Clean energy package - reality check for the Energy Community

Predrag Grujičić, head of gas unit
The EU imports more than half of all the energy it consumes

Import dependency for natural gas (geopolitics: relying on Russia vs. why not?)

Gas perception grew negative

Decarbonisation – gas a fossil fuel (albeit the cleanest); technological innovation + ideology

Gas disputes between upstream-Russia and transit-Ukraine damaged gas cause
World: gas at the top

Energy demand by fuel & scenario

Source: IEA – global demand
Gas can bring us where we want to go

...at lower costs

 Electrification – costly and heavy constraints on the system

Think of residential stock in Europe/Energy Community

Technology drives the change (+market/policy)

Source: Thuga, Eurogas
Electrical future?

- digitalization means electrification
- next RES generation – marginal energy costs (close to zero)
- wholesale energy markets → capacity markets (already started to happen in EU)
- companies must restructure
- el transmission – gas transmission (1:20)
- Infrastructure adequacy in electricity difficult to achieve
- EU energy market will need reshaping; re-nationalisation of energy policies
Europe gas demand grew in 2017, third year in a row

Source: OIES
Case study: gas in the Energy Community

Future role of gas in CPs is shaped by factors different from EU’s (politics) - mixed energy policy signals

Decarbonisation is NOT main concern

Lack of functioning el/gas markets lack of commercial test

Poor interconnectivity – infrastructure or legacy related; Questionable how much the region can benefit from LNG glut

Reaching 2020 RES targets - ? (2030 not yet set)

Construction of the coal-fired plants → job opportunities, reliable power supply and its security, lower dependence on external suppliers and in some cases lignite exploitation is the quickest way how to face poverty
RES Target Progress

- **Albania**: 31% (2009), 38% (2015)
- **Bosnia and Herzegovina**: 34% (2009), 40% (2015)
- **Kosovo**: 19% (2009), 25% (2015)
- **The FYR of Macedonia**: 22% (2009), 28% (2015)
- **Moldova**: 12% (2009), 17% (2015)
- **Montenegro**: 26% (2009), 33% (2015)
- **Serbia**: 21% (2009), 27% (2015)
- **Ukraine**: 5.5% (2009), 11% (2015)

- **Energy Community Secretariat**

**Additional Effort to 2020 RES Target**

- **Albania**: 31% (2020)
- **Bosnia and Herzegovina**: 34% (2020)
- **Kosovo**: 19% (2020)
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Coal production in EnC

Coal production (ktoe) in 2015

- Montenegro
- FYR Macedonia
- Albania
- Serbia
- Kosovo
- Bosnia and Herzegovina
- Ukraine
- Moldova
- Georgia
Investing in coal plants?

Government discussion about phase out of coal power plants in the Western Balkan

Investments in coal-based power plants risk to become stranded assets

New technology will put them under pressure

Costly and unsustainable for the (indebted) Contracting Parties to keep the operation of coal power plants

Explanation: red- no phase-out under discussion, green- no coal plants/ phase out, grey- not included to the analysis (Source: Europe beyond Coal)
Ukraine and Moldova – unenthusiastic about gas

Ukraine, Moldova: cautious about natural gas demand growth

Ukraine – high share of domestic production; potentially achieving autarchy

Gross Consumption

Gross Consumption

Ukraine

Moldova
Enthusiastic about the role of (natural) gas

Macedonia – gas to power; new infrastructure in place; albeit from a modest base, growth is evident

Georgia: gasification at full speed; soon saturation; new market model; Albania – creating anchor load
Coal vs gas in Serbia and Bosnia (Montenegro, Kosovo*)

Serbia and Bosnia and Herzegovina? How to boost the gas demand?
Coal the main competitor


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### Total Supply

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### Gross Consumption

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Total gas demand growth for WB6 – submitted to PECI

[Bar chart showing gas demand growth from 2016 to 2050 for Albania (AL), Bosnia and Herzegovina (BA), Kosovo (KO), Montenegro (MD),enegro (ME), Macedonia (MK), and Serbia (RS)].
conclusions

Gas is the only fossil fuel set to increase its share in primary energy supplies – globally – (natural) gas is not a transitional but destination fuel

EU is different – decarbonisation is the main topic

Energy Community CPs, in turn, differ from EU MS