



Climate Change

Overview

During the reporting period, legislative activity was at a minimum. The Law on Climate Change was adopted after the reporting period (March 2021). The Law, in the form in which it was adopted, cannot be implemented without the adoption of a large number of bylaws. The Low-carbon Development Strategy has not been adopted, the drafting of the National Energy and Climate Plan has not started, and the Nationally Determined Contributions have not been adopted. Due to the COVID-19 pandemic, work on the UNFCCC report was halted during 2020. The rate of implementation of the Acquis in the field of climate change has been low. The application of regulations is of limited scope, as there is no clear legal and strategic framework. However, the implementation of other sectoral policies (such as energy and spatial and urban planning) indicates that climate change is far from being sufficiently integrated into other sectors. There has been a noticeable increase in funding for projects in the field of climate change, although a stable system of financing environmental protection and climate change is still not in place.

Strategic and Legislative Framework

The Law on Climate Change

The NPAA and the Work Plans of the Government of the Republic of Serbia envisage that all key EU regulations in the field of climate change will be transposed through the Law on Climate Change, as well as through five regulations and four rulebooks (C27, 2020). During the reporting period, none of the planned documents have been adopted. The Law on Climate Change was not part of the Work Plan of the Government of the Republic of Serbia for 2020.

The Ministry of Environmental Protection opened a public debate on the Draft Law on Climate Change on March 15, 2018 (MEP, 2018). During the public debate (which lasted over 30 days), the Ministry of Environmental Protection held public presentations in five cities in Serbia, during which citizens could talk to representatives of the Ministry about their comments and remarks. This was an example of good practice of involving the public in the process of passing such important legislation. A Report on the public hearing was published in June 2018. After that, the Draft Law on Climate Change disappeared from the Government's Work Plans. In March 2021, the Government adopted the Draft Law on Climate Change, which is going through parliamentary procedure at the time of writing. The process of adopting this Law has taken over three years. The Law introduces a system for monitoring, reporting and verifying greenhouse gas emissions, but does not contain effective mechanisms for reducing GHG emissions. The Law cannot be implemented without the adoption of a large number of bylaws, which have still not been adopted.

Low-Carbon Development Strategy with Accompanying Action Plan

The Low-Carbon Development Strategy with an accompanying Action Plan should establish the direction of the Republic of Serbia's development towards a low-carbon and resource-efficient economy. In addition, the Strategy is the basic instrument for fulfilling obligations under the Paris Agreement and other international obligations that Serbia has undertaken.

A proposed Low Carbon Development Strategy with an accompanying Action Plan underwent public discussion from December 27th 2019 to January 24th 2020. The report on the public hearing (MEP, 2020a) was published in June 2020. According to the Government Work Plan for 2020, the adoption of the Strategy was planned for December 2020. However, the Strategy was not adopted in 2020. According to the Government's Work Plan for 2021, the adoption of the Strategy is planned for December 2021.

The content of the proposed Low Carbon Development Strategy was described in detail on page 143 of last year's Coalition 27 Report (C27, 2020). The proposed Strategy describes options for decarbonising the economy of the Republic of Serbia until 2050 through potential development scenarios. All scenarios presupposed that Serbia would become a full member of the European Union in 2025. However, even the most ambitious scenario did not predict complete decarbonisation (net zero greenhouse gas emissions). Given that the adoption of the European Green Plan for 2050 by the EU has set the goal of becoming carbon neutral, it is clear that the proposed Low-Carbon Development Strategy is not in line with the EU public policy framework. In the event that Serbia becomes a full member of the EU by 2025, and the Low-Carbon Development Strategy is adopted in the form in which it was made available to the public, the revision of this document will be necessary. Additionally, it should be noted that the EU's climate ambitions for 2030 have also increased: from 40% to a 55% reduction in greenhouse gas emissions compared to 1990. As all of the scenarios elaborated in the Strategy used the already outdated EU climate goals as a starting point, this document before even having been adopted.

Despite the fact that the Strategy was not adopted, the President of the Republic of Serbia stated in December 2020 at the International Climate Ambition Summit (CAS, 2020) that Serbia had developed a long-term Low-Carbon Development Strategy with an action plan and announced that Serbia would “be a low-carbon society in 2050”, as well as that Serbia would reduce greenhouse gas emissions by 33.3% by 2030 compared to 1990 (DLN, 2020). This is also the ambition of the M2 scenario presented in the proposed Low-Carbon Development Strategy with the Action Plan. The President then referred to the draft of this document, as well as the National Integrated Climate and Energy Plan. Neither of these two documents was adopted in Serbia during 2020.

Increasing the Climate Ambition of the Republic of Serbia and its Obligations under the United Nations Framework Convention on Climate Change (UNFCCC)

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

Among the most important obligations undertaken by signatories of the United Nations Framework Convention on Climate Change is reporting under the Convention (UNFCCC). Following the commencement of the drafting of the Second Biennial Update Report and the Third National Communications Report to the UNFCCC in 2019, by the Ministry of Environmental Protection in cooperation with the UN Development Program, these processes stopped in 2020. The Work Plan of the Government of the Republic of Serbia for 2020 planned for the adoption of both reports in December. However, neither of the reports have been adopted. Working groups did not meet during 2020.

In February 2020, the Ministry of Environmental Protection formed a Working Group for the implementation of the project *Establishing a Transparency Framework in the Republic of Serbia*, thereby beginning work on the revision of Nationally Determined Contributions (NDCs). Members of Coalition 27 were involved in the Working Group. The meetings of the Working Group were not

held due to the state of emergency. A draft of the document was presented in July 2020, but was not adopted during the reporting period. According to the Government Work Plan, it should have been adopted by the end of 2020. The draft of the improved Nationally Determined Contributions itself relies on the M2 scenario of the proposed Low-Carbon Development Strategy, i.e. it sets the goal of reducing GHG emissions by 33% by 2030 compared to 1990.

Serbia's Climate Policy, the EU and the Energy Community

Serbia signed the Declaration on the Green Agenda for the Western Balkans in November 2020. By signing this document, Serbia has made a political commitment to achieve decarbonisation of the economy by 2050, in line with the upcoming EU climate law (RCC, 2020). The European Union strives to be an example in the fight against climate change, which means that Serbia must comply with the changed EU goals for 2030, i.e.: "reduction of greenhouse gas emissions by at least 55% compared to 1990." This will have a strong impact on the process of setting targets for 2030 conducted by the Secretariat of the Energy Community, the EU Commission and the contracting parties of the Energy Community (which include Serbia). Namely, the Energy Community is currently preparing a Study on the reduction of greenhouse gas emissions by 2030, renewable energy sources (RES) and energy efficiency. The study should link the EU's objectives in these areas with the ambition of the Energy Community contracting parties (and in particular with the countries of the Western Balkans, which aspire to membership in the European Union). The Study will determine targets for reducing GHG emissions, increasing the share of RES and increasing energy efficiency. The findings of these studies are expected to be adopted at the meeting of the Ministerial Council of the Energy Community at the end of 2021, which will lead to changes in the Acquis in these areas (ENC 2020). After that, the contracting parties (including Serbia) will be obliged to adopt legal instruments through which they will transpose these goals into national legislation and ensure their implementation. Serbia will therefore soon be obliged to update its legal framework for climate change, renewable energy sources and energy efficiency.

The Implementation of the Energy Community Acquis

The Energy Community Annual Acquis Implementation Report for 2020 (EC, 2020a) reiterates the serious need to improve the implementation of climate change regulations. Of the ten areas covered by the Energy Community acquis, implementation in the field of climate change is at the lowest level.

Serbia has yet to draft a National Energy and Climate Plan (NECP). A draft was expected to be presented in 2020, but preparations for drafting the NECP are still in their infancy. Compared to other Western Balkan countries, Serbia lags behind in the development of these plans, and has not yet adopted the legal basis for them.

In January 2021, the Ministry of Mining and Energy submitted four key laws for public discussion at the same time: The Draft Law on Renewable Energy Sources, the Draft Amendments to the Law on Energy, the Draft Amendments to the Law on the Efficient Use of Energy and the Draft Amendments to the Law on Mining and Geological Research. This set of legal changes, among other things, regulates the development of the National Energy and Climate Plan.

Five years since the Paris Agreement was signed, Serbia has low ambitions to reduce GHG emissions. In 2021, Serbia is expected to submit revised Nationally Determined Contributions (NDCs) to the United Nations Framework Convention on Climate Change (UNFCCC). Serbia and Albania are the only two countries in the Western Balkans that are yet to include greenhouse gas emissions other than CO₂ in their inventories.

The new updated NDCs should be fully aligned with the National Energy and Climate Plan, and should pave the way for fulfilling the political promises of climate neutrality, as envisaged by the Sofia Declaration.

Coal Regions in Transition

In September 2019, the Secretariat of the Energy Community hosted the launch of a dialogue on the creation of a platform in the regions that rely on coal for the Community's contracting parties. In December 2020, the Platform for Coal Regions in Transition for the Western Balkans and Ukraine was launched (EC, 2020b).

The aim of this platform is to help countries and regions move from a coal-dependent economy to a carbon-neutral economy, while ensuring that the transition is socially just. The initiative is open to any region engaged in mining activities and perhaps using coal for energy purposes. The regions originally identified in Serbia are: Kostolac, Kolubara, Obrenovac and Pomoravlje. These regions will be supported through technical assistance, as well as access to funding for energy transition projects.

Serbia should use this platform to initiate dialogue with local communities in order to start a timely and fair process of energy transition, in line with the goals of climate and energy policy. It should involve all relevant stakeholders and support the coal regions and their residents in this process.

Proper financing and planning of development priorities should be key factors for decision makers when adopting strategic policy documents. This means that Serbia must stop spending tens of millions of euros annually on subsidies for the coal industry. According to a study published in 2019 (EC, 2019), Serbia directly supported the production of electricity from coal with on average 99.78 million euros per year during the period 2015, 2016 and 2017. An update to that study in December 2020 (EC, 2020c) shows that direct investments in 2018 are much smaller and an average of €44.38 million in 2019; however, these subsidies remain the highest in the Western Balkans.

The Implementation of Regulations

Very limited progress has been made in implementing climate change mitigation or adaptation measures. Significant progress in the implementation of measures has been hampered, as the legal framework for this area has still not been adopted.

If the implementation of public policies in the field of climate change is viewed more broadly, through the implementation of other sectoral policies, it is clear that climate change is still not integrated into other policy areas. For example, in the area of spatial and urban planning, climate change is noticeably neglected. During the preparation of spatial plans for construction at Makiško polje in Belgrade and at the Old Shipyard in Novi Sad the role played by these areas in adapting to climate change was obviously neglected. In the case of Makiško polje, for example, the area is recognized by the City of Belgrade (CB, 2019) as part of Belgrade's climate infrastructure, which needs to be preserved. Despite this, in December 2020, the City of Belgrade adopted the Plan for Detailed Regulation of Part of Makiško polje, which envisages the construction of 4.5 million square meters of residential and business space, a subway with stations and a subway depot (CB, 2020).

Financing

The Law on Amendments to the Law on the Budget of the Republic of Serbia for 2020 (NARS, 2020) plans funds in the amount of RSD 35,000,000 for the program *Climate Change Resilient Local Development* within the Ministry of Environmental Protection. Within the RS Green Fund, funds have been allocated for the program *Afforestation to Protect and Preserve Landscape Diversity* in the amount of RSD 35,230,000.

In addition, funds were allocated to the Republic Hydrometeorological Service of Serbia in the amount of RSD 56,547,000 for climate monitoring and analysis, and forecasting of climate variability and climate change, and funds in the amount of RSD 2,111,000 for the project Southeast Europe SEE 2013 – ORIENTGATE – *Structured Network for the Integration of Climate Knowledge into Policy and Territorial Planning* as well as funds in the amount of RSD 1,490,000 for *Climate Observations, Modelling and Services in Europe*.

The Law on Amendments to the Law on the Budget of the Republic of Serbia for 2020 (NARS, 2020) allocates funds in the amount of RSD 290,957,000 (namely RSD 19,001,000 from the budget of the Republic of Serbia, and RSD 271,956,000 from EU funds) to the Ministry of Environmental Protection, and RSD 88,938,000 to the Ministry of Mining and Energy (RSD 8,894,000 from the budget of the Republic of Serbia, and RSD 80,044,000 from EU funds) within the project IPA 2013 – Environment and Climate Change. In the aforementioned Law, funds in the amount of RSD 500,240,000 are planned for the Budget Fund for Improving Energy Efficiency.

The originally planned funds in the Law on the Budget of the Republic of Serbia for 2020 (NARS, 2019) were significantly smaller. For the project *Climate Change Resilient Local Development*, the amount was increased by about 133% (originally planned at RSD 15,000,000). For the IPA 2013 program – *Environmental Protection and Climate Change*, the amount was increased by

about 208% (originally planned at RSD 94,300,000), and the amounts allocated to the Ministry of Environmental Protection and the Ministry of Mining and Energy were increased by about 25% (originally planned at RSD 71,209,000). Funds allocated to the Republic Hydrometeorological Service of Serbia for the project *Climate Monitoring and Analysis and Forecasting Climate Variability and Climate Change* were also increased by about 0.6% (originally planned at RSD 56,201,000), while the project Southeast Europe SEE 2013 – ORIENTGATE – *A Structured Network for the Integration of Climate Knowledge into Policy and Spatial Planning* was not planned.

The Law on Amendments to the Law on the Budget of the Republic of Serbia for 2020 (NARS, 2020) allocates 14% less funds for afforestation in order to protect and preserve landscape diversity compared to the planned funds in the Law on the Budget of the Republic of Serbia for 2020, with amendments to the Law also reducing the amount for the Budget Fund for Improving Energy Efficiency by about 2%.

The Report on the Implementation of the Budget of the Ministry of Environmental Protection (MEP, 2021) shows that 96.61% of the planned funds, i.e. RSD 33,814,029, for the *Climate Change Resilient Local Development* project were spent. Of the funds from the IPA 2013 program – Environmental Protection and Climate Change, the Ministry spent 40.51% (or RSD 7,697,380) of the amount allocated in the Budget of the Republic of Serbia, and 86.27% or RSD 234,616,992 of the EU funds.

The Report on the Implementation of the Budget of the Ministry of Mining and Energy is not publicly available.

Recommendations



Strategic and Legislative Framework

- 1.** Adopt all necessary bylaws in order for the Law on Climate Change to be applied.
- 2.** Review and increase ambitions to reduce GHG emissions and adopt revised NDCs by the next United Nations Framework Convention on Climate Change (UNFCCC) Summit, in line with the Paris Agreement. The ambition of the new/revised NDCs should be in line with the new EU targets for 2030, as well as the Green Deal's goal of decarbonisation by 2050.
- 3.** Integrate climate change issues into the process of drafting development plans by local self-governments and establish a mechanism for monitoring the development and work of local self-governments on the issues of climate change mitigation and adaptation.
- 4.** Fully support the work of the Energy Community Secretariat and define goals for reducing greenhouse gas emissions, improving energy production from renewable energy sources, and energy efficiency, and establish a working group and start developing an integrated National Energy and Climate Plan of Serbia within the given deadline and facilitate adequate public participation.
- 5.** Define and adjust the legal and institutional framework related to adaptation to climate change and integrate it into other sectors, primarily: water management, agriculture, urban planning and construction, infrastructure, forestry, nature protection and energy.

6. Adopt Amendments to the Law on Climate Change that will define permits for GHG emissions and emission monitoring obligations for other relevant sectors such as energy. Adopt the necessary legal instruments to define the obligation of plant operators to monitor GHG emissions and submit information on GHG emissions to the Environmental Protection Agency.
7. Adopt Amendments to the Law on Climate Change to establish a CO₂ tax mechanism, and thus fully comply with the ETS Directive and prepare for the implementation of the carbon border adjustment mechanism, which is expected to enter into force in 2023.



The Implementation of Regulations

8. Establish a National Council for Climate Change, appoint members of the Council from among the representatives of ministries and other bodies and organizations, representatives of the scientific and professional community, as well as representatives of civil society, whose area of activity is important for identifying and implementing activities in the field of climate change by the end of 2021, and adopt the Rules of Procedure of the Council.
9. In the process of drafting the Third National Report under the UN Framework Convention on Climate Change and the Second Biennial Update, take into account the problems already described regarding the reliability and accuracy of GHG inventory data. Use relevant available data, instead of projections. Ensure adequate participation of civil society.
10. Make information on the GHG inventory 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.

- 11.** Improve efforts to involve the general public in decision-making processes on public policies related to climate change, and above all the participation of the public in the development of the National Climate and Energy Plan, as well as revising NDCs.
- 12.** Increase the number of civil servants in ministries and local self-governments dealing with climate change in various sectors and focus on capacity building.
- 13.** Strengthen capacities in terms of knowledge and skills of civil servants working on the issue of climate change employed in ministries and local self-governments.
- 14.** Improve education on climate change, by strategically and systematically including it in school and university programmes.



Financing

- 15.** Develop a financial mechanism that will support strategic priorities (which must be in line with the process of Serbia's accession to the European Union), among other things, by redirecting funds intended for the fossil fuel industry to climate change mitigation and adaptation measures.

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