



2022

5 December

Energy Support Package

for the Western Balkans



About the Energy Support Package for the Western Balkans

At the Berlin Process Summit of 3 November 2022, the European Commission put forward an **Energy Support Package of €1 billion for the Western Balkans**. The package aims at addressing immediate, short-term and medium-term needs in the Western Balkans in the context of the ongoing energy crisis. With this substantial support, the European Commission will help the Western Balkans partners in the region to begin decreasing their dependence on Russian fossil fuels, accelerate decarbonisation, and improve the energy security of the region.

In terms of **immediate measures**, the European Commission will provide up to €500 million in budget support to the Western Balkans partners to mitigate the impact of increased energy prices on small and medium-sized enterprises and vulnerable households.

With regard to **short- and medium-term measures**, the European Commission will provide a further €500 million via the Western Balkans Investment Framework (WBIF) to advance the energy transition and energy security of the region.



Energy support package

€1 bn
EU grants

Immediate measures

€500 m
budget support to tackle
the effect of the energy crisis

Short and medium term
measures

€500 m
financial assistance through
targeted investments

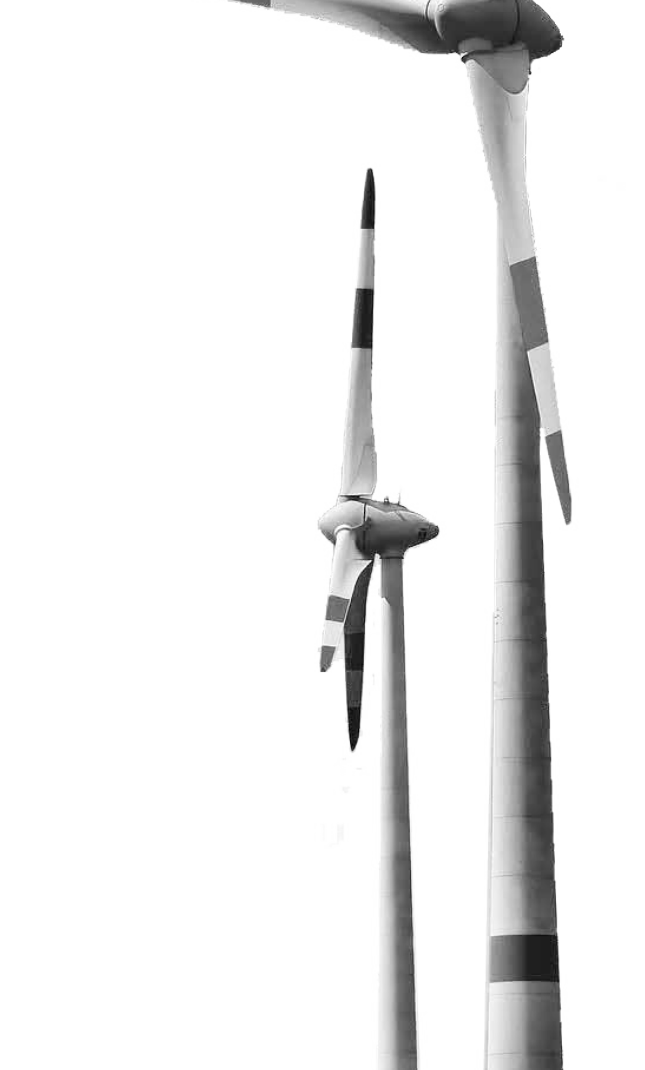


In focus: Immediate measures through budget support

The European Commission will provide up to **€500 million** in **urgent budget support** to the Western Balkans partners to implement their National Action Plans, in order to:

- Mitigate the impact of high energy prices for **small and medium-sized enterprises**
- keep energy prices affordable especially for **vulnerable households**
- support policy measures to accelerate the **energy transition**.

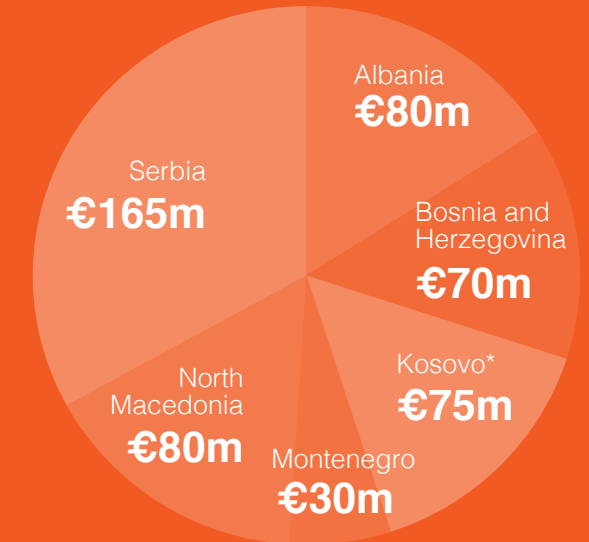
90% of the funds will be disbursed in January 2023, the second disbursements will be made against the successful implementation of national action plans by the beneficiaries.



Immediate measures

€500m

budget support to tackle the effect of the energy crisis



* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.



In focus: Short- and medium-term measures through WBIF

Half of the energy support package, consisting of **€500 million**, is provided by the European Commission through the **Western Balkans Investment Framework (WBIF)**, to advance on energy diversification, renewable energy generation and gas and electricity interconnections, support to the energy transition of the business sector over the short- and medium term. This amount is expected to **generate up to €1.4 billion in investments** in the region in support of the energy transition, diversification of sources of energy, and mitigate the impact of the energy crisis triggered by Russia's invasion of Ukraine. Furthermore, **6 guarantees will benefit from up to €419 million** EU guarantee coverage. These guarantees aim to crowd-in private investments in order to increase the investment capacity of the region across clean energy priorities.



Flagship investments

€170m
EU grants

€867m
total investment value

Regional Energy Efficiency Programme (REEP)

€100m¹
EU grant

€541m
expected investment

¹ This is a round up figure.

Guarantees

€230m
EU funding

€419m
total guarantee coverage



Energy Support Package for the Western Balkans 2022



Clean energy

Flagship investments

- Solar4Kosovo - Photovoltaic Plant
- Solar4Kosovo II – Solar District Heating in Pristina
- Rehabilitation of Six Hydropower Plants Phase 3
- Bogdanci Wind Park Phase 2
- Reconstruction of Vlasina Hydropower Plant
- Kostolac Wind Farm

Private sector

Regional flagship investments

- SMEs Go Green programme
- Western Balkans Climate Programme
- Green Finance for Inclusion

Clean energy

Regional projects

- Regional Energy Efficiency Programme (REEP)
- Western Balkans Guarantee Facility for Energy
 - HI-BAR EFSD+ Guarantee for Energy Transition
 - Municipal, Infrastructure and Industrial Resilience Programme
 - Connectivity
 - Better Futures Programme (BFP)
 - Supporting a Market-Oriented Green Transformation in the Eastern Neighbourhood and Western Balkans
- Risk sharing instrument for Energy Efficiency, Renewable Energy and Digital project



Clean Energy



Flagship investments 2022

6
flagships endorsed

€120m¹
WBIF EU grant

€472m
estimated investment

1 This is a round up figure.

Priorities

Flagship 4

Renewable energy

Flagship 5

Transition from coal

Flagship 6

Renovation wave



Flagship 4 · Renewable energy

Kosovo

Solar4Kosovo - Photovoltaic Plant

WBIF EU grant	€33.1m
KfW loan (est.)	€29m
EIB loan (est.)	€32.6m
Beneficiary contribution	€10m
Estimated investment	€104.7m
Expected completion	2026

The electricity sector in Kosovo is almost entirely dependent on coal-fired power plants (97%). This investment project will install a solar photovoltaic plant of up to 100 MW installed capacity on former ash dump fields in the vicinity of Kosovo A thermal power plant. This will be the first large-scale solar photovoltaic plant in Kosovo and will increase installed capacities from 10.1 MW to 110.1 MW. Likewise, it will increase the share of solar power in the energy mix of Kosovo from 0.2 to 2.3%. The plant is expected to produce around 152 GWh of electricity and displace 152,000 tonnes of CO₂ annually.



Flagship 4 · Renewable energy

Kosovo

Solar4Kosovo II – Solar District Heating in Pristina

WBIF EU grant	€22.5m
KfW grant	€31.6m
EBRD loan (est.)	€18.8m
Beneficiary contribution	€4.4m
Estimated investment	€77.3m
Expected completion	2027

The heating sector in Kosovo consumes more energy than any other segment of the energy sector. The heat supply in Pristina is particularly inefficient, CO₂-intensive and predominantly covered by two coal-fired power plants, while the district heating system meets only around 25% of the demand. This investment project will introduce solar energy in the district heating sector in Kosovo. The facility will have a capacity of 50 MW including storage. The immediate beneficiaries of the project are up to 38,000 residents who will be connected to Pristina's district heating system as part of the network expansion measures.



Flagship 4 · Renewable energy

North Macedonia

Rehabilitation of Six Hydropower Plants Phase 3

WBIF EU grant	€11.2m
KfW grant and loan (est.)	€25.2m
Estimated investment	€36.4m
Expected completion	2025

Despite moderate investments in maintenance and minimal modernisation, North Macedonia's domestic production of electricity decreased by more than 25% over the last ten years. The country has an installed hydropower capacity of 1,500 GWh, accounting for 20% to 30% of the total domestic power generation. This project concerns the third phase of rehabilitation of 6 large hydropower plants organised into three hydropower systems with an overall installed capacity of 439 MW: Mavrovo, Crn Drim and Tikves. The investments will extend the lifetime of the plants, increase their generation capacity by 13.5 MW, and displace 38,000 tonnes of CO₂ annually.



Flagship 4 · Renewable energy

North Macedonia

Bogdanci Wind Park Phase 2

WBIF EU grant	€9.3m
KfW grant and loan	€18.2m
Beneficiary contribution	€2.9m
Estimated investment	€30.4m
Expected completion	2025

North Macedonia aims to decarbonise the energy sector by gradually phasing out fossil fuels and increasing the share of renewable energy sources in the energy mix. Phase 1 of this pilot project, with a 36.8 MW installed capacity, was successfully developed with WBIF technical assistance and produced 103 GWh or 1.95% of the country's total electricity generation in 2021. This project will increase the capacity of the wind park by up to 15 MW, which is expected to produce 46 GWh of electricity annually, equivalent to the energy demand of around 6,000 households. In total, over 22,000 households will be supplied with more reliable and sustainable electricity.



Flagship 4 · Renewable energy

Serbia

Reconstruction of Vlasina Hydropower Plant

WBIF EU grant	€16.1m
EBRD loan (est.)	€61.6m
Beneficiary contribution	€0.2m
Estimated investment	€77.9m
Expected completion	2028

Serbia produces 62% of the country's electricity from low-quality lignite and nearly 30% from hydropower, with a small percentage coming from wind and solar. Vlasina hydropower system was constructed in two stages, 1946-58 and 1972-77, with an installed capacity of 128 MW. Due to the long exploitation period and equipment malfunctioning, the cascade currently has an output of only 60-80 MW. This project will replace all generation units, electromechanical and hydromechanical systems and control equipment. These investments will ensure a reliable and safe operation of the cascade over the next 30 years, with an output of 136 MW, significantly improving the balancing and stability of the electricity system. The plants are expected to produce 309 GWh annually, equivalent to the energy demand of 93,000 households.



Flagship 4 · Renewable energy

Serbia

Kostolac Wind Farm

WBIF EU grant	€31.2m
KfW grant and loan	€81.8m
Beneficiary contribution	€32.3m
Estimated investment	€145.3m
Expected completion	2024

This project will install a 66 MW wind farm in Kostolac, in eastern Serbia, on the site of depleted open-cast mines. The plant is expected to produce 187 GWh of electricity, equivalent to the energy demand of 45,000 households, and displace 174,000 tonnes of CO₂ annually. The investments are part of the country's effort to diversify the energy mix, increase renewable electricity generation, reduce dependence on fossil fuels, support decarbonisation, and clean up and reuse the site of the exhausted coal mine.



Private Sector



Flagship investments 2022

3
flagships
endorsed

€50m¹
WBIF EU grants

€395_m
estimated investment

1 This is a round up figure.

Priorities

Flagship 9

**Competitiveness
of the private
sector**





Flagship 9 · Competitiveness of the private sector

SMEs Go Green Programme

WBIF EU grant	€25m
EBRD loan	€120m
Estimated investment	€145m

Accelerating the adoption of green technologies and sustainable practices for the SME sector is a key element necessary for the growth, competitiveness and long-term sustainable recovery of the Western Balkans region. Building on the EBRD's extensive experience supporting SMEs to finance green technologies, the SME Go Green Programme will provide an estimated €120 million of EBRD financing to local Partner Financial Institutions (PFIs) for them to on-lend to approximately 3,400 SMEs for investments in climate-smart solutions. The EU grant financing aims to scale-up green economy investments, including energy efficient, resource efficient and renewable energy investments among SMEs, contributing to the reduction of greenhouse gas emissions and providing a demonstration effect in the market.



Flagship 9 · Competitiveness of the private sector

Western Balkans Climate Programme

WBIF EU grant	€17m
IFC loan	€150m
Estimated investment	€200m

This programme intends to finance climate change related sub-loans that will support the transition of economies in the Western Balkans - characterised by elevated levels of energy intensity, high pollution levels and an energy mix dominated by fossil fuels - from high carbon to low-carbon economies. Through this programme IFC will promote green financing to MSMEs and support the development of capital markets with green bond issuances. The programme will increase access to climate finance, including energy efficiency and clean energy production for sub-borrowers in the Western Balkans region. This will enable businesses to improve their environmental impact by implementing climate-smart investments.



Flagship 9 · Competitiveness of the private sector

Green Finance for Inclusion

WBIF EU grant	€10m
CDP loan	€100m
Estimated investment	€50m

The programme aims to encourage and support underserved MSMEs in promoting innovative energy efficiency and climate resilient investments, such as measures to reduce consumption, promotion of renewable energy projects, energy efficiency of buildings, climate adaptation initiatives, by promoting access through local financial institutions. The investments will target the specific needs of the beneficiary economies to bridge the gap towards a sustainable and low carbon production system, respecting social, fiscal, ethical and environmental internationally recognised principles and standards, ensuring sustainability, resilience against natural hazards and climate change and efficient maintenance of investments.



Regional Energy Efficiency Programme (REEP)

The building sector accounts for over 40% of total energy consumption in the Western Balkans. Renovating public and private buildings to meet energy performance standards can make a significant contribution to energy savings, displace greenhouse gas emissions and improve living standards.

In 2013, jointly with the European Commission, the Energy Community Secretariat, WBIF and bilateral donors, the EBRD established the **Regional Energy Efficiency Programme (REEP)**. The programme blends policy support with loans, technical assistance and incentives to support **energy efficiency and renewable energy investments** in the public and private sectors in the Western Balkans.

The EBRD and the KfW implement the programme, which operates both directly and through intermediaries and is a key instrument for the implementation of the Economic and Investment Plan.

Since its inception, the integrated package offered through REEP has reached 1,000 SMEs, over 12,700 households and 290 public buildings across 700 cities and towns. Related investments translate into 842,000 MWh/year energy saved, 540,000 tCO₂/year emissions avoided and 120 MW renewable energy capacity installed.

Regional Energy Efficiency Programme (REEP)

2022 replenishment:

€100m¹
additional EU grant funding

€541 m
expected investment

Up to end 2021:
€78.8m
EU grant contribution

€630m
total investment generated

¹ This is a round up figure.



Western Balkans Guarantee Facility



The Western Balkans Guarantee Facility is the name provided to the European Fund for Sustainable Development Plus (EFSD+) in the Western Balkans. The **EFSD+ Open Access Guarantee** aims at mitigating the risks perceived by the private sector to crowd-in private investments in order to increase the investment capacity of the region across **six thematic areas for investments**. These thematic areas are: (1) Micro, Small and Medium Enterprises (MSMEs), (2) Connectivity: Energy, Transport and Digital, (3) Sustainable Agriculture, Biodiversity, Forests and Water, (4) Sustainable Cities, (5) Sustainable Finance and Impact Investing (6) Human Development. Six guarantees contribute to the clean energy investment priorities.



6 guarantees

Up to **€22.2m** EU technical assistance grant

Up to **€419^{m1}** guarantee coverage

¹ The provisioning rate of EFSD+ guarantees is 50%, allowing for less IPA grants to be set aside.



GUARANTEE ENERGYTRANSITION



Investment Priority · Clean Energy

HI-BAR EFSD+ Guarantee for Energy Transition

Guarantee coverage (up to)	€50m
TA EU grant (up to)	€2.5m
Expected funding made available	tbc*
Lead IFI	EBRD

The HI-BAR EFSD+ Guarantee aims at supporting the acceleration of investments in the next generation of required climate mitigation measures and business models in the energy and energy-intensive industrial sectors to support REPowerEU efforts of faster green energy transition and enhanced energy security. This includes investments into large (utility-scale and corporate) renewable energy and energy storage infrastructure, grid and network investments, zero/low-carbon fuels (including green hydrogen), low carbon materials, development of critical raw materials value chains, e-mobility technology and carbon capture, utilisation or storage.

GUARANTEE INFRASTRUCTURE RESILIENCE



Investment Priority · Clean Energy

Municipal, Infrastructure and Industrial Resilience Programme

Guarantee coverage (up to)	€50m
TA EU grant (up to)	€2.5m
Expected funding made available	tbc*
Lead IFI	EBRD

The Resilience EFSD+ Guarantee responds to a context where financing flows for an ambitious green transition remain limited, at levels much below what is required to shift corporate and infrastructure development pathways in line with the Paris Agreement objectives. The guarantee shall support utilities and other municipal actors by financing investments linked to the green transition (energy, energy efficiency, sustainable urban transport and sustainable food production) in the areas of municipal infrastructure, urban transport and logistics, industries and commercial activities, construction and tourism, and agribusiness and food-value chain.

GUARANTEE CONNECTIVITYII



Investment Priority · Clean Energy

Connectivity

Guarantee coverage (up to)	€34m
TA EU grant (up to)	€1.7m
Expected funding made available	tbc*
Lead IFI	EIB

The Connectivity EFSD+ Guarantee aims at supporting municipalities, including utilities, independent power producers, local and international corporates, SMEs and commercial banks with investments in the renewable energy, energy efficiency, transport and digital sectors. The Guarantee will also support the creation of the Global Gateway Fund, a Fund-of-Funds to support high impact-oriented investments aligned with the Global Gateway strategy. The Guarantee will support the different market needs providing to its beneficiaries a broad range of financial instruments including loans, equity and guarantees.



GUARANTEE 4 BETTER FUTURE



Investment Priority · Clean Energy

Better Futures Programme (BFP)

Guarantee coverage (up to)	€40m
TA EU grant (up to)	€2m
Expected funding made available	tbc*
Lead IFI	IFC

The Better Futures Programme EFSD+ Guarantee aims to crowd-in private capital in various forms of equity, quasi-equity, debt instruments (loans and bonds) and guarantees, to promote innovation and scale up sustainable investments driving Paris Agreement alignment. Investments made available by the Guarantee shall support scaling new technology (including battery storage, green hydrogen and solar) for a clear and equitable energy transition and support sustainable energy security. The guarantee will also support innovating private sector solutions to industrial and agricultural decarbonisation, circular economy, and green hydrogen and low-carbon transportation.

GUARANTEE 4 GREEN TRANSFORMATION



Investment Priority · Clean Energy

Supporting a Market-Oriented Green Transformation in the Eastern Neighbourhood and Western Balkans

Guarantee coverage (up to)	€200m
TA EU grant (up to)	€10m
Expected funding made available	tbc*
Lead IFI	KfW

The EFSD+ Guarantee aims at supporting utilities in the energy sector that commit to the decarbonisation path and set a clear investment strategy in order to enable the green transformation in alignment with the Green Agenda for the Western Balkans. Concretely, the Guarantee shall support investments in renewable energy capacities for solar and wind power, the rehabilitation of hydropower plants, smart grids and storage, energy efficiency measures and other investments needed to strengthen a comprehensive green transformation. The guarantee shall also support building utilities management capacities and access capital markets with a clear long-term sustainability approach.

GUARANTEE 4 CONNECTIVITY

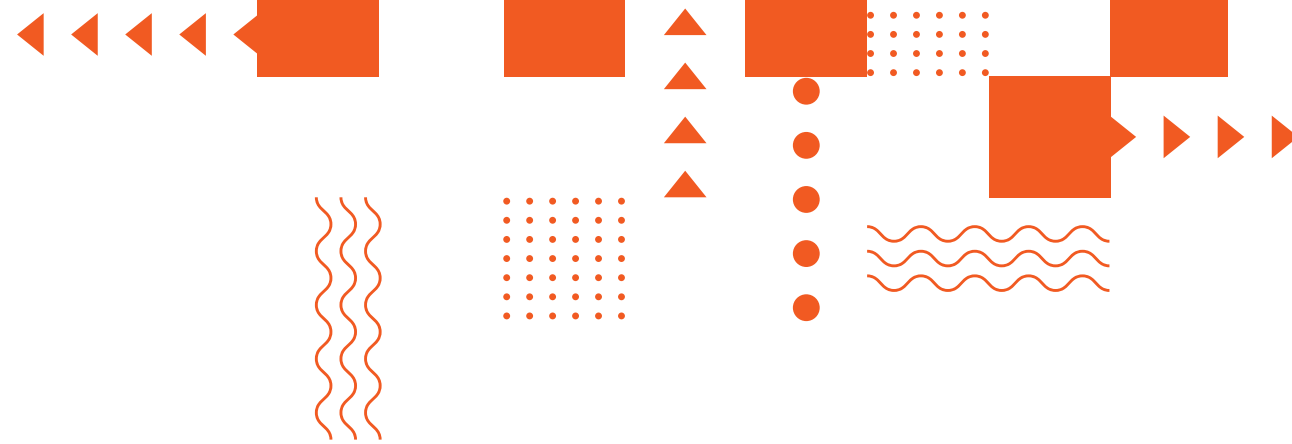


Investment Priority · Clean Energy

Risk Sharing Instrument for Energy Efficiency, Renewable Energy and Digital Project

Guarantee coverage (up to)	€45m
TA EU grant (up to)	€3.5m
Expected funding made available	tbc*
Lead IFI	EIB

The EFSD+ carry-forward Guarantee aims at boosting investments in energy efficiency, renewable energy and digital sectors promoted by Special Purpose Vehicles (SPVs), corporates and sub-sovereign entities (e.g. municipalities) in the six Western Balkans economies through a risk-sharing scheme to increase the financing provided by partner financial intermediaries (e.g. commercial banks) to project promoters. The guarantee shall support the materialisation of medium-sized projects costing circa €15-20 million, addressing a market gap - smaller projects are financed by commercial banks and very large projects are financed directly by International Financial Institutions (IFIs).



Abbreviations

BFP	Better Futures Programme
CDP	Cassa Depositi e Prestiti
EBRD	European Bank for Reconstruction and Development
EFSD+	European Fund for Sustainable Development Plus
EIB	European Investment Bank
EU	European Union
IFC	International Finance Corporation
KfW	KfW Development Bank
MSMEs	Micro, Small and Medium-Sized Enterprises
REEP	Regional Energy Efficiency Programme for the Western Balkans
SME	Small and Medium-Sized Enterprise
WBIF	Western Balkans Investment Framework



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