



## **PRIORITIES AND FINAL RECOMMENDATIONS**

**21-22 MARCH 2019**

### **A. Overarching Priorities**

During the discussions, a list of priorities was identified by Hard Talk participants as catalysts to increasing renewable energy (RE) investment in Serbia. Focusing mostly on policy, long-term planning, stakeholder consultations, interdepartmental cooperation and sourcing of expert advice, the priorities show that strong policies and commitments on RE are a cornerstone of successful renewables uptake, sometimes even more than even the specific financial conditions. The priorities proposed for Serbia are:

1. Recognition and acknowledgement of need for energy transition in Serbia both from politicians and population. Formal manifestation of this recognition through high level policy documents.
2. Support to the application of existing legal framework and commitments on RES.
3. Continued support for multi-stakeholder dialogue as well as consultation and taking due account of views and opinions, in order to facilitate the approach towards the sustainable energy transition, including related environmental considerations.
4. Enhancement of inter-sectoral and cross-sectoral approach with a view to Nexus criteria and added societal benefit. Further expansion of the initiative of inter-ministerial and inter-sectoral cooperation on biomass and for other fuels and technologies as well.
5. Establishment of a Renewable Energy and Energy Efficiency Agency (including permanent a Commission on RES and an Expert Team from academia, NGOs, etc.) with a mandate to promote RES awareness and advice on best policies and practices for renewables.

## **B. Draft Recommendations by Risk Category**

Building on ideas proposed during the discussions and also on applicable examples from international experience and best practices, the following recommendations are proposed:

### **1. Power Market Risk**

#### Market Outlook

- Review and actively monitor RES target progress; Establish viable targets beyond 2020.
- Identify a possible Roadmap towards target which reflects the realities. Strategically plan for long-term Sector evolution, taking into account the regional situation and EU Internal Energy Market.
- Adopt clear, long-term policy for support of RES, based on latest EU Guidelines on State aid for environmental protection and energy.
- Establish policies for RES on sectors such as transport (overlooked) and explore distributed/small-scale generation net-metering, community/cooperative projects.

#### Market Access and Prices

- Develop and introduce transparent and fair auction rules for renewable energy for cost-effective achievement of renewable energy targets.
- Increase market liquidity through cross-border trading and international interconnection.

#### Market conditions for RES

- Align legal framework with EU's acquis for renewables, taking into account Energy Community recommendations.

#### Market Distortions

- Identify and gradually address fuel subsidies and gradually cross-subsidies.
- Increase regulatory oversight of market activities and participants.
- Establish market rules that help reveal and properly allocate costs according to a “beneficiary pays” principle; transparency in pricing structure.
- Increase competition in retail market. Continue in way for fully deregulation of supply and balancing prices.

<b>2. Permits Risk</b>
<ul style="list-style-type: none"> <li>• Review and streamline the process of obtaining the permits and authorisations needed, reduce the number of steps and examine the RE permitting process in the broader context of Serbia's "ease of doing business" environment.</li> <li>• Simplify process especially for small-scale, distributed generation or community/cooperative projects.</li> <li>• Adopt an electronic permitting process.</li> </ul>
<b>3. Social Acceptance Risk</b>
<ul style="list-style-type: none"> <li>• Carry out awareness raising campaigns to promote environmental, health related, and financial benefits of renewables and energy efficiency, including when it comes to biomass use in households.</li> <li>• Increase awareness and capacity of long-term RE benefits in public sector stakeholders, disassociate conflicting interests, and involve public sector stakeholders as partners and pioneers in RE proliferation.</li> <li>• Encourage frank, transparent public debate on hydropower and other renewable energy projects, exploring all aspects, promote a constant dialogue between relevant national and local authorities and identifying pathways to ensure all concerns (e.g. safeguarding biodiversity, quality of water and low environmental impact);</li> <li>• Adopt clear regulatory framework on SHPP in the scope of environmental protection.</li> </ul>
<b>4. Resource and Technology Risk</b>
<ul style="list-style-type: none"> <li>• Preparation and online publication of RE potential assessments on a locational basis (geographic information system (GIS)): Atlas of potential for various types (wind, solar, biomass, etc.), taking into account both technical and economic potential as well as environmental constraints.</li> <li>• Establish a project identification institution as a matchmaker among project owners, financial institutions and investors (see GEDF).</li> <li>• Biomass potential needs to be studied across the value chain and inter-sectoral linkages need to be more fully understood and taken into consideration.</li> <li>• Biomass value chain and consumption habits need to be explored.</li> <li>• Capacity building in RE Project Development Cycle, planning for efficient implementation of projects.</li> <li>• Training programs for blue-collar workers, with emphasis on retraining of workers employed in fossil technologies (e.g. coal).</li> <li>• Training on new, efficient technologies (including for biomass) and technologies that integrate renewable energy generation into other infrastructure (e.g. waste processing and wastewater treatment, or water conveyance).</li> </ul>
<b>5. Grid / Transmission Risk</b>
<ul style="list-style-type: none"> <li>• Ensure priority grid connection for RES. Increase consultation with developers to achieve best workable technical solutions and alternatives for connection.</li> <li>• Review and streamline connection process.</li> </ul>

- Increase internal capacity and allocate more resources to RES connection.
- Research transmission system tolerances, carrying capacity and ability to integrate RE and explore potential grid's RE absorption capabilities to the fullest Plan long-term investments taking into account RE proliferation, regional interconnections, and geographical availability of resources (see Resource and Technology Risk).
- Integrate capacity and grid expansion planning to increase economies of scale and minimize losses.
- Support distributed solutions closer to demand.

#### **6. Counterparty Risk**

- Increase off-taker awareness and understanding of RES advantages.
- Enhance reporting and monitoring by off-taker throughout its generation portfolio.

#### **7. Financial Sector Risk**

- Promote synergies for cooperation with international investors to attract foreign capital.
- Encourage domestic investors and industry in RES projects and equipment.
- Encourage international developers and equipment manufacturers to participate in project development and assume part of the financial risk through equity holdings.
- Explore also non-traditional financing opportunities (climate change etc.).
- Continue financing and technical assistance from developmental banks and enhance cooperation between international developmental banks and domestic commercial banks to increase local RES financing capacity.

#### **8. Political Risk**

- Increase public dialogue on RES benefits and trade-offs (environmental and financial).
- Engage in cross-border dialogue about projects which may have a significant impact or which can be developed in cooperation to optimize resources (see Resource and Technology risk).
- Promote solutions for transition away from coal for coal-dependent regions by showing the employment potential in new technologies and services associated with clean power.

#### **9. Currency / Macroeconomic Risk**

- No recommendation.

**C. Maximising synergies: opportunities for investing in RE while achieving cross-sectoral benefits.**

A nexus approach can help reducing two of the major risks identified, social risk and political risk, including through attention to participation and empowerment of different actors, and achievement of clearer long term targets and greater coherence among sectoral plans. Two breakout groups discussed how to identify synergies between RES and Nexus thematic areas and how to use them to achieve cross-sectoral benefits. The first group focused on synergies with hydropower and the second on synergies with wind and solar. The following synergies were identified and possible ways to put them into action were proposed.

Type of RE	Who benefits?	How can it be financed	How to implement in Serbia	How to ensure sustainability?
<p><b>Hydropower</b></p> <p>(The group discussed the typical installation found in Serbia: small production 300kW-2MW, diversion type)</p>	<ul style="list-style-type: none"> <li>• The main beneficiaries of small hydropower projects (SHPPs) in the country are the investors, who are often not part of the local community where the construction is planned.</li> <li>• The local population is sometimes compensated by the investor with improvement works on roads, public buildings, etc.</li> <li>• Workers involved in constructions are beneficiaries in the short term; maintenance workers (at least one person per plant) are beneficiaries in the long term.</li> <li>• Since these types of projects improve the stability of the grid thereby increasing its reliance, power consumers as a whole, and in rural areas in particular, are beneficiaries.</li> <li>• Constructing SHPPs on existing water infrastructure (e.g. irrigation canals) or planning for multi-purpose projects would constitutes a possible synergy.</li> <li>• If farmers own the plant, energy production helps them diversifying their income (</li> </ul>	<ul style="list-style-type: none"> <li>• Local populations should receive higher benefits from SHPPs. This means that local investments should be stimulated and incentivized.</li> <li>• This means: 1) community-based energy production projects by cooperatives of many small producers and distributors; or 2) projects financed in partnership between investors and local</li> </ul>	<ul style="list-style-type: none"> <li>• Small hydropower is a sensitive issue in Serbia and in the Western Balkan region as a whole.</li> <li>• It is essential that SHPPs (like all decentralized energy production projects) better reflect, align, or respond to the ambitions and needs of local communities.</li> <li>• A multi-stakeholder working group (involving ministries, academia, independent experts, civil society organizations, professional associations) should be set up for the</li> </ul>	<ul style="list-style-type: none"> <li>• The process of identification of sites for SHPPs needs to be reviewed. The old and outdated cadaster currently in use is already being reviewed.</li> <li>• Ensure that best practices for environmental and social impacts are applied</li> </ul>

	Empowerment: Consumers to Prosumers).	communities, with shares (even if small) owned by local organizations.	process of licensing issues. The group could: <ul style="list-style-type: none"> <li>• Review already constructed SHPPs (was the process of development in line with regulation or not); and</li> <li>• Provide expert advice on construction of new SHPPs (expert and regulatory).</li> </ul>	
Wind/Solar	<ul style="list-style-type: none"> <li>• Distributed energy solutions help with social acceptance both on RE in general and on how to use energy more efficiently.</li> <li>• A possible synergy was identified between power generation, transport and agriculture. Autonomous charging stations for transport based on PV/Storage in remote rural areas could be perhaps tied with utilization of electric trucks and farming machinery to generate and consume green energy in rural and agricultural transport.</li> <li>• The Ministry of Agriculture has also identified a synergy: The Rural Development Policy as a cross-sectoral policy recognizes RE as a tool for sustainable rural development. Beyond subsidies for strictly farming processes, subsidies for RE also exist: they provide additional income for farmers, diversification of activities, making rural households more financially</li> </ul>	<ul style="list-style-type: none"> <li>• Financial incentives: Establishing credit lines, while facilitating access to financing for poorer households.</li> <li>• Grants from Ministry of Agriculture exist for setting up of RE stations by farmers. Those mainly target self-consumption. In case the farmer wants to sell to the grid, the question of double subsidies (Grant and FiT) is not allowed.</li> </ul>	<ul style="list-style-type: none"> <li>• Net metering and smart meters need to be introduced to allow for distributed solutions that can help with more synergetic approaches.</li> <li>• Net metering is currently examined by Ministry of Mining and Energy</li> <li>• Cooperatives / Communal energy / Peer to Peer market of electricity through block chain solutions: a regulatory framework needs to be introduced for</li> </ul>	<ul style="list-style-type: none"> <li>• Consider possibility for small solar plants to use grants/subsidies only to cover part of CAPEX and not also for OPEX</li> </ul>

	<p>independent but also more self-sufficient from an energy perspective. Moreover, the initiative increases the benefit on rural communities by creating jobs, (both for on-farming and off-farming activities) and helps with de-urbanization.</p> <ul style="list-style-type: none"> <li>• Tourism is another sector with synergies: e.g. WWF and a local community of Sombor cooperate on clean energy, to increase security of supply but also to attract tourists that are interested in clean energy initiatives in a rural community.</li> <li>• Agrisolar: Elevated panels that allow for farming activities underneath.</li> <li>• Floating solar: Solar panels on existing Hydro Dams.</li> </ul>		<p>more integrated solutions and to target populations and communities that could benefit from cross-sectoral approaches</p> <ul style="list-style-type: none"> <li>• Protection of high yield agro lands is needed (method to address trade-offs).</li> </ul>	
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