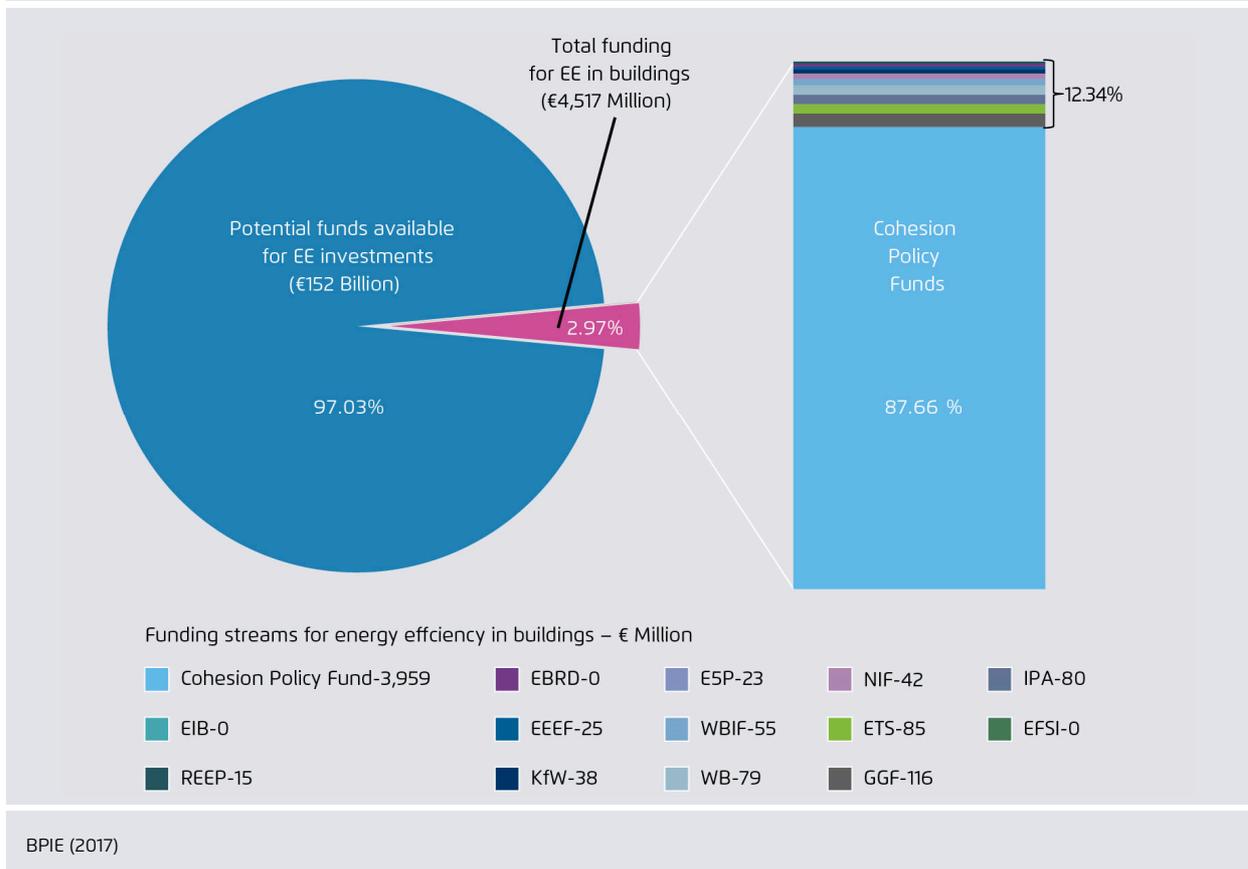
Energy efficiency is a central pillar of the CE4ALL package. The EU's new energy efficiency target for 2030 is 32.5%, and an upwards revision is planned by 2023. The countries of the Western Balkans have not yet set targets, though they will have to align with the EU eventually. The EU countries in the region will have to implement EU targets sooner, which reinforces the need to implement energy efficiency policy reforms and accelerate investment in energy efficiency measures.

Despite the critical role of energy-efficient buildings in reducing energy imports, in reducing consumer electricity bills and in improving public health, buildings are not perceived as part of the critical infrastructure. Few financing opportunities for the energy system target building efficiency, and opportunities for investment in energy-efficient demand have been underexploited. Only 4.4 % of the regional funding and 1.7 % of the total committed financing of international financial institutions (IFIs) are allocated to demand-side infrastructure.<sup>15</sup>

Residential and public buildings account for more than 40% of energy consumption in most of the SEE region and thus have significant room for improvement. However, the widespread problem of energy

<sup>15</sup> See BPIE (2017). Financing the future of buildings in Central, Eastern and Southeast Europe. A reality check of current public funding allocation.

Figure 7: Funding streams dedicated to energy efficiency in buildings in SEE



poverty in the region is the foremost cause of inefficient energy use in the building sector. According to estimates, up to 60% of households qualify as energy poor. Inefficient energy use results in high energy intensity. Energy intensity is much higher in Bulgaria, Romania and the entire WB region than the EU average (see Figure 8). This gap will increase if these countries do not take a more ambitious approach that channels investment into energy efficiency measures.

#### Recommendations:

- The EU's Cohesion Fund and IFIs should include dedicated funds for implementing energy efficiency measures, especially in the building sector. Among other things, energy efficiency measures will help alleviate energy poverty and public health issues in the region.
- Governments must secure additional measures and instruments, including innovative private-sector funding, to accelerate the implementation of energy efficiency measures.
- An environment is needed that encourages more energy service companies in the region. Energy efficiency requirements for energy suppliers should be introduced as well.
- Product standards for building codes and appliances are important instruments for policy making and must therefore be adopted and enforced. Public buildings should serve as energy efficiency pilot projects. Energy performance certificates can provide benchmarks for financial support.
- Financial instruments must complement product standards. Taxes – on property, say – and depreciation rules should be designed to incentivize energy efficiency investments.

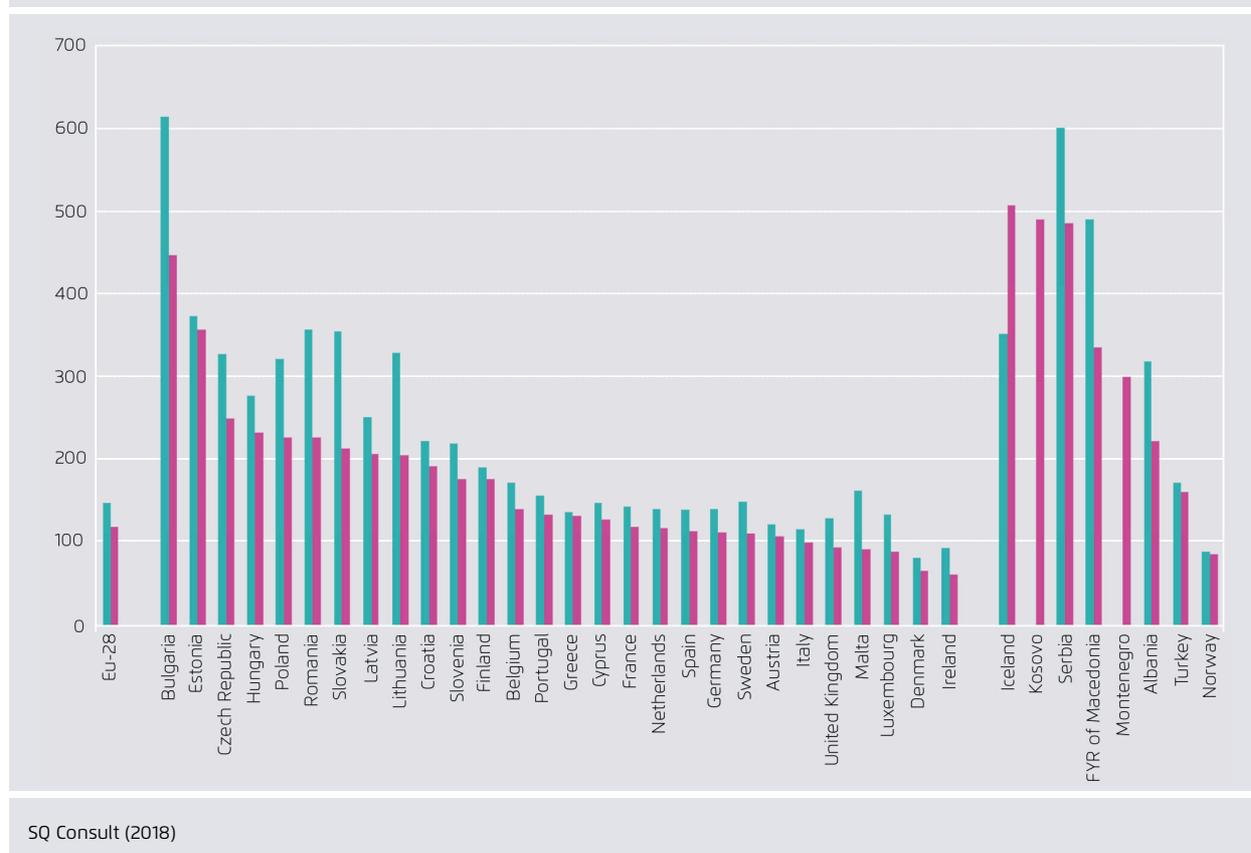
- Consumer education and capacity building in Governments and IFIs is necessary to leverage the effects of financial instruments and standards. For consumers, focus should be placed on clean heating and cooling systems.
- Energy poverty in the region is so widespread that many households are unable to implement even the most basic energy efficiency measures such as replacing standard light bulbs with LEDs. The region’s governments should therefore identify vulnerable consumers and implement measures that alleviate energy poverty while encouraging energy efficiency.

### Policy priority area #6: Empower consumers

The transition to clean energy produces a more decentralised energy system. For instance, the CE4ALL package assigns consumers rights and possibilities with regard to the self-generation, distribution, storage, consumption and sale of electricity.<sup>16</sup> Engaging with and empowering consumers in SEE can also help utility companies create innovative approaches and help power systems better cope with bad governance and corruption.

Most people in the region own their own homes, and many are dissatisfied with the energy services and

**Figure 8: Energy intensity of the economy, 2005 and 2015**  
(kg of oil equivalent per 1 000 EUR of GDP)



SQ Consult (2018)

<sup>16</sup> See European Commission, Clean Energy for all Europeans, August 2018.

utility prices they receive. Thus, financial mechanisms to promote decentralised RES and energy efficiency investments allowing consumers to become prosumers are required. The fact that electricity prices are still subsidized and lower than those of EU countries suggests that financing mechanisms with simple and transparent administrative procedures for households and SMEs could be key to, say, fast-track the rapid scaling of rooftop PV systems.

#### Recommendations:

- Calculate and understand the economic benefits that result when citizens in SEE participate in the energy transition.
- Create financing opportunities for small-scale (mostly rooftop) PV throughout the SEE region. These opportunities should lie mostly outside of existing utility companies. Governments need to put in place a clear, transparent and stable regulatory and policy framework for small-scale RES, and financial institutions should make it easier for those who want to install private PV units to receive affordable loans. These measures would help households and small and medium-sized businesses to utilize the region's potential for roof-top PV.
- Introduce net metering and/or net billing to support the self-consumption and feed-in of decentralized RES. As a complementary measure, establish grid tariff systems that allow for rooftop PV while recouping investment in the public grid.

### Policy priority area #7: Introduce integrated planning for energy security, cost-competitiveness and the mitigation of global warming

A clean-energy transition based on efficiency, renewables and the gradual phase-out of coal is **economically sound, enhances energy security and delivers on climate targets**. Moreover, renewables and efficiency investment come with significant co-benefits such as more job creation and cleaner air.

An **integrated** approach to **energy and climate planning** helps to identify opportunities for economic improvement, energy security and climate protection from cheap renewables and enhanced efficiency by, say, eliminating costly barriers to RES deployment. It can also ensure that RES deployment does not increase the overall cost of the energy system, and it can secure the long-term competitiveness of a country's energy sectors. Finally, integrated climate and energy planning can avoid stranded fossil assets, decrease reliance on imported fossil fuels, improve external balances and lower investment needs in fossil-fuel infrastructure.

Because countries in SEE have a relative high number of interconnections, a **cooperative approach** to integrated climate and energy planning can maximise the potential for boosting energy security, cost competitiveness and climate change mitigation.

The recently adopted EU Regulation on the Governance of the Energy Union requires EU member states to prepare National Energy and Climate Plans (NECPs). EU SEE countries have just begun the NECP process, while other EU member states are further along, though in most cases their progress has been slow.

For the Western Balkan countries, a similar process is expected to start soon. The Energy Community is committed to helping the region develop energy and climate plans in order that its countries do not fall too far behind the EU. In March of 2018 the Energy Community agreed to create work groups on integrated NECPs in the Western Balkan countries and to set regional 2030 targets for renewables, energy efficiency and reductions in greenhouse gas emissions.

#### Recommendations:

- Regional cooperation in preparing the NECPs is a key, albeit often overlooked, element of holistic and least-cost energy and climate planning. The

Energy Community and the European Commission should work on fostering closer cooperation between all SEE countries (EU and non-EU).

More open and transparent procedures can facilitate better planning outcomes.

- Create short-term incentives for implementing NECPs in the Western Balkans. Experience has shown that the prospect of EU membership alone is not sufficient for short-term action. (The problems that the Western Balkans have had complying with EU emissions regulations are just one example.)
- Foster holistic long-term planning in the energy sector extending through 2050, with an emphasis on regional cooperation and knowledge sharing.
- Regional cooperation and power system integration to minimise power system costs for consumers and maximise supply security
- Regulatory and financing instruments that help consumers and energy cooperatives to achieve the benefits of decentralized energy solutions
- Holistic long-term energy system planning that combines top-down and bottom-up elements and takes into account the effects of climate change
- National Energy and Climate Plans should address both the phasing-in of renewables and the phasing-down of coal. The NECPS should also include considerations on access to finance to help the social and economic transition of mining regions and the clean-up of mining sites.

## Conclusions

To reap the benefits of low-cost renewables and energy efficiency investments in Southeastern Europe, it is necessary to overcome significant barriers in the region's regulatory, policy, financing and market framework. With roughly half of the installed coal and lignite generation capacity in SEE requiring modernization or replacement in the next decade, we now have a perfect opportunity to shape the region's energy systems for years to come.

Unlocking cost-competitive renewables and energy efficiency potential depends on a number of "no-regret" policy priorities in Southeastern Europe:

- Stable and transparent regulatory and investment frameworks for renewables and energy efficiency including EU-level de-risking instruments and de-risking pilots to lower the cost of capital;
- A comprehensive EU framework for the energy sector of the Western Balkan countries, with financial and political incentives linked to rigorous regulatory compliance

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