

Western Balkan countries, which have set their sights on EU membership, are still propping up coal power with large public subsidies worth more than €1.2 billion, a new report revealed on Monday (25 March). The subsidies are not in line with EU regulations or decarbonisation efforts.

Members of the Energy Community, an international organisation composed mainly of EU candidate countries, gave a total of €2.4 billion in direct and certain types of indirect subsidies to coal-sourced electricity in 2017.

Subsidies worth €1.2 billion came from the Western Balkan countries, with Serbia, Bosnia and Herzegovina and Kosovo, in particular, channelling large sums into coal over alternative energy sources.

Without subsidies, not a single coal power plant in the Energy Community would be able to operate without significant losses, according to the study.

“The Energy Community Contracting Parties can no longer look away from the consequences of maintaining an unprofitable, inefficient and unsustainable coal-based energy system,” said Janez Kopač, director of the Energy Community Secretariat. EC members have legal obligations to prevent energy sector subsidies from giving certain companies an unfair advantage.

The Western Balkan countries - Albania, Bosnia, Kosovo, Montenegro, North Macedonia and Serbia - also have stabilisation and association agreements with the bloc - the first contractual step towards EU membership - to regulate subsidies.

Other EC countries include others like Armenia, Moldova and Ukraine.

This is not the first time Western Balkan EU-hopefuls have pushed boundaries with the EU. Bosnia-Herzegovina recently approved a loan guarantee worth €614 million on financing provided by the Exim Bank of China for a coal plant.

China and the US are the primary coal investors in the Western Balkans and they face little resistance from the EU. It could be this lack of action that has allowed the use of coal to continue, said Kopač.

The Bosnian case goes against the Energy Community treaty as the loan’s guarantee exceeds 80% of the grant’s value. The guarantee is set to cover the full amount, plus interest and associated costs.

“It is certain that such short-sighted behaviour of our politicians further complicates our EU integration process. How can the EU trust a country whose politicians knowingly violate international treaties?” EU Enlargement Commissioner Johannes Hahn said earlier this month.

Bosnia’s ongoing EU membership bid audit will take environmental impact assessment, procurement and state aid into account.

Without the subsidies, energy costs would soar by some 23% in Kosovo, 29% in North Macedonia, 31% in Bosnia and Herzegovina, 37% in Montenegro and 49% in Serbia.

“The Western Balkan governments are setting themselves up for a shock once they enter the EU Emissions Trading Scheme,” said Igor Kalaba of Climate Action Network Europe. “Carbon prices have not been properly taken into consideration when planning new coal projects, increasing the chances those plants will end up as stranded assets.”

The Energy Community suggests creating a carbon pricing mechanism to help energy efficiency measures and enhanced renewables deployment.

“Coal is a curse for the Energy Community Contracting Parties,” Kopač wrote in an op-ed for EURACTIV. “The widening energy policy gap will move the Contracting Parties, especially the Western Balkan countries, not closer to the EU but further away.”

When asked to respond to the study’s findings, the European Commission told Euractiv that it would “carefully assess” the report.

Source: euractiv