Concept Note VI 14-12-2015:

Background

Regional Cooperation in the field of Environment and Climate: period 2005 – 2013

The ECRAN (Environment and Climate Regional Accession Network), financed by the EU and managed by the European Commission, has assisted the beneficiaries in exchange of information and experience related to preparation for accession.

ECRAN has strengthened regional cooperation between the EU candidate countries and potential candidates in the fields of environment and climate action, assisting their progress in the transposition and implementation of the EU environmental and climate acquis through exchange of experience with the EU Member States' public administration experts.

Regional co-operation in the environment and climate area has been supported by the European Commission for almost a decade, starting in 2005 with the Regional Environmental Reconstruction Program for South-East Europe (REReP), continuing with the Regional Environmental Network for Accession (RENA), covering the period of 2010 -2013 and followed by the ECRAN project from October 2013 until October 2016.

The previous initiatives aimed at providing to the enlargement countries a framework to establish, strengthen and improve their capacity to deal with the implementation challenges. These projects have been very successful in fostering and facilitating the dialogue at regional level but also between the region and the EU Member States.

Following the establishment of DG Climate Action in 2010, a dedicated ECRAN Climate Component was introduced the same year. The overall objective of the Climate Component under ECRAN (Cycle 2013 – 2016) was to enable the beneficiary countries to continue on the path they have taken to set up their structures, strategies and actions in the field of national climate policies converging with the EU *acquis*.

Activities focused not only on developing climate policies and legislation fully aligned with the EU climate *acquis*, but also on actual implementation modalities. Activities were being implemented that target the development of concrete climate policies, setting GHG emission reduction targets in the context of the EU 2030 framework for climate and energy policies and the need to feed into the 2015 international climate agreement. As such ECRAN provided concrete technical assistance for the development of the so-called Intended Nationally Determined Contributions (INDCs) under the new climate agreement. The initiative successfully promoted and ensured that all ECRAN beneficiaries tabled their INDCs in time to the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat through the high-level dialogues between beneficiary countries and the European Commission and the fielding of a mix of international and local expert teams to assist with the actual drafting of the INDCs in cooperation with some of the beneficiaries.

Special attention was also paid to the development of national greenhouse gas (GHG) inventory systems and reporting in line with UNFCCC requirements and the EU Monitoring Mechanism Regulation (MMR). Practical and technical training was provided in preparing the country GHG

inventories, while the focus in 2016 will be aimed at promoting the set-up of the national systems that will allow the reporting on GHG inventories on a continuous basis.

ECRAN also provided assistance on the development of roadmaps and practical training on the EU Emission Trading System (ETS), as one of the main tools of the EU to achieve concrete GHG emission reductions in the context of the EU 2030 framework for climate and energy policies. The main focus in this cycle of ECRAN was the set up and training on monitoring, reporting and verification requirements of the ETS.

Furthermore, in the field of adaptation, ECRAN provided capacity building on the use of existing adaptation-related tools and on the risk and vulnerability assessments.

In the above context, the key results of the ECRAN activities enabled beneficiary countries to advance considerably in their approximation to the EU climate acquis and to prepare their economies and societies for the threats and possibly opportunities that climate change brings.

Climate activities were divided into four working groups:

- Climate Policy Development and Building Climate Awareness
- Greenhouse gas (GHG) and EU Monitoring Mechanism Regulation (MMR)
- Emissions Trading System (ETS)
- Climate Adaptation

Proposed continuation of regional Cooperation in the field of Climate – period 2016 – 2020

The European Union has played a key role in brokering a historic agreement in Paris, where 195 countries adopted the first-ever universal, legally binding global climate deal. The ambitious and balanced agreement, the first major multilateral deal of the 21 century, sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C. The Paris Agreement sends a clear signal to investors, businesses, and policy-makers that the global transition to clean energy is here to stay and resources have to shift away from polluting fossil fuels. To achieve this common ambition, governments agreed to come together every 5 years to set more ambitious targets as required by science. They also accepted to report to each other and the public on how well they are doing to implement their targets, to ensure transparency and oversight. A global stocktake will take place every five years. A robust transparency and accountability system will track progress towards the long-term goal.

There is a need to work together on these challenges and to elaborate concrete climate policies fully aligned with the EU climate *acquis,* working towards GHG emission reduction targets consistent with the EU 2030 framework for climate and energy policies and the outcomes of Paris 2015. In addition, efforts to promote convergence with EU climate legislation should be stepped up, in order to assist beneficiary countries in their energy and climate reforms towards a resource efficient, low emissions and climate-resilient economy.

ECRAN promoted the strengthening of the regulatory cycle for converging with the EU climate policies and legislation. While the previous ECRAN (2012 – 2015) cycle focused on strengthening the climate policies and promoting the development of aligned legislation, the next cycle could continue to do so too, but there should be a shift towards strengthening the next steps in the regulatory cycle:

the implementation and building the necessary structures to allow for implementation of climate policies and legislation. Follow up to ECRAN should therefore promote the alignment in implementation of climate legislation through the cooperation with the EU Member States (MSs) and in line with their implementation modalities and practices. The beneficiary countries will thus be stimulated to develop implementing mechanisms for climate legislation, including peer review structures set up in cooperation with MSs. As such follow up to ECRAN will not only promote developing climate legislation, but also a set-up of the necessary structures that are the pre-requisite for **implementing** key climate legislation, including the MMR, EU-ETS, CO_2 from cars and vans legislation, fuel quality, F-gases and ODS and others as well as adaptation action. In addition a dedicated working group could be set up that focuses on transposition and implementation of key energy *acquis* legislation with direct relevance for climate, such as the Energy Efficiency Directive and Renewable Energy Resources Directive. This group could ensure better coordination with other ongoing regional initiatives in the field of energy (such as the Energy Community).

A decision is needed whether the current practice of a combined ECRAN Environment and Climate Programme will be continued or whether these will be separated. Both approaches have advantages and disadvantages which need to be considered. However ECRAN as a combined programme is well established in the region now. Dividing the Climate Component and the Environment Component in two separate contracts / programmes may cause dilution of the currently achieved branding of ECRAN (activities). Also splitting up the programme will likely lead to an increased workload and communication for beneficiary coordinating staff, as the Ministries of Environment are the focal points for both components. The level of required coordination between the different Commission DGs would be reduced after a split into two separate contracts. Under ECRAN the coordination proved not to be a bottleneck, though.

It is proposed to continue with the structure of the existing four working groups as these groups are now well-known in the region and have proved to be successful in further aligning and promoting progress in convergence with climate policies and legislation. As outlined above the scope of work in the Working Groups should shift its focus to hands-on-assistance in implementing climate policies and legislation. Therefore the following Working Groups are proposed:

- Working group 1: Climate policy development
    - *Sub-Working group: Implementing policies and strategies to align with carbon neutrality pathways (Nationally Determined Contributions - NDCs monitoring and updating)*
    - *Sub-Working group: Capacity building on implementation of selected acquis - ODS and F gases; CO_2 from cars and vans; fuel quality; Effort Sharing*
    - *Sub-Working group: Capacity building on implementation of selected energy acquis – Focus on Energy Efficiency Directive; Renewable Energy Sources Directive*
    - *Sub-Working group: progress Monitoring, compliance checking and update of climate legislation handbook*
- Working Group 2: EU Monitoring Mechanism Regulation
    - *Sub-Working group: Capacity building on national GHG inventory reporting – National systems, data management and QA/QC*
    - *Sub-Working group: regional NIR Development Exercise*
- Working Group 3: ETS
    - *Sub-Working group: ETS implementation steps/roadmap development*
    - *Sub-Working group: Capacity building on ETS implementation*

- Working Group 4: Adaptation
    - *Working group: Regional Adaptation Plan Development*

Hereafter the concepts of the proposed working groups and proposed sub-working groups are outlined in more detail.

Working group 1: Climate Policy Development and Building Climate Awareness

Sub-Working group: Implementing policies and strategies to align with carbon neutrality pathways

This sub-Working Group could address low carbon and/or carbon neutral strategies through a regional exercise, with a special focus on the application of modelling, scenario development as well as tools for the preparation and implementation of low emission strategies.

This task will address the issue of development of concrete climate policies with GHG emission reduction targets in the context of EU 2020 Climate and Energy Package, the EU 2030 climate and energy policy framework and the results of the 2015 international climate agreement. Particular emphasis would be put on harmonising approaches to data collection and processing, including building on existing processes.

Activities could include:

- Further training on analytical tools (carbon neutrality scenario modelling and pathways using various modelling platforms
- Modelling studies of carbon neutrality pathways (implications for energy mixes) of beneficiary countries
- Regional and/or national high level EU/Beneficiary dialogues: This task is designed as a demand driven mechanism, and it will include a combination of high level meetings and hands on support where ECRAN will provide assistance on specific requests. (e.g. Practical assistance and short missions to support the drafting, fine-tuning and implementation of key policy documents and legislation on low carbon development, mitigation and adaptation as well as related assessments of social and economic impacts.

Sub-Working group: Capacity building on implementation of selected acquis - ODS and F gases; CO_2 from cars and vans; fuel quality; Effort Sharing

A regional platform that will deepen regional cooperation and assistance in the field in implementing climate policies and legislation fully aligned with EU climate *acquis* could be very useful in this respect. A dedicated working group could be established to assist implementing legislation in the field of selected acquis: F- gases and ODS; CO_2 from cars and vans; fuel quality, etc. This working Group will address the planning and preparation stages that will establish preconditions for effective implementation of selected legislation.

A regional Working group could be set up that will address the building blocks of an effective functioning legislation (e.g. F-gases regulations) in the countries. Activities could include:

- targeted background studies (e.g. legal and institutional analysis and market analysis; identification of logistical, administrative and regulatory requirements so that the regulations can be effectively applied),
- specific training activities (e.g. procedures for training programmes of personnel at the installation, maintenance and servicing, repair, decommissioning of equipment and systems, leak checks of equipment and recovery of F-gases; training on labelling requirements)
- work planning for *acquis* implementation

Sub-Working group: Capacity building on implementation of selected energy acquis – Focus on Energy Efficiency Directive; Renewable Energy Sources Directive

This could be a new element to be implemented under ECRAN as the legislation under the remit of DG ENERGY was not addressed before.

The region is quite well interconnected if we look at the Net Transfer Capacity (NTC) values compared to the installed capacities (usually over 30%). However some of these interconnectors are quite old and need renovations. Also, electricity balancing is in initial stage of development with no cross-border balancing while domestic balancing for small countries is expensive. Many times the bottlenecks are in the domestic network, certainly when distributed RES-E generation is considered. In addition the capacity allocation rules of the interconnectors are not transparent, and these should be made more competitive. Improved infrastructure grid could also help to increase security of supply in the region.

Having such a situation present particular challenges and possibilities. The integration of the wider Balkan electricity systems, both the EU Member States and the candidate countries and potential candidates is desirable and necessary. However, there are different pathways of development and these should be taken into consideration in any future planning.

For the region the following challenges can be identified taking into consideration the 2050 time horizon:

- Having the major shift of decarbonisation of electricity sector by 2050
- Avoiding the issue of stranded assets with development of new fossil based generation units (typically lignite based)
- Decentralisation due to RES integration – reorganisation of networks
- Energy Efficiency in households, public buildings and industry
- Development of regional market for RES-E
- Energy storage capacity development
- Managing complexity of RES sources and integrating them into the grid system
- Maintain equal access to energy services (transition should not become a discriminating factor against those citizens who are economically the weakest)
- Resolving the differences of climate-energy policy development factors of EU Member States and Energy Community contracting parties
- Security of supply issues

The above mentioned challenges are technological, societal and economic. Technical and economic feasibility is the first question which is asked even to trigger discussion about them. Regional level of assessment is justified as a regional approach likely to provide more realistic picture than developing feasibility assessment on country level, with taking external factors into consideration to a limited extent. The regional approach also allows for more economic and optimised use of renewable resources, as it was seen in a recent study in the case of Nordpool and Germany.

Activities could include those aspects that are additional to the activities implemented already through the Energy Community. In the first phase, activities could focus exclusively on *acquis*-related issues:

- Targeted background studies (e.g. legal and institutional analysis and market analysis; identification of logistical, administrative and regulatory requirements so that the Energy Efficiency and the RES Directives can be effectively applied).
- specific training activities (e.g. RES and EED implementation requirements)
- work planning for *acquis* implementation

Sub-Working group: Progress Monitoring, compliance checking and update of climate legislation handbook

Progress Monitoring of transposition and implementation of EU climate legislation continues to be an instrumental activity for the EU candidate countries and potential candidates. The main purpose of the activity is to provide an updated, comprehensive overview of the current situation in the ECRAN beneficiary countries on the status of transposition and implementation of the climate acquis, as well as to identify the progress achieved on a yearly basis in each of the beneficiary countries.

Legislative compliance checks are an independent review of the compliance of national draft laws and regulations with the climate EU *acquis*. Being an ad hoc activity, it is performed at the request that can be made by the ECRAN beneficiary countries and/or European Commission. The final reports are confidential and can be disclosed only upon approval by the European Commission and the beneficiary country concerned.

The Handbook for Implementation of EU Environmental Legislation and the Handbook for Implementation of EU Climate Legislation provide a framework, and a step-by-step guidance, for the implementation of the EU environmental and climate legislation.

Working Group 2: EU Monitoring Mechanism Regulation

Sub-Working group: Capacity building on national GHG inventory reporting

The overall objective is to provide assistance to the beneficiary countries to start developing robust national inventory systems that are capable of preparing complete, accurate and transparent annual greenhouse gas inventories, inventory related chapters of the biennial reports (BUR) as well as national communications (NC) in line with the UNFCCC requirements and the EU Monitoring Mechanism Regulation (MMR). The long term goals for each country will be to be self-sufficient in producing regular high quality GHG inventories suitable for NC, BUR, Intended Nationally Determined Contribution (INDC)[1] and MMR reporting.

The following activities could be implemented:

[1] Intended Nationally Determined Contributions or INDCs will become Nationally Determined Contributions or NDCs once a country ratifies the 2015 Paris Climate Agreement.

- Legal and institutional gaps analysis for national systems capable of implementing MMR requirements: This includes development of simple and extendible GHG inventory database systems and template documents for countries.
- Developing implementation plans for national systems implementation, including tasks for Single National Entities; Sectoral GHG inventory work using CRF software tools; QA/QCs plans
- Sector training on CRF filling for the energy sector; Industry; AFOLU and Waste.
- Targeted assistance to ECRAN beneficiaries on selected priority themes for national systems.

Sub-Working group: regional National Inventory Report Development Exercise

Activities will be targeted at ensuring the timeliness, transparency, accuracy, consistency, comparability and completeness of GHG reporting by the ECRAN beneficiary countries, including their progress in reaching the emission reduction commitments under the 2015 Paris Climate Agreement.

Work could be implemented through a **shadow National Inventory Report (NIR) exercise** following the MMR requirements for the structure, format, submission process and review of the information reported by EU Member States. Potentially, establishing the substantive requirements for a Union inventory system and transposing relevant international developments (e.g. regarding the global warming potentials) could be built into this system. The purpose is to gradually improve staff skills, administrative structures as well as data quality to allow continuous GHG inventory reporting.

The following activities could be implemented **on a voluntary basis**:

- Regional exercise on annual basis and targeted at complete National Inventory Reporting for ECRAN beneficiary countries. This exercise could be implemented in line with the procedures and deadlines as specified by the MMR but on voluntary basis, with peer review mechanisms by the EEA and the MS experts. The ECRAN team could set up a coordination body to guide the process for submissions by ECRAN beneficiary countries and provide an online **National System Service** which allows management of all the national system information, templates, and guidelines. The target is to achieve a complete time series X – Y-2 inventory broken down by categories for all X gases (x,y,z). The exercise will consider the need for full IPCC/CRF detail and consistency with other emissions reporting (facility level, CLRTAP)
- Peer review of submissions by the MS experts: Engaging in a peer/bilateral review with inventory staff.
- Improvement planning and improvement of QA/QC mechanisms
-

Working group 3: ETS

Sub-Working group: ETS implementation steps/roadmap development

The overall objective of this Working Group is to provide the essential regulatory building blocks and increase technical capacity for a future national or regional functioning ETS system, which is modelled along the EU ETS.

This Working Group is dedicated to all legal and institutional requirements related to EU ETS implementation. It will be based on best practices and experiences from Member States. Hands-on assistance and short missions will be held to support the drafting, fine-tuning and implementation of national / regional ETS roadmaps, modelled along the EU ETS.

The following activities could be considered:

- Candidate countries and potential candidates will be assisted, as far as possible, with the approximation of any existing procedures and methodologies to those established under the ETS Directive. For countries in the earlier stage of establishing ETS this will focus on setting up the legal and organisational framework to support implementation, including the decision-making on formal responsibilities and the need to organise implementing elements at national level. For countries whose accession is due before the end of the third trading period, this will focus at further steps in the implementation process, as elaborated below.
- For countries for which implementation of ETS is nearing – either due to the EU accession before the end of the third trading period or based on national choices to implement ETS relatively soon – support could be provided to identifying which installations may be subject to emissions trading.
- Candidate countries could also start guiding operators regarding permitting requirements and requisites for monitoring and reporting and for the verification of annual emission reports and should provide for the necessary procedures in respect of the accreditation of verifiers. As a first step MRR and AVR aspects could be developed for a future ETS system.
- The necessary capacity building will be determined, both logistically and in terms of human resources. Considerable time is needed to ensure that stakeholders are well aware of the legal implications of the directive, and the authorities involved should agree on a plan to ensure that the time-frames for the implementation of the obligations stipulated in the directive will be respected, while at the same time guaranteeing the accuracy, transparency and comparability of the information submitted.
- The feasibility to coordinate/consolidate national registries with that of another Member State can be investigated, including the assessment of the technical requirements for establishing and operating the national registry, paying close attention to the Union Registry, and on working with the community auction platform or establishing a national or regional auction platform.
- Candidate countries should also phase in their provisions and procedures to the allowance scheme, comprising a certain amount of allowances provided for free to installations belonging to the listed sectors and sub-sectors set out in Decision 2010/2, which are considered at particular risk for carbon leakage. Installations which meet certain efficiency benchmarks are eligible for certain amount of allowances for free (provided it is not power stations).
-
-
- The option of developing a regional ETS, modelled along the EU ETS will be explored as well. Linking the EU ETS with these other cap-and-trade systems offers several potential benefits, including reducing the cost of cutting emissions, increasing market liquidity, making the carbon price more stable, levelling the international playing field and supporting global cooperation on climate change.
- The option to participate in the compliance forum or other EU MS networking activities as observer parties will be considered as well for this Sub-Working Group

Sub-Working group: Capacity building on ETS implementation

This sub-working group could continue to train stakeholders (competent authorities, operators, verifier, accreditation bodies, etc.) on the requirements under the directive. Following the training programme under ECRAN, further training topics could be established, including Monitoring, Reporting, Accreditation and Verification (MRAV) but also other aspects like: Permitting, Allocation and issuing of allowances though auctioning: Benchmarking, Carbon leakage, Auctioning; Preparation of National Implementing Measures (NIMs), Registries, Kyoto protocol project mechanism credits, Aviation inclusion into the EU ETS, Public participation, Reporting.

The following activities could be considered:

- Continued regional training programme on the EU Monitoring and Reporting, and Accreditation and Verification Regulations targeted at operators, authorities and verifiers, CSOs. Focus could be on hands-on support to understanding of methodologies, report templates, tools and further practical means to facilitate a smooth implementation of MRAV requirements.
- Training on other ETS related topics on the basis of a training needs assessment and in line with the ETS implementation planning processes in the ECRAN beneficiary countries.
- Peer-to-peer training missions from Member States experts to the ECRAN beneficiary countries.

Working group 4: Adaptation

Working group: Regional Adaptation Plan Development

In April 2013 the European Commission adopted an EU Strategy on Adaptation to Climate Change. The strategy aims to make Europe more climate-resilient. By taking a coherent approach and providing for improved coordination, it will enhance the preparedness and capacity of all governance levels to respond to the impacts of climate change.

The EU Adaptation Strategy focuses on three key objectives:

- Promoting action by Member States: The Commission will encourage all Member States to adopt comprehensive adaptation strategies (currently 20 have strategies) and will provide funding to help them build up their adaptation capacities and take action. It will also support adaptation in cities through the Mayors Adapt initiative, a voluntary commitment within the framework of the Covenant of Mayors.
- 'Climate-proofing' action at EU level by further promoting adaptation in key vulnerable sectors such as agriculture, fisheries and cohesion policy, ensuring that Europe's infrastructure is made more resilient, and promoting the use of insurance against natural and man-made disasters.
- Better informed decision-making by addressing gaps in knowledge about adaptation and further developing the European climate adaptation platform (Climate-ADAPT) as the 'one-stop shop' for adaptation information in Europe.

EU adaptation actions include mainstreaming of climate change (mitigation and adaptation) into EU sector policies and funds, including marine and inland water issues, forestry, agriculture, biodiversity, infrastructure and buildings, but also migration and social issues.

The EU also addresses knowledge gaps through research and the European climate adaptation platform (Climate-ADAPT). This platform, launched in March 2012, provides several useful resources to support adaptation policy and decision making, such as: a toolset for adaptation planning; a projects and case studies' database; and information on adaptation action at all levels, from the EU through regional and national to the local level.

Moreover, stakeholders from the local, regional and national level are encouraged to participate in the development of the EU Adaptation Strategy. The EU is providing guidelines on integrating climate into policies and investments and on how to use the instruments and funds provided by the Commission for climate change adaptation.

Activities could build on the activities and the results achieved in the ECRAN Adaptation Working Group in the period from 2013 until 2016. National ECRAN Adaptation teams from the beneficiary countries worked together on steps towards developing national adaptation strategy using steps identified in the Climate Adapt Support Tool. The ECRAN Adaptation Programme included a series of

workshops that guided the National ECRAN Adaptation Teams through the different stages towards developing national climate adaptation policies and legislation, combined with – in the period of January to April 2015 – regional training sessions that supported Beneficiary Countries' experts from selected technical areas to carry out risk and vulnerability assessments and adaptation planning. The follow-up could consider a move from the theoretical sphere to the practical sphere by embarking on the first steps towards an ambitious cooperation on the regional adaptation planning.

Follow-up activities could be:

- Regional Adaptation Strategy Development; assessing options for regional co-operation in the field of adaptation and first steps towards a Regional Adaptation Planning.
- Tools for Regional Adaptation Options in selected sectors (series of technical and institutional workshops and training sessions);
- Urban Adaptation; promoting cooperation with Mayors Adapt and identifying spin-off projects;
- Regional Cooperation and Disaster Risk Management (series of technical and institutional workshops and training sessions);

Turkey

In all topics already activities take place, but the proposed ECRAN activities complement these activities.

- WG 1 – Climate Policy: Supported by Turkey, Focus on energy is ok for them and supported by Ministry of energy and natural resources
- WG 2 - MMR: support it.
- WG 3 - ETS: April 2016 first Monitoring reports. Also ok for them
- WG 4 – Adapt: Update climate strategy, Mayors Adapt ok.

BiH

Support the Concept Note in full. Connection with the energy acquis is appreciated.

Paris agreement: national dialogue on implications needed

What is bringing ECRAN for us?

Croatia

- Support the Concept Note
- Country tailored approach
- Connection with energy is a good one
- ETS Scheme: good approach to trigger action and training prior to accession
- More systematic involvement of MS (eg Peer review with MS) is a good approach
- Proper moderation between sectors within the country should be considered
- MMR focus on National systems and data management is appropriate
- ETS handbook

Montenegro

- Support the Concept Note
- Connection with energy is a good one
- ECRAN helped internal networking
- ETS tailor made assistance. Registry

Albania

- Agree on Concept Note.
- Climate Structure – Taiex mission to discuss the structure
- WG 1: Climate Policy: Expand the gases and sectors in the NDC.
- WG 2: MMR Regulation. Priority.
- WG 4: NAP is ready with GiZ. CC strategy and framework law on CC
- WG 3: ETS.

Kosovo

- Agree on Concept Note.
- CC strategy link with NDC
- ODS and F gases implementation
- Regional Adaptation issues
- ETS awareness is required.