

IENE Comment

**Southeast Europe has a power problem.
Solving it won't be easy.**



Southeast Europe has a power problem. Solving it won't be easy.

*By Irina Slav**

Earlier this month, Greek Prime Minister Kyriakos Mitsotakis wrote a strongly-worded letter to the European Commission. Southeast Europe was struggling to keep the lights on, he said. The EU had to do something about it.

The approach Mitsotakis proposed focused on creating a centralised energy market regulator and greater integration of national grids. On the face of it, this is a solution that makes sense. It is, however, a tricky solution that may end up doing more harm than good.

One big reason for the electricity crisis in Southeastern Europe was the disappearance of Ukrainian imports as Russian methodically destroyed the country's grid. It's too easy to blame it all on Putin but this is neither productive nor constructive. The fact is Ukrainian electricity exports are over and we must find new ways to secure our electricity supply.

Not only this, but exports of electricity from Europe to the Ukraine have risen substantially, too, to make up for lost local generation, which means substantial additional demand that apparently needs to be satisfied, reducing the amount of available electricity for internal markets.

Mitsotakis's suggestion for greater grid integration essentially comes down to facilitating more exports of electricity between neighbouring countries in the region. This, he argued, would help secure supply and bring prices down—a big problem for governments in the region, which is not the wealthiest in the EU, to put it mildly.

More interconnectors would indeed help regional exports. The problem is that they could jeopardise local supply of electricity. We know this because it has happened before. More specifically, it happened to Norway in 2022, when the country raised its electricity exports to Europe sharply to help plug the gap left by the cutoff of Russian gas supply. Exports of electricity rose by close to 50%... and Norwegians' electricity bills rose in sync.

When countries commit to exporting certain amounts of electricity to their neighbours they are bound by contracts to do so. The bind stands regardless of how much electricity local generators produce, although stipulations about minimum guaranteed supply for the local market are always sensible. However, electricity output can vary, especially with weather-dependent generators such as hydro, wind, and solar. This could result in shortages either for the local or the regional grid.

In a hypothetical scenario where, say, hydropower is down due to a drought but the country with the hydro generators is obliged by contract to export certain volumes to a neighbour, it would need to either curb domestic supply or raise prices because it would have to buy electricity from elsewhere to ensure adequate supply.

This makes for quite a complicated picture, fraught with risks of even higher prices. A highly interconnected Southeast Europe also means greater supply volatility because when one country experiences a drought, for example, chances are the weather is pretty dry across the whole region, leading to an overall decline in power generation. Solar is also weather and solar cycle bound and there is no way around this.

One obvious solution would, of course, be more nuclear generation capacity. Yet this takes years to build, which means high prices and volatility of supply would last a while. Be that as it may, self-sufficiency is always the smarter choice to such an extent as it is possible and financially reasonable. Household solar is part of the self-sufficiency path. So is the continued operation of existing gas and coal generation capacity.

The latter idea would certainly not sit well with the decision-makers in Brussels and many Southeastern European capitals as governments pledge their undying support for the energy transition, apparently with no regard for the cost. But what Mitsotakis's letter to the European Commission hints at is that this cost may turn out to be too great to bear. Because we are experiencing a shortage now, while we still have gas and coal-powered generation chugging along, generating electricity 24/7, available on demand.

What would happen when this is gone, replaced by utility-scale solar and more wind installations? Much greater weather-dependency in power generation is what would happen. With more interconnectors and export commitments, this increased weather dependency would lead to even more uncertain supply, both for domestic and neighbouring markets. That's because one important point that grid integration advocates seem to consistently forget is that it would be difficult for Greece, for instance, to send its surplus solar to Bulgaria—because surpluses only occur at peak generation, which happens to be trough demand, both in Greece and in Bulgaria.

A more practicable solution, then, could be a cautious increase in conditional cross-border grid interconnection and an increase in domestic baseload generation along with rooftop solar as the cheapest, fastest to install non-hydrocarbon alternative, with a view to long-term energy supply security as well as demand growth management. In the context of energy supply, security must take precedence over any emission reduction ambitions that may or may not lead to a favourable change in the world's climate.

*** Energy Journalist and Contributing Editor, IENE Newsletters**

The “IENE Comment” is an occasional communication published by IENE in its effort to broaden the dialogue on current energy issues of regional and global interest. Contributions to the “IENE Comment” may come from published sources but also from original material contributed by IENE newsletter editors and associates. Interested contributors may send material attention to the Editor, IENE Comment at marketing@iene.gr.

IENE Comment – SEPTEMBER 23, 2024 - Issue No.39– ISSN:179-9163

IENE Comment is published by the INSTITUTE OF ENERGY FOR SOUTH-EAST EUROPE (IENE)

3, Alex. Soutsou Str. 106 71 Athens, Greece, T: +30-210 3628457, 3640278, F: +30 210 3646144, marketing@iene.gr,

www.iene.eu

© 2024 Institute of Energy for South East Europe All rights reserved. No part of this publication may be reproduced, scanned into an electronic retrieval system, or transmitted in any form or by any means, including photocopying and recording, without the written permission of the publish.