



# **Climate change**

# Overview

Legislative activity during the reporting period has been minimal.

The Draft Law on Climate Change (and the accompanying bylaws), which are of key importance for the harmonization of national legislation with the EU legal framework, has not been adopted yet. A draft of the Low Carbon Development Strategy (which should determine the direction of development toward decarbonisation, establish quantified opportunities for GHG emission reduction<sup>254</sup>, and define key adaptation measures to changed climate conditions) has been presented to the public and discussed at a public hearing; however, the final version of the document has not been adopted during the reporting period. The optimal scenario proposed by the Draft Strategy is a 33% reduction in greenhouse gas (GHG) emissions by 2030 compared to 1990 levels. In doing so, the Draft Strategy has clearly set out an opportunity for a significant increase in Republic of Serbia's climate ambition<sup>255</sup> compared to the current goal of a 9.8% reduction in GHG emissions by 2030.

In 2019, the Ministry of Environmental Protection, together with UNDP, initiated the drafting of the Second Biennial Update Report<sup>256</sup> and the Third National Communication in accordance with the UNFCCC. The Serbian Government Work Plan for 2020 foresees the adoption of both reports in December 2020. The Ministry of Environmental Protection has included members of Coalition 27 in the Working Group for the development of both reports.

The provisions on the greenhouse gas inventory included in the Regulation on a mechanism for monitoring and reporting greenhouse gas emissions cannot be assessed until the Law on Climate Change is adopted. It is unclear whether the Draft Low Carbon Development Strategy is harmonized with

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254 GHG – Greenhouse Gas

255 The climate ambition is the ambition to reduce the emissions of greenhouse gasses.

256 <https://unfccc.int/process/transparency-and-reporting/reporting-and-review-under-the-convention/biennial-update-reports-and-international-consultation-and-analysis-non-annex-i-parties/biennial-update-reports>

the new ambitions of the European Union regarding climate policies, which are currently in the process of being amended. The quality of legislation that defines the national policy systems, measures and projections of greenhouse gases remains to be evaluated.

Activities concerning the development of the National Energy and Climate Plan (NECP) are still in their earliest stages, as the national NECP Working Group has not yet been formed and the process is still in a preparatory phase, focusing on the development of alternative policy scenarios and reference scenarios.

# Strategic and legislative framework

TABLE 1 – Legislation Overview

| Key EU climate change regulations  | Harmonization with national legislation                               | Planned through the National Programme for the Adoption of the Acquis (revision III, March 2018), and Work Plans of the Serbian Government for 2019 and 2020 | Adoption status   |
|--|---|--|---|
| <ul style="list-style-type: none"> <li>Regulation (EU) No. 525/2013 on a mechanism for monitoring and reporting greenhouse gas emissions and for reporting other types of information at the national and Union levels relevant to climate change (MMR) – <b>Monitoring mechanism Regulation.</b></li> <li>Commission Implementing Regulation (EU) No. 749/2014 on the structure, format, submission processes and review of information reported by Member States pursuant to Regulation (EU) No. 525/2013 of the European Parliament and of the Council.</li> <li>Commission Delegated Regulation (EU) No. 666/2014 of 12<sup>th</sup> March 2014 establishing substantive requirements for a Union inventory system and taking into account changes in the global warming potentials and internationally agreed inventory guidelines pursuant to Regulation (EU) No. 525/2013 of the European Parliament and of the Council.</li> </ul> | <p>National legislation is not harmonized with the EU Regulation.</p> | <p>The <b>Draft Law on Climate Change</b>, transposing the provisions of the Regulation, has been developed.</p>   | <p>The Draft Law on Climate Change <b>has not been adopted.</b></p> |

| Key EU climate change regulations  | Harmonization with national legislation                                     | Planned through the National Programme for the Adoption of the Acquis (revision III, March 2018), and Work Plans of the Serbian Government for 2019 and 2020  | Adoption status   |
|--|---|---|---|
| <ul style="list-style-type: none"> <li>• Directive 2003/87/EC – <b>EU emissions trading system</b> (EU ETS).</li> <li>• Commission Regulation (EU) No. 600/2012 on the verification of greenhouse gas emission reports and tonne-kilometre reports and the accreditation of verifiers pursuant to Directive 2003/87/EC.</li> <li>• Commission Regulation (EU) No. 601/2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC.</li> <li>• Directive 2009/29/EC of the European Parliament and of the Council amending Directive 2003/87/EC to improve and extend the greenhouse gas emission allowance trading scheme of the Community.</li> <li>• Directive 2008/101/EC of the European Parliament and of the Council amending Directive 2003/87/EC to include aviation activities in the scheme for greenhouse gas emission allowance trading within the Community.</li> </ul> | <p>The Directive has not been transposed into the national legislation.</p> | <p><b>Draft Law on GHG Emission Reduction</b> has been developed together with the bylaws.</p> <p><b>NOTE:</b> The provisions of Directive 2003/87/EC pertaining to the GHG emission allowance trading have not been transposed through this draft of the law. The accompanying Rationale of the Draft Law on Climate Change states that the reason for this is that emission allowance trading would jeopardize the energy system of the Republic of Serbia, and that the starting date for the implementation of Directive 2003/87 provisions pertaining to GHG emission allowance trade is expected to be the subject of negotiations regarding EU membership.</p> | <p>The Draft Law on the GHG Emission Reduction System has been integrated into the Draft Law on Climate Change, which together with the accompanying bylaws, <b>has not been adopted.</b></p> |
| <ul style="list-style-type: none"> <li>• Decision No. 406/2009/EC on the efforts of Member States to reduce their greenhouse gas emissions – <b>the Effort Sharing Decision.</b></li> </ul>  | <p>National legislation is not harmonized with the Decision.</p>            | <p>The relevant provisions of the Decision have been transposed into the <b>Draft Law on Climate Change</b> (limiting GHG emissions from the sectors and flexible mechanisms defined by the Decision). <b>Quantified GHG emission reduction opportunities in the sectors</b> the Decision relates to, as well as specific activities, needs and responsibilities for the implementation of these activities, <b>will be established by the Climate Change Strategy with Action Plan.</b></p>  | <p>The Draft Law on Climate Change <b>has not been adopted.</b></p> <p>The Climate Change Strategy with Action Plan <b>has not been adopted.</b></p>  |

| Key EU climate change regulations  | Harmonization with national legislation   | Planned through the National Programme for the Adoption of the Acquis (revision III, March 2018), and Work Plans of the Serbian Government for 2019 and 2020                                 | Adoption status  |
|--|---|--|--|
| <ul style="list-style-type: none"> <li>Directive 1999/94/EC relating to the availability of consumer information on fuel economy and CO2 emissions regarding the marketing of new passenger cars.</li> </ul>   | The Directive has not been transposed into the national legislation.  | The <b>Draft Law on Climate Change</b> , transposing the basic provisions of the Regulation, has been developed, however full harmonization is planned through the development of the bylaw. | The Draft Law on Climate Change and the accompanying bylaw <b>have not been adopted.</b> |
| <ul style="list-style-type: none"> <li>CO2 emissions from passenger cars and light-duty vehicles – Regulation (EC) No. 443/2009 of the European Parliament and of the Council setting emission performance standards for new passenger cars; and</li> <li>Regulation (EC) No. 510/2011 of the European Parliament and of the Council setting emission performance standards for new light-duty vehicles within the integrated EU approach to the reduction of CO2 emissions from light-duty vehicles.</li> </ul> | National legislation is not harmonized with the requirements stipulated by the regulations.   | /  | /  |
| <ul style="list-style-type: none"> <li>Directive EC/98/70 on the quality of petrol and diesel fuels.</li> </ul>  | Directive EC/98/70 has been partially transposed into national legislation. <sup>257</sup>  | /  | /  |
| <ul style="list-style-type: none"> <li>Directive 2009/31/EC on the geological storage of carbon dioxide.</li> </ul>  | The basic principles and priorities defined in Directive EC/2009/31 have been partially transposed into national legislation in the Law on Mining and Geological Surveys. | /  | /  |

257 Pursuant to the Law on Technical Requirements for Products and Conformity Assessment ("Official Gazette of the Republic of Serbia", No. 36/09), Energy Law ("Official Gazette of the Republic of Serbia", No. 145/14), National Action Plan for Renewable Energy Sources ("Official Gazette of the Republic of Serbia", No. 53/13), Law on Consumer Protection ("Official Gazette of the Republic of Serbia", Nos. 73/10, 6/16), Law on Standardization ("Official Gazette of the Republic of Serbia", Nos. 36/09, 40/15); Law on Accreditation ("Official Gazette of the Republic of Serbia", No. 73/10).

| Key EU climate change regulations  | Harmonization with national legislation   | Planned through the National Programme for the Adoption of the Acquis (revision III, March 2018), and Work Plans of the Serbian Government for 2019 and 2020 | Adoption status |
|--|---|--|-----------------|
| <ul style="list-style-type: none"> <li>Regulation (EC) No. 1005/2009 and Regulation (EC) No. 744/2010 on substances that deplete the ozone layer.</li> </ul> | National legislation is partially harmonized with the provisions of Regulation (EC) No. 1005/2009. <sup>258</sup> | /  | /               |
| <ul style="list-style-type: none"> <li>Regulation (EU) No. 517/2014 on fluorinated greenhouse gases.</li> </ul>  | National legislation is <b>partially harmonized</b> with the provisions of the Regulation. <sup>259</sup>         | /  | /               |

The NPAA and Serbian Government Work Plans foresaw the adoption of ten documents (one law, five regulations and four rulebooks) to harmonize national legislation with the EU *acquis* in the field of climate change. None of the planned documents have been adopted yet. The third NPAA revision (from March 2018) foresees that the quantified opportunities for GHG emission reduction should be defined through the Low Carbon Development Strategy during 2019. The Low Carbon Development Strategy with Action Plan has not yet been adopted. The Serbian Government Work Plan for 2020<sup>260</sup> foresees the adoption of the Strategy in December 2020.

258 Through the Law on Air Protection (“Official Gazette of the Republic of Serbia”, Nos. 36/2009 and 13/2010) and the Regulation on substances that deplete the ozone layer, and the conditions for the issuance of licences for export and import of those substances (“Official Gazette of the Republic of Serbia”, Nos. 114/13, 23/2018, 44/2018 – other law and 95/2018 – other law).

259 Through the Law on Air Protection (“Official Gazette of the Republic of Serbia”, Nos. 36/2009 and 13/2010) and the Regulation on greenhouse gasses, and the conditions for the issuance of licenses for the export and import of those gasses (“Official Gazette of the Republic of Serbia”, Nos. 120/2013 and 44/2018 – other law).

260 Government of the Republic of Serbia, Government Work Plan 2020, available at: [https://www.srbija.gov.rs/extfile/sr/370541/plan-rada-vlade-srbije-za-2020\\_cyr.pdf](https://www.srbija.gov.rs/extfile/sr/370541/plan-rada-vlade-srbije-za-2020_cyr.pdf)

## Law on Climate Change

As the review of legislation, above, indicates, the Draft Law on Climate Change should have set the foundation for the harmonization of the domestic legal framework with EU climate change regulations. The adoption of the Law on Climate change was planned in the Third Revision of the NPAA for the second quarter of 2018<sup>261</sup>, whereas the Serbian Government Work Plan for 2019<sup>262</sup> planned for the adoption of the Law in June 2019.

**The Draft Law on Climate Change has not been adopted as of the end of February 2020.** In March 2018, the Ministry of Environmental Protection presented the Draft Law to the public, inviting stakeholders to take part in a public hearing process.<sup>263</sup> Public hearings were held in six cities between March 15<sup>th</sup> and April 20<sup>th</sup> 2018.<sup>264</sup> The Members of Coalition 27, along with other civil society organizations and expert community submitted numerous comments about the Draft, expressing concern that the document, in the form in which it was presented to the public, would not be sufficient to prepare the Serbian economy for climate change challenges, EU membership and the obligations arising from EU membership related to climate change.<sup>265</sup> In June 2018, the Ministry of Environmental Protection published the Report on the Public Hearing about the Draft Law on Climate Change covering all of the objections, comments and suggestions received, and the Ministry's responses. Due to the expiry of the initial deadline for the adoption of the Law, the Minister of Environmental Protection, Goran Trivan, announced that the Law would be passed in the

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261 National Programme for the Adoption of the Acquis (NPAA), available at: [http://www.mei.gov.rs/upload/documents/nacionalna\\_dokumenta/npaa/npaa\\_2018\\_2021.pdf](http://www.mei.gov.rs/upload/documents/nacionalna_dokumenta/npaa/npaa_2018_2021.pdf)

262 Government of the Republic of Serbia (2019): Government Work Plan 2019, available at: [http://www.gs.gov.rs/doc/PLAN\\_RADA\\_VLADE\\_2019.pdf](http://www.gs.gov.rs/doc/PLAN_RADA_VLADE_2019.pdf)

263 The Ministry initiates the public hearing procedure for the Law on Climate Change, <https://www.ekologija.gov.rs/ministarstvo-zapocinje-postupak-javne-rasprave-za-zakon-o-klimatskim-promenama/>

264 The Report on the Public Hearing about the Draft Law on Climate Change, available at: [https://www.ekologija.gov.rs/wp-content/uploads/javne\\_rasprave/Izvestaj\\_javn%D0%B0\\_rasprava\\_Nacrt\\_zakona\\_o\\_KP.pdf](https://www.ekologija.gov.rs/wp-content/uploads/javne_rasprave/Izvestaj_javn%D0%B0_rasprava_Nacrt_zakona_o_KP.pdf)

265 Coalition 27 (2019): Chapter 27 in Serbia: Money Talks, available at: [https://www.koalicija27.org/wp-content/uploads/2019/10/izvestaj\\_2019\\_ENG\\_WEB.pdf](https://www.koalicija27.org/wp-content/uploads/2019/10/izvestaj_2019_ENG_WEB.pdf)

first half of 2019<sup>266</sup>, and then before the end of 2019.<sup>267</sup> These deadlines have not been met, and the Draft Law has yet not entered the Assembly procedure.

**The greenhouse gas inventory**, managed by the Environmental Protection Agency, is performed every year for the year two years prior and adopted with the National Reports in accordance with the UNFCCC. The GHG Inventory becomes publicly available, through this practice, only after the adoption of these Reports by the Serbian Government. Although Article 50 of the Law on Air Protection<sup>268</sup> explicitly states that data from the National Inventory of Greenhouse Gasses should be publicly available, in practice the Serbian public gains access to this data two years after it is recorded. This delay will be eliminated by the adoption of the Law on Climate Change. As the Law has not yet been adopted, the current greenhouse gas inventory is still not available to the public.

**The Government Work Plan for 2020 does not foresee the adoption of the Law on Climate Change.**

## Low Carbon Development Strategy with Action Plan

The Low Carbon Development Strategy with Action Plan<sup>269</sup> should direct development of the Republic of Serbia towards a low carbon and resource-efficient economy. The Strategy also represents the basic instrument for the fulfilment of Serbia's obligations under the Paris Agreement and other international obligations that Serbia has assumed. The Strategy primarily deals with climate change mitigation, however the role of natural ecosystems and protected areas in carbon storage is not presented anywhere in the strategy. After prolonged delays, the Draft Strategy<sup>270</sup> (together with the Draft Report

266 Trivan at the 13<sup>th</sup> session of the Parliamentary Assembly of the Mediterranean: Serbia dedicated to the national and international targets in the fight against climate change, <https://www.ekologija.gov.rs/trivana-13-zasedanju-parlamentarne-skupstine-mediterana-srbija-posvecena-nacionalnim-i-medjunarodnim-ciqevima-u-borbi-protiv-klimatskih-promena/?lang=lat>

267 Law on Climate Change by the end of the year, <https://www.srbija.gov.rs/vest/403278/zakon-oklimatskim-promenama-do-kraja-godine.php>

268 Law on Air Protection ("Official Gazette of the Republic of Serbia", Nos. 36/2009 and 10/2013)

269 The previous name of the document was the Climate Change Strategy with Action Plan.

270 Draft Low Carbon Development Strategy with Action Plan, available at: [https://www.ekologija.gov.rs/wp-content/uploads/javne\\_rasprave/Strategija%20niskougljeni%C4%8Dnog%20razvoja%20sa%20akcionim%20planom\\_za%20javnu%20raspravu.pdf](https://www.ekologija.gov.rs/wp-content/uploads/javne_rasprave/Strategija%20niskougljeni%C4%8Dnog%20razvoja%20sa%20akcionim%20planom_za%20javnu%20raspravu.pdf)

on the Strategic Environmental Assessment<sup>271</sup>) was presented to the public on the 27<sup>th</sup> of December 2019. A public review and public hearing were concluded on the 27<sup>th</sup> of January 2020. A Report on the participation of interested bodies and organizations, and the public<sup>272</sup>, has not been published as of the end of February 2020, despite a legally binding deadline of 30 days. The Serbian Government Work Plan for 2020 foresees the adoption of the Low Carbon Development Strategy in December 2020.

The Draft Strategy indicated that Serbia's climate policies should be more ambitious than those currently in place. The current climate change goal was set in 2015, through the Intended Nationally Determined Contributions to GHG emissions reduction at the global level<sup>273</sup>, which aims for a 9.8% reduction in GHG emissions by 2030. The proposed scenarios for GHG emissions reduction set out in the Draft Strategy clearly indicate that much greater ambition is possible.

The GHG Mitigation Scenarios presented in the Draft Low Carbon Development Strategy with Action Plan are as follows:

**M1 Scenario:** The basic reference scenario B2 with the EU ETS implementation (European emissions trading system).

**M2 Scenario:** Full implementation of the entire EU *acquis*, fully transposed and implemented, achieving a GHG emissions reduction of 33% compared to 1990, 28.9% renewable energy sources by 2030, and an energy efficiency increase of 24.5%, as Serbia's contribution to achieving the EU's goals.

In order to examine the possibility for increased ambition and contribution to the achievement of the Paris Agreement's objective for the limitation of global temperature rise to 1.5 °C, two additional scenarios have been developed:

271 Draft Report on the Strategic Environmental Impact Assessment of the Draft Low Carbon Development Strategy with Action Plan, available at: [https://www.ekologija.gov.rs/wp-content/uploads/javne\\_rasprave/Strateska%20procena\\_z%20hyperlink.pdf](https://www.ekologija.gov.rs/wp-content/uploads/javne_rasprave/Strateska%20procena_z%20hyperlink.pdf)

272 Law on Strategic Environmental Impact Assessment ("Official Gazette of the Republic of Serbia", Nos. 135/2004 and 88/2010): Article 20 paragraph 2.

273 The intended nationally determined contributions to the reduction of emissions of greenhouse gasses on global level: <https://www.ekologija.gov.rs/dokument/>

**M3 Scenario:** Serbia achieves the EU goals for 2030 individually (GHG emissions reduction of 40% compared to 1990, 32% renewable energy sources by 2030, and an energy efficiency increase of 32.5%).

**M4 Scenario:** Serbia achieves 80% of GHG emissions reduction by 2050, compared to 1990 (in accordance with the EC Communication on climate neutrality).

The starting assumption for all scenarios was that Serbia will become a full member of the European Union by 2025. Scenarios based on this assumption will become inappropriate soon, as the EU is currently in the process of adopting the Law on Climate Change<sup>274</sup> which will introduce a decarbonisation obligation (or net zero GHG emissions) for all EU member states 2050. In the absence of a mechanism for eliminating and capturing greenhouse gasses, even the most ambitious scenario, M4, would not be sufficient and would not enable harmonization with the European legal framework.

**TABLE 2 – Mitigation scenarios until 2030 and 2050 and the potential for GHG emission reduction (source: Draft Low Carbon Development Strategy with Action Plan)**

| Scenario  | Target year / comparison year | GHG emission reduction (%) | Target year / comparison year | GHG emission reduction (%) | Target year / comparison year | GHG emission reduction (%) |
|-----------|-------------------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|
| <b>M2</b> | 2030/2010                     | 13.2                       | 2030/2005                     | 20.1                       | 2030/1990                     | 33.3                       |
|           | 2050/2010                     | 55                         | 2050/2005                     | 58.6                       | 2050/1990                     | 65.4                       |
| <b>M3</b> | 2030/2010                     | 28.7                       | 2030/2005                     | 34.4                       | 2030/1990                     | 45.2                       |
|           | 2050/2010                     | 59.7                       | 2050/2005                     | 62.9                       | 2050/1990                     | 69                         |
| <b>M4</b> | 2030/2010                     | 26.4                       | 2030/2005                     | 32.2                       | 2030/1990                     | 43.4                       |
|           | 2050/2010                     | 69.1                       | 2050/2005                     | 71.6                       | 2050/1990                     | 76.2                       |

The M2 scenario assumes a reduction of greenhouse gas emissions of 33% by 2030, compared to 1990. The first Nationally Determined Contribution (NDC)

274 <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12108-Climate-Law>

states the potential for an emissions reduction of 9.8%<sup>275</sup>. The M2 Scenario (like all other presented scenarios) shows the potential greater ambition by the Republic of Serbia, as recommended by the Paris Agreement. This scenario is recommended to be optimal, and is expected to be adopted in the course of the adoption of the Draft Low Carbon Development Strategy. It must be taken into account that the goal of the EU is to become carbon neutral by 2050 (net zero GHG emission). To achieve this, the EU will propose a reduction of greenhouse gas emissions of at least 50% to 55% by 2030, compared to 1990 emissions. The current goal of a 40% reduction is therefore not an appropriate reference point that Serbia should use as a basis for harmonizing climate policies.

With more than 80% of total GHG emissions in the Republic of Serbia originating from the energy sector, the most significant strategic document that must be harmonized with the principles of low carbon development is the Energy Sector Development Strategy of the Republic of Serbia by 2025, with projections until 2030<sup>276</sup>, which was adopted in 2015. The scenario adopted according to this document foresees energy efficiency measures as a way to reduce GHG emissions. According to this scenario, the energy sector in Serbia will emit 43.59 million metric tonnes of CO<sub>2</sub>eq in 2030. However, a specific objective of the Draft Low Carbon Development Strategy for the reduction of GHG emissions included in the EU Emissions Trading System (which includes the energy sector) by 2030 sets a target value for GHG emissions of 34.806 million metric tonnes of CO<sub>2</sub>eq. The Draft Low Carbon Development Strategy therefore foresees GHG emissions that are about 25% lower in 2030 compared to the already adopted Energy Sector Development Strategy. The two policies are likely to be harmonized through the development of the NECP.

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275 Nationally Determined Contributions – hereinafter NDCs, available at: <https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs>

276 “Official Gazette of the Republic of Serbia”, No. 101/2015.

**TABLE 3 – Comparing the scenario of GHG emissions reduction proposed in the Energy Development Strategy of the Republic of Serbia 2025 with the projections until 2030, with the scenario proposed in the Draft Low Carbon Development Strategy.**

| Year | <b>Draft Low Carbon Development Strategy with Action Plan.<br/>Specific Objective 1:<br/>Reduction of GHG emissions included in EU-ETS by 15% in 2030, and between 66.4% and 76.8% by 2050, compared to 2010.<br/>Unit: CO<sub>2</sub>eq million tonnes.</b> | <b>Energy Development Strategy of the Republic of Serbia 2025 with the projections until 2030.<br/>Selected Scenario with the implementation of energy efficiency measures.<br/>Unit: CO<sub>2</sub>eq million tonnes.</b> | <b>Difference in estimated GHG emissions between the Draft Low Carbon Development Strategy and the Energy Development Strategy</b> |
|------|--|--|--|
| 2015 | 40.87  | 44.22  | about 6.6%   |
| 2030 | 34.81  | 43.59  | more than 25%  |

## Increased climate ambition of the Republic of Serbia and obligations in accordance with the United Nations Framework Convention on Climate Change (UNFCCC)

The Republic of Serbia’s international obligations are stipulated by the laws on the ratification of the UN Framework Convention on Climate Change and the accompanying acts: the Kyoto Protocol, the Doha Amendment to Kyoto Protocol and the Paris Agreement.

One of the most significant obligations of the signatories to the UN Framework Convention on Climate Change is reporting in accordance with the Convention.<sup>277</sup> In 2019, the Ministry of Environmental Protection, together with the UNDP, initiated the drafting of the Second Biennial Update Report<sup>278</sup> and the Third National Communication in accordance with the UNFCCC. The Serbian Government Work Plan for 2020 foresees the adoption of both reports in December 2020.

277 <https://unfccc.int/national-reports-from-non-annex-i-parties>

278 <https://unfccc.int/process/transparency-and-reporting/reporting-and-review-under-the-convention/biennial-update-reports-and-international-consultation-and-analysis-non-annex-i-parties/biennial-update-reports>

The Ministry of Environmental Protection included members of Coalition 27 in the Working Group for the development of both reports. The Working Group met twice in 2019 (in April and November).

In accordance with Serbia's international obligations, in 2015 the Government developed and presented a Nationally Determined Contribution (NDC) of 9.8% GHG emissions reduction by 2030, compared to 1990. According to the requirements of the Paris Agreement, these targets must be revised and submitted for the period until 2050. The Serbian Government Work Plan for 2020 foresees the adoption of the revised NDCs in December 2020. In February 2020, the Ministry of Environmental Protection formed a Working Group for the implementation of the "Establishing a Transparency Framework for the Republic of Serbia" project, thereby initiating the process of revising the NDCs. The Members of Coalition 27 are included in the Working Group. The Working Group should have held its first consultative meeting in March 2020, at which the presentation of the first draft of the revised Nationally Determined Contributions should have been presented, with a focus on adaptation to changed climate conditions. Due to the coronavirus pandemic, the first meeting of the Working Group was cancelled and postponed until after the State of Emergency.<sup>279</sup>

## Climate policy of Serbia, the EU and the Energy Community

A political agreement between the European Parliament and the Council on 2030 climate and energy targets was reached in June 2018. As in the European Union, the adoption of these targets is also a matter of political consensus among the Contracting Parties of the Energy Community. At the 16<sup>th</sup> Ministerial Council of the Energy Community, held on the 29<sup>th</sup> of November 2018, the signatories of the Energy Community Treaty, including Serbia, assumed the obligation to establish targets that are as equally ambitious as those of the EU member states.<sup>280</sup> Negotiations on the methodology for calculating these

279 This comment pertains to the period after the reporting period (March 2020) and it was added because of the importance (i.e. topicality) of the events for the period covered by the report.

280 General Policy Guidelines on the 2030 Targets for the Contracting Parties of the Energy Community, available at: [https://energy-community.org/dam/jcr:a70ca2dc-6043-4dbd-8cca-84b755efc71d/PG\\_2030\\_Targets\\_112018.pdf](https://energy-community.org/dam/jcr:a70ca2dc-6043-4dbd-8cca-84b755efc71d/PG_2030_Targets_112018.pdf)

targets began the same year. However, an agreement on the final methodology and a political agreement on the targets has still not yet been reached. The 2030 climate and energy targets should be adopted by mid-2021 by Energy Community Contracting Parties.<sup>281</sup> The likelihood of the Republic of Serbia achieving targets that are as equally ambitious as the EU member states is minimal. The unlikelihood of this outcome is indicated in the Draft Low Carbon Development Strategy, published in July 2019, which describes four projected scenarios that foresee different levels of greenhouse gas emissions by 2030. The scenario in which the Republic of Serbia achieves the EU targets implies that the legislative measures set out in the Draft Low Carbon Development Strategy will be followed by additional efforts in the sectors of energy, agriculture and waste management.<sup>282</sup>

## Implementation of the provisions of the Energy Community Treaty

The implementation of the Energy Community Treaty is at a very low level given the importance of the Treaty for Serbia, the Western Balkans and the EU at this moment. The Annual Implementation Report for 2019 gave an overview of Serbia's implementation performance. These reports evaluate a country's implementation of the Treaty's *acquis* on a percentage scale. The report graded Serbia's overall performance in 2019 at 57%, only a 1% increase from the previous year.

Among the different policy areas, the Serbia's weakest implementation performance in 2019 was in the climate sector, which was graded at only 21%. The Energy Community *acquis* for the climate sector consists of:

- Recommendations on preparing for the development of integrated National Energy and Climate Plans (NECP);

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281 Energy Community discusses new timeframe for 2030 targets, available at: <https://energy-community.org/news/Energy-Community-News/2019/01/21.html>

282 Climate Strategy & Action Plan Republic of Serbia, available at: [http://www.serbiacimatestrategy.eu/wp-content/uploads/2019/04/Draft-Scoping-Report\\_Climate-Strategy-and-Action-Plan\\_V01.pdf](http://www.serbiacimatestrategy.eu/wp-content/uploads/2019/04/Draft-Scoping-Report_Climate-Strategy-and-Action-Plan_V01.pdf)

- Recommendations on preparing for the implementation of Regulation (EU) No. 525/2013 on a mechanism for monitoring and reporting greenhouse gas emissions;
- General Policy Guidelines on the 2030 targets.

The two main indicators used to evaluate progress in the implementation of climate related policies are the implementation rates of the national monitoring and reporting systems for greenhouse gas emissions (38%) and the NECP (8%). The implementation grade for the first indicator is related to the adoption of the Law on Climate Change. Drafting of the NECPs (National Energy and Climate Plans) is still in the early stages, which not only impacts the implementation of the plans at a technical level, but is limiting the streamlining of climate policymaking in Serbia, i.e. the adaptation of the Law on Climate Change.

## Harmonization with the Energy Efficiency and European Union acquis

2020 is a year of great importance for climate action in Serbia. In 2020 the adoption of the Law on Climate Change and the National Low Carbon Development Strategy, the development of the NECP, as well as the revision of the NDC, are all planned.

It is vital to focus all these processes on a common goal: The decarbonisation of the Serbian economy by 2050. Planning must prioritize the coordination of all sectors and should result in the revision of other strategic documents, in particular energy strategy and spatial planning documents. The process of setting targets for 2030 under the Energy Community framework and through the EU accession process should also be considered, so that these targets can be smoothly incorporated in the future.

## What would the taxation of greenhouse gas emissions mean for Serbia?

Serbia has still not taken steps towards creating mechanisms for the taxation of CO<sub>2</sub> emissions, which would not only drive technology efficiency, but also

open the path toward the decarbonisation for the economy. Serbia accounts for half of the greenhouse gas emissions from coal-fired power plants in the Western Balkans. If every tonne of CO<sub>2</sub> emitted by coal-fired power plants in Serbia was taxed, about 30 million tonnes CO<sub>2</sub> equivalent, even at a low price of €20 per tonne of CO<sub>2</sub> equivalent, would generate at least €600 million per year for the Serbian budget.

In the absence of such a mechanism, Serbia has a comparative advantage compared to the EU market, which will represent an obstacle to further integration into the EU market. The EU plans to introduce a carbon border adjustment mechanism, which will not only affect electricity exported to the EU, but products originating from industries with high GHG emissions.

It is very important for Serbia to immediately begin creating conditions for the introduction of such a mechanism. An overview of Serbia's readiness to introduce such a mechanism is presented in Table 4.

**TABLE 4 – Initial overview of Serbia's readiness to implement mechanisms for taxing GHG emissions**

|   |   |
|---|---|
| Carbon intensity of the economy   | Higher than the Western Balkan average                          |
| Paris Agreement   | Signed  |
| Inclusion of CO <sub>2</sub> emissions in the national targets for emission reductions                                    | Yes   |
| National energy and climate plans   | No  |
| Adoption of the Low Carbon Development Strategy   | No  |
| Regulatory / political framework presenting the level of readiness for the IMF (Monitoring Mechanism Regulation 525/2013) | Draft   |
| Operational inventory of greenhouse gases   | Yes   |
| Process for collecting operational data   | Yes   |
| Reporting system established  | Yes   |
| Level of readiness of institutions and organisational capacity  | Average   |
| Regulatory / political framework presenting the EU ETS requirements   | To be reviewed after the adoption of the Law on Climate Change. |

# The implementation of regulations

There has been very limited progress in the implementation or adjustment of measures for climate change mitigation. More significant progress is currently impossible as a legislative framework for this sector has not yet been adopted.

# Financing

The Budget Law of the Republic of Serbia for 2019<sup>283</sup> indicates that RSD 15,000,000 have been allocated to the Ministry of Environmental Protection for the “Local Development Resilient to Climate Change” project.<sup>284</sup> Moreover, RSD 41,000,000 has been allocated from the Green Fund (although not explicitly for climate change) for afforestation, aimed at landscape diversity protection and preservation. The IPA 2013<sup>285</sup> allocated RSD 429,559,000 to the Ministry of Environmental Protection for the environment and climate change.

The Report on Budget Execution in 2019<sup>286</sup> of the Ministry of Environmental Protection states that funds spent on the “Climate Smart Urban Development Challenge” project were somewhat lower than planned (RSD 14,970,773). The report also states that slightly more funds than planned (RSD 31,086,608 – allocated from the Green Fund) were spent on “afforestation aimed at landscape diversity protection and preservation”. In both cases, the amounts are lower than in 2018.

The Budget Law of the Republic of Serbia for 2019 allocated funds to the Republic Hydrometeorological Service for monitoring and analysis of the climate and forecasts of climate variability and climate change (RSD 53,989,000), for the development of networks for climate knowledge integration into policy and territorial knowledge within the SEE 2013 – “ORIENTAGE” project (RSD 2,980,000), and for climate surveillance, modelling and services to Europe (RSD 2,830,000). Information about the amount of the allocated funds that were spent is not available on the web site of the Hydrometeorological Service at present.

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283 Budget Law of the Republic of Serbia for 2019, available at: <http://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2018/95/3/reg>

284 <http://www.undp.org.rs/FactSheets/CSUD%20SRP.pdf>

285 <http://europa.rs/pomoc-eu-republici-srbiji/ipa/ipa-2013/>

286 Budget Execution in 2019, Ministry of Environmental Protection, available at: <https://www.ekologija.gov.rs/wp-content/uploads/informator/IZVR%C5%A0ENJE%20BUD%C5%BDETA%202019.pdf>

Funds allocated for the Local Development Resilient to Climate Change project in the Budget Law of the Republic of Serbia for 2020<sup>287</sup> are the same as the previous year (RSD 15,000,000). The same amount has also been allocated to afforestation for the purpose of landscape diversity protection and preservation (RSD 41,000,000). Allocations from the IPA 2013 – Environment and Climate Change are significantly lower this year than last, with RSD 94,300,000 allocated to the Ministry of Environmental Protection and RSD 71,209,000 to the Ministry of Energy and Mining.

The Budget Law of the Republic of Serbia for 2020 allocated RSD 56,201,000 to the Republic Hydrometeorological Service<sup>288</sup> for the monitoring and analysis of climate and forecasts of climate variability and climate change, and RSD 1,490,000, for the climate surveillance, modelling and services to Europe.

The energy sector in Serbia accounts for approximately 80% of total greenhouse gas (GHG) emissions in the country. The Electric Power Industry of Serbia (EPS) alone accounts for more than 50% of these emissions. Serbia is a developing country and therefore does not have international obligations for GHG emissions reduction. With EU accession, Serbia, as alongside EU member states, is expected to be required to significantly reduce GHG emissions. The success of this process will primarily depend on the readiness of EPS to invest sufficiently in cleaner forms of electricity production. The total value of the necessary investment amounts to billions of euros. If EPS is unable to reduce CO<sub>2</sub> emissions sufficiently, it will be liable to pay penalties. Given that EPS emits 30–35 million tonnes of CO<sub>2</sub> per year, the failure to reduce emissions could result in penalties amounting to tens of millions to euros every year.<sup>289</sup>

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287 Budget Law of the Republic of Serbia for 2020, available at: <http://www.parlament.gov.rs/upload/archive/files/cir/pdf/zakoni/2019/BUDZET%202020.pdf>

288 Excerpt from the Budget Law of the Republic of Serbia for 2020; Section 37: Republic Hydrometeorological Service

289 Fiscal Council (2018): Investments in Environmental Protection: A Social and Fiscal Priority, available at: <http://www.fiskalnislavet.rs/doc/eng/FC%20-%20Investments%20in%20environmental%20protection.pdf>

# Recommendations



## Strategic and legislative framework

- 1.** Adopt the Law on Climate Change and transpose the EU legal framework on climate change by the end of 2020.
- 2.** Revise and increase the ambitions for GHG emissions reduction and adopt the revised NDC before the next UNFCCC Summit, in accordance with the Paris Agreement. The new/amended NDC should match the ambition of the upcoming revision of the EU goals for 2030 and the decarbonisation plan until 2050.
- 3.** Set up a continuous mechanism for monitoring the development and work of local self-governments on climate change mitigation and adaptation issues, and set up a mechanism for providing technical and expert support to local self-governments that are developing action plans for climate change adaptation purposes.
- 4.** All legislative elements (laws, bylaws, etc.) that are directly related to greenhouse gas emitters should be revised so as to include climate change (climate change mainstreaming).
- 5.** Fully support the Energy Community Secretariat<sup>290</sup> and define goals to reduce greenhouse gases, increase energy production from renewable resources, and improve energy efficiency. Establish a working group in accordance with the principles of public participation and begin activities on the development of integrated National Energy and Climate Plans of Serbia within a set time frame, and enable adequate public participation.

290 Policy guidelines by the Energy Community Secretariat on the development of National Energy and Climate Plans under Recommendation 2018/01/MC – EnC, available at: [https://www.energy-community.org/dam/jcr:c9886332-a1f5-43ee-b46c-31c637aedfa6/PC\\_03\\_2018\\_ECS\\_NECP.pdf](https://www.energy-community.org/dam/jcr:c9886332-a1f5-43ee-b46c-31c637aedfa6/PC_03_2018_ECS_NECP.pdf)

6. Define and adjust the legislative and institutional framework related to adjusting to climate change and integrate it into other sectors, primarily: water management, agriculture, urban planning and construction, infrastructure, forestry, environmental protection and energy.



## The implementation of regulations

7. Strengthen the role of the National Committee on Climate Change by establishing intersectoral cooperation and integrating mitigation and adaptation measures for climate change into other public policies, as well as involving the representatives of civil society organizations in the work of the Committee.
8. In the course of the preparation of the Third National Report under the UN Framework Convention on Climate Change and the Second Biennial Update Report, take into account issues already described in relation to the reliability and accuracy of GHG inventory data. Use relevant available data in place of projections. Ensure the adequate participation of civil society representatives.
9. Make GHG inventory data public, verifiable and easily accessible, in accordance with the laws of the Republic of Serbia and international obligations, such as the Aarhus Convention and the Paris Agreement.
10. Continue and improve the inclusion of civil society organizations in the process of legislative and strategic document development, ensuring the widest possible public involvement and a fair public hearing process; enable local self-governments, civil society and citizens to actively participate in the preparation of the national Climate Change Strategy with Action Plan, and NDC revision.
11. Increase the number of civil servants in ministries and local self-governments engaged in climate change and build their capacity.

- 12.** Improve the practice of involving the public in relevant policy-making procedures in the field of climate change.
- 13.** Establish legal instruments to bind operators to submit information on GHG emissions.
- 14.** Increase the knowledge and skills of civil servants in ministries and local self-government engaged in climate change.
- 15.** Promote education on climate change through strategic and systemic inclusion in school and university curricula.



## Financing

- 16.** Set up a financial mechanism to support strategic priorities (in line with Serbia's accession to the European Union) by, among other things, redirecting funds allocated to the fossil fuel industry to mitigation and adaptation to climate change.
- 17.** Adopt a mechanism for CO<sub>2</sub> emission taxation as a source of income for the State budget, which Serbia will have to adopt in the near future and will encourage technical innovation, lowering greenhouse gas emissions and supporting the needed energy mix diversification. A CO<sub>2</sub> tax of €20 per tonne of emissions would raise more than €600 million per year, which would enable significant investment in the decarbonisation of the Serbian economy.
- 18.** In the long term, provide financial mechanisms to fund capacity building of civil servants and education in the field of climate change, to ensure the creation of a society that is resilient to climate change impact.

