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SEE ENERGY BRIEF

Monthly Analysis

COP26 – What Next and the Case of SE Europe



Introduction

Nearly 200 nations agreed to adopt the Glasgow Climate Pact on November 13, 2021, after more than two weeks of intense negotiations, with the UK host of the talks saying the deal would keep alive international hopes of averting the worst impacts of global warming. The agreement acknowledges that commitments made by countries so far to cut emissions of planet-heating greenhouse gases are nowhere near enough to prevent planetary warming from exceeding 1.5°C above pre-industrial temperatures. (1)

In an attempt to solve this impasse, the final joint communique at COP26 asks governments to strengthen those targets by the end of next year, rather than every five years, as previously required. Failure to set, and meet, tougher emissions-cutting goals would have huge consequences, noted the organizers. Many scientists say that to go beyond a rise of 1.5°C would unleash extreme sea level rise and catastrophes, including crippling droughts, monstrous storms and wildfires far worse than those the world is already suffering.

It is worth noting that the official communique for the first time includes language that asks countries to reduce their reliance on coal and roll back fossil fuel subsidies, moves that would target the energy sources that scientists say are the primary drivers of manmade climate change.

What is COP26?

COP stands for “Conference of the Parties”. Parties are the signatories of the United Nations Framework Convention on Climate Change (UNFCCC) - a treaty agreed in 1994 which has 197 Parties (196 countries and the EU). The 2021 conference, hosted by the UK, together with its partners Italy, in Glasgow (Scotland) between October 31 and November 12, 2021, was the 26th meeting of the Parties, which is why it is called COP26. COP26 was originally scheduled to take place in November 2020 in Glasgow, but was postponed by one year due to the COVID-19 pandemic. The “pre-COP” (a preparatory meeting) took place in Milan (Italy), between September 30 and October 2, 2021.

United Nations climate change conferences are among the largest international meetings in the world. The negotiations between governments are complex and involve officials from every country in the world as well as representatives from civil society and the global news media.

The importance of the Paris Agreement

The Paris Agreement is an international treaty signed by almost all countries in the world at COP21 in Paris in 2015. For the first time ever, it saw almost every country around the world enter into a legally binding

commitment to reduce emissions. It was “top down” in that every country – no matter how big or small – signed up to cutting carbon emissions to limit global warming to well below 2°C and ideally to 1.5°C above pre-industrial levels; and it was “bottom up” in that it left room for each individual country to decide how they would get there. These were called Nationally Determined Contributions (NDCs). The Paris Agreement also set out ambitious goals on adaptation and on finance, recognising that many people around the world are already experiencing the impacts of a changing climate, and that support - financial, technical and capacity building - would be needed.

Why Does Limiting Temperature Rise to 1.5°C Matter?

According to many scientists (the so-called scientific consensus), “at 2°C of global warming, there would be widespread and severe impacts on people and nature. A third of the world’s population would be regularly exposed to severe heat, leading to health problems and more heat-related deaths. Almost all warm water coral reefs would be destroyed, and the Arctic Sea ice would melt entirely at least one summer per decade, with devastating impacts on the wildlife and communities they support”.

The above scientists also argue that “we cannot rule out the possibility that irreversible loss of ice sheets in Greenland and the Antarctic could be triggered, leading to several metres of sea level rise over centuries to come. At 1.5°C, the impacts would be serious, but less severe. There would be lower risks of food and water shortages, lower risks to economic growth and fewer species at risk of extinction. Threats to human health from air pollution, disease, malnutrition and exposure to extreme heat would also be lower. That is why every fraction of a degree of warming matters, and why the global population is dedicated to keeping the prospect of holding temperature rises to 1.5°C alive”.

COP26 Goals (Before the Conference)

The main targets of COP26 are summarized as follows (2):

1. Secure global net zero by mid-century and keep 1.5°C within reach

Countries are being asked to come forward with ambitious 2030 emissions reductions targets that align with reaching net zero by the middle of the century. To deliver on these stretching targets, countries will need to:

- accelerate the phase-out of coal
- curtail deforestation
- speed up the switch to electric vehicles
- encourage investment in renewables.

2. Adapt to protect communities and natural habitats

The climate is already changing and it will continue to change even as we reduce emissions, with apparently devastating effects. The organizers of COP26 underlined that the countries need to work together to enable and encourage those affected by climate change to:

- protect and restore ecosystems
- build defences, warning systems and resilient infrastructure and agriculture to avoid loss of homes, livelihoods and even lives

3. Mobilise finance

To deliver first two goals, developed countries must make good on their promise to mobilise at least \$100 billion in climate finance per year by 2020. International financial institutions must play their part and the countries need to work towards unleashing the trillions in private and public sector finance required to secure global net zero.

4. Work together to deliver

As the COP26 organizers pointed out, the countries can only rise to the challenges of the climate crisis by working together. At COP26, the countries must therefore:

- finalise the Paris Rulebook (the detailed rules that make the Paris Agreement operational)
- accelerate action to tackle the climate crisis through collaboration between governments, businesses and civil society.

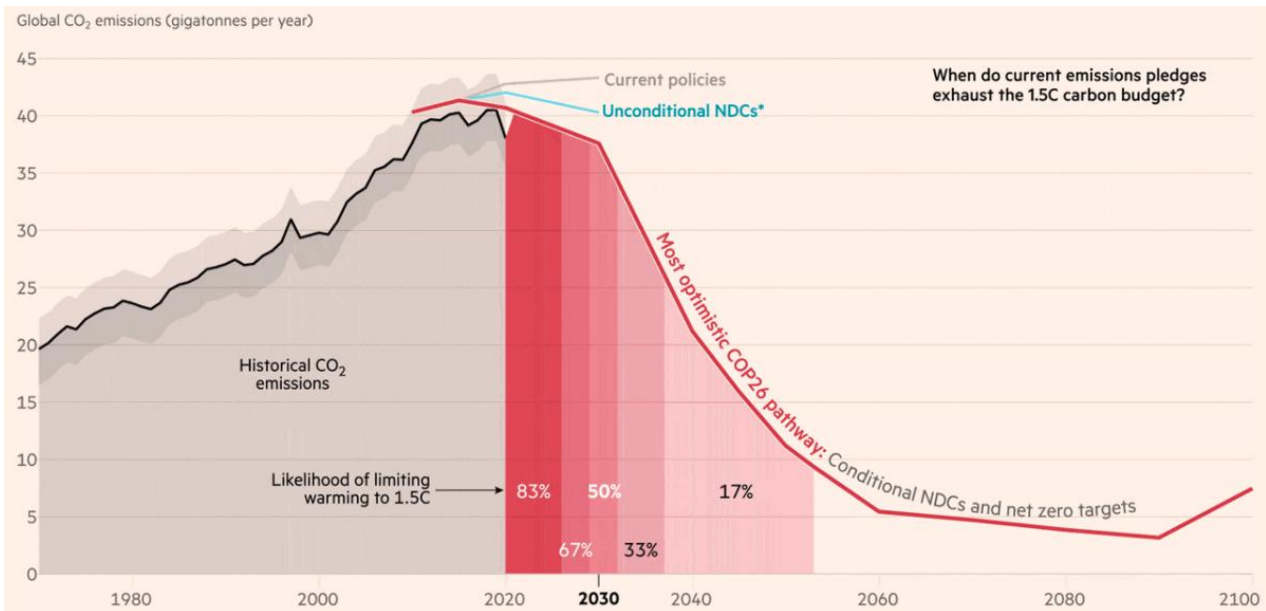
Glasgow Climate Pact

Nearly 40,000 people participated in the two-week summit, which ended in overtime on November 14 with leaders signing up to the “Glasgow Climate Pact” after frantic last-minute talks. The key elements of the agreement can be summarized as follows (3):

Coal and fossil fuels: This is the first time the subject has been included in a final COP decision. The agreement asks countries to “accelerate efforts towards” phasing down “unabated coal power” — referring to power plants that do not use technology to capture their CO₂ emissions. It also calls for an end to “inefficient” fossil fuel subsidies, though without specifying a timeline for when this will happen. The clause also “recognises” the need for support for workers in those sectors to find other jobs. This paragraph caused

eleventh-hour drama on November 13's night, when India and China watered down the coal wording from "phase out" to "phase down".

Figure: Will COP26 Allow us to Limit Warming to 1.5°C?



Source: Financial Times

Loss and damage: Countries looking for payments to help them cope with the effects of climate change that they have already suffered are to start a "dialogue" about funding a new organisation to give them support. This UN body will be dedicated to providing vulnerable nations with "technical assistance" to help avoid and address the consequences of climate change. A standalone fund to help pay for loss and damage was proposed by developing countries but was rejected by rich nations including US, Europe and Australia.

Climate finance: The agreement notes with "deep regret" that rich countries missed their 2020 target of providing \$100 billion a year to help developing countries, and commits them to raise at least that amount, annually, through to 2025.

Adaptation: Rich nations are asked to "at least double" their support for adaptation measures, which will help developing countries prepare for climate change, by 2025, compared to 2019 levels. This would imply that adaptation funding could be around \$40 billion annually, from \$20 billion in 2019.

Carbon markets: This is one element of the "Paris rule book" that has finally been closed. The rules will create a market for units representing emissions reductions that countries can trade, under so-called Article 6. Although many of the loopholes that climate experts had been concerned about were closed, some legacy credits will be permitted in the system for a limited time. These were created under the Kyoto protocol and considered to be of dubious environmental integrity. While many developing countries had pushed for a

mandatory levy to be imposed on all the credits, to go towards funding for adaptation, rich nations opposed the move. The final agreement includes a voluntary commitment for countries to contribute to this fund.

Mitigation: By the end of next year, countries are requested to improve their 2030 national climate targets. Pledges now put the world on course for between 2.5°C and 2.7°C of warming by the end of the century, far from the Paris climate accord goals, which aim to limit global warming to well below 2°C, ideally 1.5°C, since pre-industrial times.

The Case of SE Europe

During COP26, several SEE countries stressed their willingness to phase out coal/lignite at one point. For instance, **Croatia** aims to phase out coal in power generation by 2033 at the latest, Prime Minister Andrej Plenkovic said at his address. “Our coal phase-out year is 2033, but we will push to do it even earlier,” Plenkovic said. “With its 2030-target for renewables amounting to just above 39% in final consumption, Croatia surpasses Europe’s goal of 32%. We aim to have more than 65% of renewables and 100% low-carbon in final energy production,” Plenkovic added. (4)

The President of the Republic of **Cyprus** Nicos Anastasiades said at the COP26 that his government earmarked more than €500 million for measures to introduce cleaner fuels and in the greening of its economy. “The funds will be invested by 2026 in promoting cleaner fuels, such as natural gas and renewable energy and measures in transportation, agriculture, industry, land use and forestry and waste management”, he said. (5)

The president also referred to the island country’s National Resilience and Recovery Plan. The said sum is intended for investments and reforms that contribute to climate neutrality and towards green transition and it makes up 41% of the approved funds, compared to a required 39% for climate action. The European Commission already disbursed €157 million in pre-financing to Cyprus. The country is set to receive €1.2 billion in total through 2026, of which €1 billion in grants and €200 million in loans. The second-biggest item is the €100 million for the EuroAsia Interconnector. There is €89 million in the plan for energy efficiency and renewable energy investments, and another €87 million for sustainable and green mobility. Among other measures, Cyprus said it would introduce a carbon tax for fuels, a levy on water and a charge on landfill waste.

Greece’s Prime Minister Kyriakos Mitsotakis said at COP26 that the country would abolish the use of coal by 2028, though that it would make efforts to do it earlier, and that all existing lignite-fired power plants would be closed by 2023. The statement drew criticism from environmentalists as the prime minister referred to the old deadline even though government officials and national electricity producer Public Power

Corporation (PPC) already said that the Ptolemaida 5 lignite-fired plant, currently under construction, would be switched to gas by 2025. (6)

Greece supports the European Union's goal to reduce greenhouse gas emissions by 55% by 2030 and to become climate neutral by mid-century, Mitsotakis stressed in Glasgow at the COP26. He noted that the country accounts for 20% of global shipping and underscored the need for investment in alternative technologies in the sector so that domestic shipowners can "be in the front line of innovation" in their sector. In addition, Greece prepared its first Climate Law and the government hopes it would be adopted by the end of 2021. One of the most important measures in it is a ban on the sale of new cars with internal combustion engines by 2030. Furthermore, all new homes built from 2023 won't be allowed to use oil fired boilers if they have access to the gas network. Many households are currently using heating oil and diesel for heating.

In September 2021, **Turkey's** President Recep Tayyip Erdogan announced that Turkey would become a party to the Paris Agreement at his speech at the United Nations (UN) General Assembly. On October 6, the Turkish Grand National Assembly approved the Paris Agreement. Following the publication on the ratification of the agreement in Turkey's Official Gazette on October 7, the agreement was reported to the UN Secretariat on October 11. As of November 10, the 30th day after the approval notification to the UN Secretariat, the agreement comes into effect, confirming Turkey as the 192nd country to be a party to the agreement. (7)

The Paris Agreement creates the legal environment that will ensure regulation in policies and laws in line with the goal of limiting the global temperature rise to 1.5°C. Within this framework, Turkey will update its Nationally Determined Contributions (NDCs), the means by which each country every five years shows efforts to reduce national emissions and adapt to the impacts of climate change. Under the legally binding agreement, Turkey, which had previously committed to reducing its emissions from a 21% increase by 2030, plans to update its NDCs containing emission reduction targets for energy, waste, transportation, buildings and agricultural sectors as a first step and submit it to the UN Secretariat. It is expected that a roadmap will be created for the country's target of achieving net zero emissions by 2053.

Based on an agreement signed at COP26, US-based NuScale Power and **Romania's** state-owned Nuclearelectrica will build a 462 MW nuclear power unit consisting of six small modular reactors (SMRs) of 77 MW each, for the first time in Europe. The plant will be commissioned as early as 2027 or 2028, the two companies said. The deal was backed by US President Joe Biden and Romanian President Klaus Iohannis. It was signed by NuScale Power President and CEO John Hopkins and Nuclearelectrica CEO Cosmin Ghita. (8)

Decarbonization with nuclear energy is possible, Romanian Energy Minister Virgil Popescu stressed. The country intends to reduce carbon dioxide emissions by 55% by 2030. There are currently seven coal-fired power plants in Romania. In June 2021, the parliament in Bucharest ratified the agreement with the US from 2020 for the two new units of 1,300 MW to be added to existing Romanian nuclear power plant Cernavodă, worth \$8 billion. That includes completion of the construction of units 3 and 4 and the refurbishment of unit 1 of the nuclear power plant, located in southeastern Romania. The agreement received the green light from the European Commission in November last year.

At the COP26 summit, President of **Serbia** Aleksandar Vučić announced that he and Hungarian Prime Minister Viktor Orbán would consider the possibility of Serbia buying an ownership stake of 10% to 12% in the planned Paks 2 nuclear power plant in the neighboring country. He pointed out that Serbia is interested in other nuclear power plants in the region. Serbia will discuss with Bulgarian partners the possibility to buy a stake in a nuclear power plant there as well, according to Vučić.

Albania's Prime Minister Edi Rama noted that his country's energy production is based 100% on renewable energy sources but that it isn't self-sufficient so that it must import energy and the related pollution. Rama said "Albania could have taken all the lucrative offers for coal thermal plants" but that now "the biggest polluters also get the biggest chunks of money" that is supposed to help it address climate change. "This financing must not come in the form of loans that entrap our countries in cycles of debt, but through grants that empower us to invest. And I hope the support will not continue to mean endless studies and strategies, which impact far less than it costs to pay people from rich countries to draft them," he stated. (9)

Chairman of the Presidency of **Bosnia and Herzegovina** Željko Komšić said his country's energy transition would require "significant investment in low-carbon technologies and infrastructure" and "substantial international assistance in the areas of technology transfer and development of financial mechanisms to encourage decarbonization". The situation with climate action projects is the same, he stressed. "I would like to emphasize that within the development of the National Energy and Climate Plan, Bosnia and Herzegovina is also working on the development of a Coal Region Transition Road Map. Such transition of the coal regions and the entire energy sector in Bosnia and Herzegovina has to be fair. It must provide for the switch from coal to renewable energy sources without any loss of jobs," Komšić said. (9)

Montenegro's President Milo Đukanović stated that "the climate targets can be met if everyone respects the strict rules and if they are willing to "sacrifice the comfort" they are used to", while he highlighted the need to "do it together with solidarity" and "multilateralism". Montenegro may boost its NDC to emissions reduction for the current decade to 40% in the next update from 35%, Đukanović claimed. (9)

President of **North Macedonia** Stevo Pendarovski asserted that his country is aware that international financing would “depend on effective, functional and just governance at both the national and international levels”. He underscored that the government targets a cut in emissions of 51% by 2030 from the 1990 level, translating to an 82% reduction in net emissions. “If a country with a GDP per capita below \$6,000 is fully dedicated to achieving these ambitious pledges, then each state in the world can do it”, Pendarovski added in his speech. (9)

The following Table summarises the pledges the SEE countries made in COP26 in Glasgow.

Table: COP26 Pledges for SEE Countries

Countries	End deforestation	Net zero target date	Quit coal	Cut methane emissions
Albania	Yes	No target set	Yes	Yes
Bosnia and Herzegovina	Yes	No target set	No	Yes
Bulgaria	Yes	2050	No	Yes
Croatia	Yes	2050	Yes	Yes
Cyprus	Yes	2050	Yes	Yes
Greece	Yes	2050	Yes	Yes
Hungary	Yes	2050	Yes	No
Montenegro	Yes	No target set	No	Yes
North Macedonia	Yes	No target set	Yes	Yes
Romania	Yes	2050	No	No
Serbia	Yes	No target set	No	Yes
Slovenia	Yes	2050	No	Yes
Turkey	Yes	2053	No	No

Sources: UNFCCC, IENE

Discussion

Although progress has been made in many areas since the Paris Agreement was adopted at COP21, the formal agreements reached at COP26 do not provide grounds for optimism that either the goal of 1.5°C can be achieved, or that sufficient progress has been made on transparency and carbon markets. If there is to be any chance of averting the most disastrous impacts of climate change, note observers at COP26, it is vital that governments, including those of SE Europe, now go on to strengthen their NDCs ahead of COP27, and begin putting in place robust policies and regulatory frameworks to drive implementation. It is also crucial that the implementation of pledges made outside the formal remit of the UNFCCC – like those on reducing deforestation and phasing out various types of fossil fuels – is monitored. Hence, delivery, implementation and accountability are key.

From the perspective of developing countries, and for many civil society representatives, sufficient trust has not been generated to create global solidarity, particularly around financial flows for adaptation and for loss and damage. These issues will only increase in importance, and much more will need to be done to address the very substantial needs of climate-vulnerable countries.

One of the outcomes of Glasgow was confirmation that COP27 will take place in Egypt in 2022, and it was also agreed that COP28 will be hosted by the United Arab Emirates in 2023. While the agenda is largely set by the existing timetables and the parties, each COP presidency will shape the discussions, and as such over the next few years there is likely to be an increase in focus on adaptation, on loss and damage, and on international finance.

The next 12 months will see the completion of Sixth Assessment Reports (AR6¹) of the Intergovernmental Panel on Climate Change, with the Synthesis Report expected to be released ahead of COP27. The contributions to AR6 are expected to further detail the impacts, mitigation efforts and adaptation needs of climate change, and give further evidence of the need to accelerate action in all these areas.

It was always going to be difficult for COP26 to achieve everything everyone wanted. As with any negotiation creating a text based on consensus among all parties, many have been left dissatisfied. The ultimate test of Glasgow will be in how (and whether) leaders will go on to deliver on the promises made with substantive actions to ensure on real progress before COP27. Furthermore, the very visible disjoint between the outcomes set out in the Glasgow Climate Pact and the views of many of the civil society observers (exemplified by the observer walkout protest on November 12), and the wider voices of the citizens in Glasgow and beyond, may ramp up political pressure to accelerate progress. Over the next year, if the impact of climate change becomes more visible, public concern is also likely to rise and the call for action will become more acute.

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¹ The Sixth Assessment Report (AR6) comprises three Working Group contributions: (a) Working Group I (the physical science basis), (b) Working Group II (impacts, adaptation and vulnerability) and (c) Working Group III (mitigation) and a Synthesis Report. The Synthesis Report integrates the three Working Group reports as well as the findings from the three cross-Working Group Special Reports prepared during this assessment cycle: (a) Special Report on Global Warming of 1.5°C (SR15, October 2018), (b) Special Report on Climate Change and Land (SRCCL, August 2019) and (c) Special Report on the Ocean and Cryosphere in a Changing Climate (SROCC, September 2019). During the AR6 cycle, the IPCC also updated its methodologies with the 2019 Refinement to the 2006 Guidelines on National Greenhouse Gas Inventories (May 2019).

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