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Green Power Politics: EXTERNAL ACTORS AND ENERGY TRANSITION IN THE WESTERN BALKANS

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** About the research project*

The Balkans in Europe Policy Advisory Group conducted a comprehensive study on the geopolitics of the green energy transition in the Western Balkans. This policy paper builds upon the findings of the background paper 'Energy in the Western Balkans' (May 2023), on a regional survey whose fieldwork was carried out by Kantar in spring 2023 in the six countries of the Western Balkans, and on the analysis of three specific case studies from Serbia, Bosnia and Herzegovina, and Kosovo. With contributions from Marika Djolai, Donika Emini, Vujo Ilić, Zoran Nechev and Corina Stratulat. About the authors: Tena Prelec is an Assistant Professor at the Centre for Advanced Studies Southeast Europe (CAS SEE), University of Rijeka; Nikolaos Tzifakis is a Professor at the Department of Political Science and International Relations (PSIR) at the University of the Peloponnese; and Dimitar Bechev is a Lecturer at the Oxford School of Global, Senior Fellow, Carnegie Europe and Area Studies (OSGA), University of Oxford.

Abstract

The final brief of BiEPAG's Geopolitics of the Green Energy Transition¹ project explores the EU's role in promoting the energy transition in the Western Balkans. Despite the EU's commitment to climate action and extensive financial assistance, the region's progress in adopting renewable energy sources remains slow. The study, based on a comprehensive survey and three in-depth case studies of external influence in the energy sector, reveals a public desire for green transition but a lack of awareness regarding the negative impact of external actors like Russia, China, and Turkey. The analysis underscores the crucial role of local elites in mediating foreign influence and highlights disparities in public perceptions. Recommendations include a targeted public diplomacy campaign, support for civil society actors advocating green energy, diversification of energy sources, financial incentives for market liberalisation, increased transparency in foreign investments, and regional cooperation for grid interconnection and renewable investments. The findings emphasise the need for nuanced policy measures to ensure a sustainable and equitable green energy transition in the Western Balkans.

¹ "Geopolitics of the Green Energy Transition in the Western Balkans", Balkans in Europe Policy Advisory Group (BiEPAG), 2023. <https://biepag.eu/geopolitics-and-energy-transition/>

I. Can the EU be a 'green leader' in the Balkans?

The EU sees itself as a global leader on fighting climate change and promoting environmental sustainability. These objectives are not only pursued internally but also profoundly shape the Union's relations with the outside world. While there may be many areas where EU member states disagree, they are united in pushing for a global curb on greenhouse gas emissions. Nowhere is this ambition more visible than in the EU's immediate neighbourhood. For well over a decade, Brussels has advanced energy market reforms geared toward increasing efficiency, lowering prices for consumers, and ensuring reliability of supply. The Western Balkans, alongside candidate countries in Eastern Europe such as Moldova and Ukraine, have been the prime target of this policy.

In recent years, the focus has shifted from energy security to climate policy. The leaders of the six Western Balkan countries – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia – pledged at a November 2020 gathering under the auspices of the EU-backed Berlin process to “commit to work towards the 2050 target of a carbon-neutral continent together with the EU through mainstreaming a strict climate policy and reforming [the] energy and transport sectors”.¹ The Energy Community, a regional cooperation platform supported by the EU, has set targets that, by 2030, 31% of gross final energy consumption should come from renewable sources, energy intake should be capped, and greenhouse gas emissions should be cut by over 60% compared to 1990s levels.² External funding through the EU's Instrument for Pre-accession Assistance and the Western Balkans Investment Framework, a partnership between the EU and international financial institutions, also prioritises green objectives.

Unfortunately, the Western Balkans' record on the green transition is mixed. Little success has been achieved on either modernising the region's energy sector or cutting emissions. By and large, Western Balkan countries remain dependent on coal. At present, lignite accounts for about 70% of the electricity produced in the region. In Kosovo, Serbia and Bosnia and Herzegovina the

1 “Sofia Declaration on the Green Agenda for the Western Balkans”, Sofia, 10 November 2020, <https://www.rcc.int/download/docs/Leaders%20Declaration%20on%20the%20Green%20Agenda%20for%20the%20WB.pdf/196c92cf0534f629d43c460079809b20.pdf>.

2 “Decision of the Ministerial Council of the Energy Community”, Energy Community, No 2022/02/MC-EnC, Vienna, 12 December 2022, https://www.energy-community.org/dam/jcr:421f0dca-1b16-4bb5-af86-067bc35fe073/Decision_02-2022-MC_CEP_2030targets_15122022.pdf.

share stands at 95%, 67% and 65% respectively.³ In addition, there is little new investment in the sector. The average age of the lignite fleet, which makes up around half of generation capacity and more in production, is over 40 years,⁴ and the electricity systems of several countries have come close to collapse over the past few winters. Coal power plants drive up greenhouse gas emissions but are also one of the causes of poor air quality and have severe health impacts.⁵

The deadlock on the ground is being exploited by external geopolitical actors, including Russia, China, and Turkey, which have all carved out niches in the political, economic, and energy sectors of the region. Western Balkan governments have accepted this in the hope of generating employment, collecting and redistributing rents for their political clienteles, and keeping energy prices low for the population at large. Meanwhile, the EU is playing catch up, trying to induce compliance in countries where either the political will or state capacity to implement ambitious public policies is lacking.

Building on a survey of popular perceptions, the present study finds that Western Balkan publics support the green transition but do not fully appreciate the EU's contribution to the attainment of that goal. In addition, they fail to notice the negative influence of certain foreign investments in the region's energy sector. This said, we should avoid the fallacy of assigning most of the blame for the slow pace of the energy transition to foreign investors. Drawing on fieldwork and a series of interviews by BiEPAG members with stakeholders in the energy sectors of Serbia, Bosnia and Herzegovina, and Kosovo, we argue that the main responsibility for the lack of progress rests with national governments. The study concludes with a set of policy recommendations to help the EU contribute to a more effective and just energy transition in the region.

³ Ruiz, P., Medarac, H., Somers, J. and Mandras, G., "Recent Trends in Coal and Peat Regions in the Western Balkans and Ukraine", EUR 30837 EN, Publications Office of the European Union, Luxembourg, 2021, p. 4.

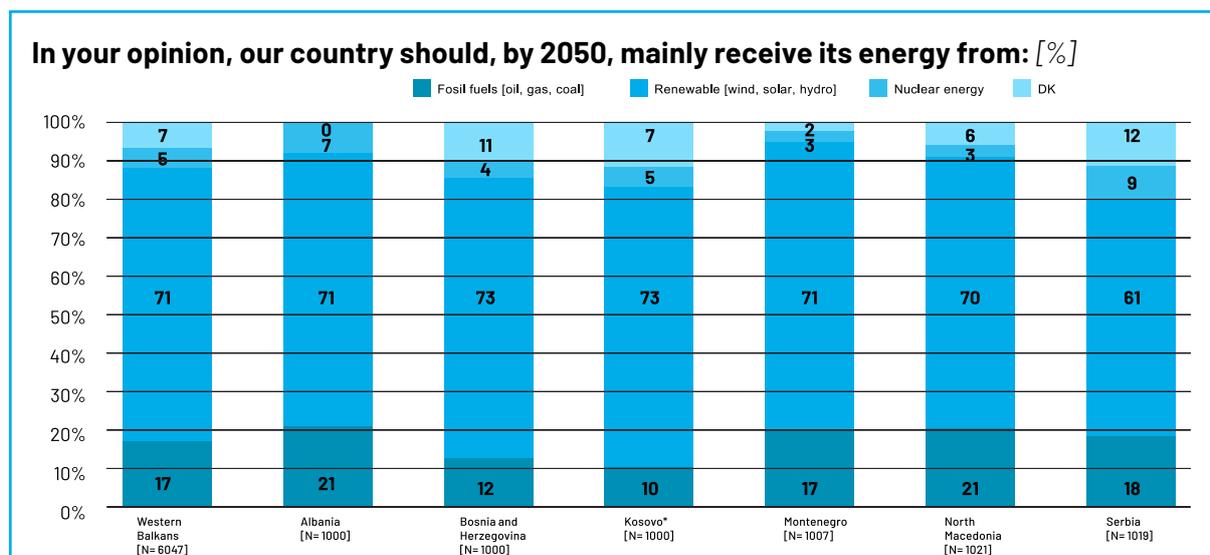
⁴ *Ibid.*, p. 5.

⁵ For a comprehensive report about the hazardous emissions of coal power plants in the Western Balkans, see: "Comply or Close: Five years of deadly legal breaches by Western Balkan coal plants", CEE Bankwatch Network, June 2023, https://www.complyorclose.org/wp-content/uploads/2023/06/2023_06_28_Comply-or-close.pdf.

II. Public perceptions of the green transition

BiEPAG conducted a regional public opinion survey in March–April 2023.⁶ The survey showed there is widespread support for the green transition. An overwhelming 71% of respondents across the Western Balkans believe their countries should primarily derive energy from renewable sources by 2050 (see Chart 1). Equally encouraging, a similar proportion of participants (67%) support increased investment in renewables domestically as a response to the energy crisis – indicating that citizens might be prepared to support a greater allocation of public funds to increasing production capabilities for green energy.

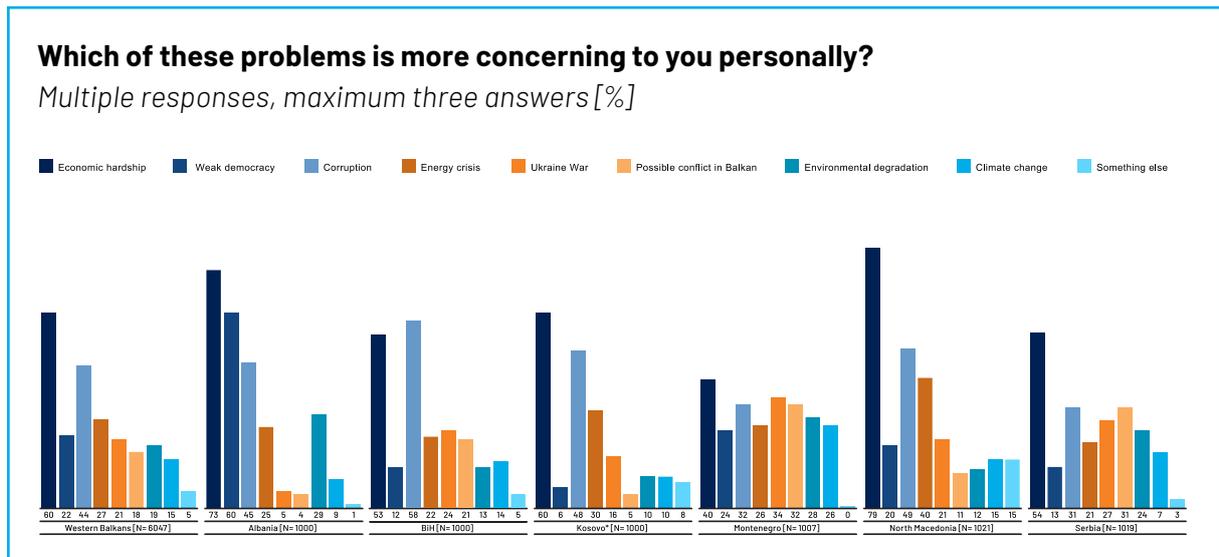
Chart 1: Sources from which Western Balkan countries should receive energy by 2050.



There is a caveat. When respondents were asked what preoccupied them most, a majority mentioned economic hardship (60%). Environmental degradation and climate change did not feature high on this list: these issues were only cited by 19% and 15% of respondents respectively (see Chart 2). It follows that if stakeholders with vested interests in the preservation of the status quo successfully framed the energy transition as an expensive policy that could impact the wider population, public support for renewables might be seriously challenged.

⁶ The poll was carried out by Kantar, using the CATI data collection method, and relied on a representative sample of >1,000 respondents per Western Balkan country (total sample N=6,047 people).

Chart 2: Most Concerning Problems



Respondents assigned primary responsibility for environmental problems to energy practices at the level of society (71%) and to states’ policies (58%). However, they gave different responses to the question of whether any external actor exercised negative influence on their country’s energy choices (see Chart 3). For example, in Bosnia and Herzegovina, only 8% of respondents cited China as a negative influence, despite Beijing’s involvement with the country’s coal industry. In Serbia, a staggering 56% advocated for increased reliance on Russia for energy, even though Gazprom’s monopoly on the gas market has hindered the diversification of supply (see Chart 4). And in Kosovo, where an investment by a Turkish consortium in the electricity system raised controversy, only 3% of respondents identified Turkey as a negative influence. These findings reveal a significant disconnect between the public’s overwhelming support for renewable energy and its failure to recognise the harmful influence of external actors invested in maintaining the status quo.

Chart 3: Negative influence over a country’s energy choices

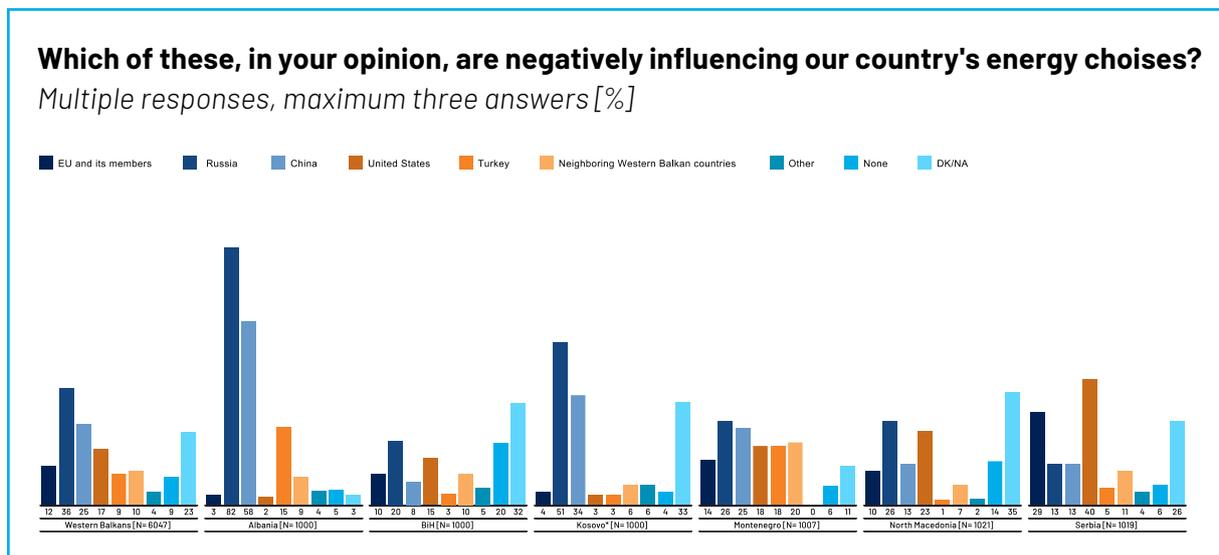
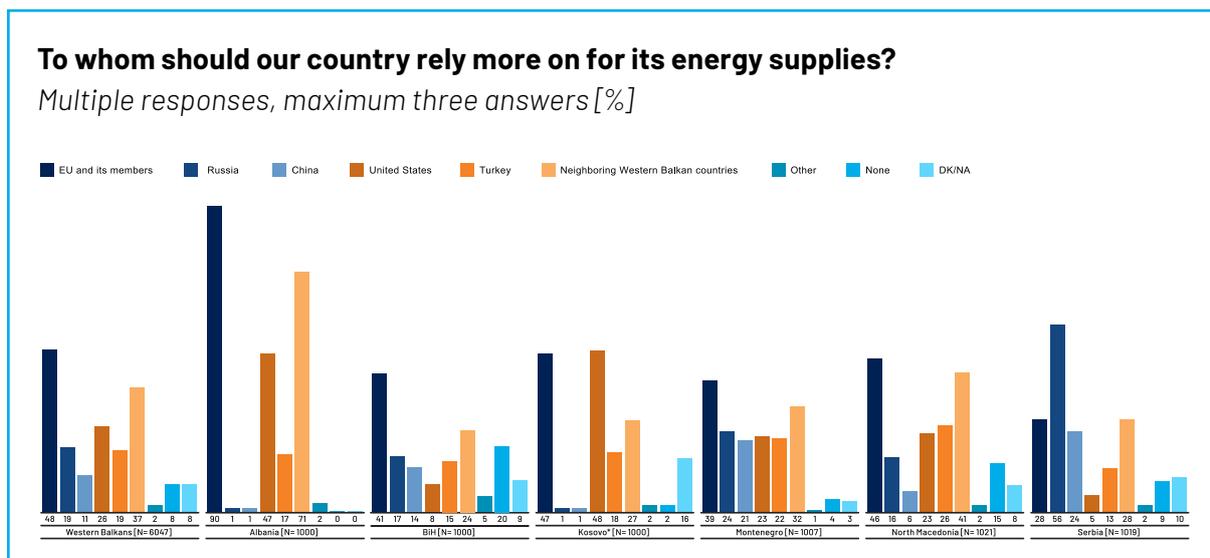
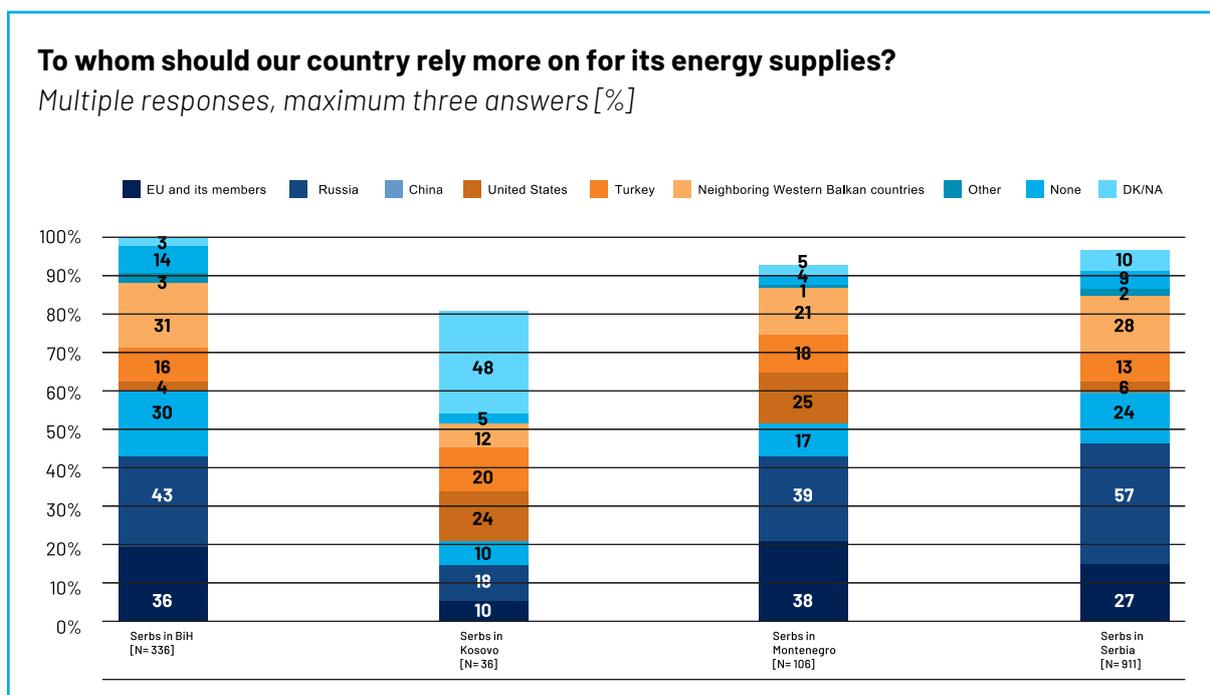


Chart 4: Reliance on energy supplies [Western Balkan countries]



At the same time, the EU’s claim that it plays a positive role in the energy sector is not necessarily accepted. A case in point is Serbia. Although the EU is the greatest donor of financial assistance linked to the energy sector (€165mn as immediate support assistance in 2023 in addition to more than €1bn to the sector since 2000),⁷ only 28% of Serbian respondents argued that their country should rely more on the Union for security of supply. In addition, 29% believed that the EU exerts negative influence over Serbia’s energy choices, compared to only 13% holding negative views of Russia. Pro-Russian views are furthermore shared by Serbs across the region (see Chart 5).

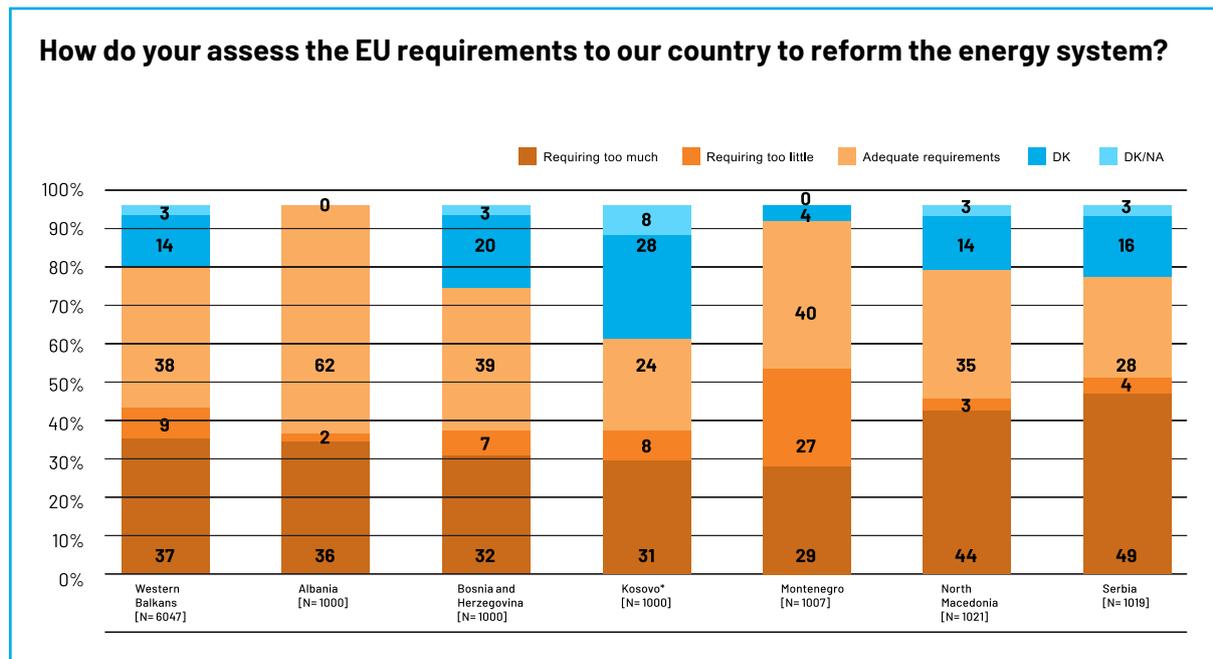
Chart 5: Reliance on energy supplies [Serbs in the Western Balkans]



7 “EU Projects in Serbia: Energy”, <https://www.euzatebe.rs/en/sectors/energy/about>.

More broadly, the survey revealed that 49% and 44% of respondents from Serbia and North Macedonia respectively believed the EU was demanding too much from their countries in terms of energy reforms (compared to 32% and 38% who thought it had adequate requirements or was asking for too little). In Kosovo, the public's views on this were almost equally divided (see Chart 6).

Chart 6: Assessment of the EU requirements to reform the energy system of Western Balkan countries



Arguably, the survey findings demonstrate that EU policies are not fully understood or supported throughout the region. Put differently, the EU has not managed to make policy in the region in such a way that its prescriptions are widely endorsed. The EU practice of simply transposing its own energy policy priorities onto the Western Balkans does not appear to address the main political concerns in the region, which relate to affordability of energy and air pollution. Taking into consideration the high level of economic insecurity and energy poverty in the region, the EU is perceived by many respondents as demanding too much while offering insufficient assistance.

An interesting question worth further investigation is whether many responses to the survey may have reflected people's frustration with EU accession requirements. If this is the case, public support for EU-prescribed energy-related reforms may be negatively affected by the stalled EU enlargement process for the Western Balkans.

To sum up, while Western Balkan publics support the green transition, they have a rather distorted view of the nature of external actors' influence on their countries' energy reforms.

III. Case studies

The distorted public perceptions about external influence on the energy sector detailed above underscore a critical paradox: a strong public push for renewable energy coexists with limited recognition of the fact that external actors impede the shift. This contradiction provides the backdrop for three case studies we draw on: Russian influence in Serbia, Chinese influence in Bosnia and Herzegovina, and Turkish influence in Kosovo.

In each case, BiEPAG researchers conducted comprehensive fieldwork, engaging with a wide array of relevant stakeholders, including representatives from industry, civil society, government, and international organisations, along with members of communities directly affected by foreign energy investments. The methodology varied by location: in Bosnia and Herzegovina, researchers facilitated a roundtable in Tuzla and conducted one-on-one interviews. In Serbia and Kosovo, semi-structured interviews were chosen to ensure the acquisition of unfiltered information and reach as many interlocutors as possible. These primary research efforts were complemented by extensive desk-based research. The results of each individual case study were recently released in three BiEPAG policy briefs.⁸ This section focuses on the bigger picture and presents some comparative findings from the case studies, which may be summed up in three core arguments.

3.1 Local elites act as gatekeepers

Across all three case studies, the role of local political and business elites emerges as critical in mediating foreign influence. These elites may benefit from opaque business dealings and prioritise economic gains over long-term sustainability. Cooperation between foreign investors and local elites allows foreign influence to persist in the energy sectors of Western Balkan countries, shaping the geopolitical dynamics of the green energy transition.

This is perhaps at its clearest in Bosnia and Herzegovina, where Chinese investment found a foothold thanks to local leaders who prioritised short-term economic gains over environmental and social well-being. Chinese state-owned enterprises often engage in coal-fired projects alongside local companies, circumventing screening and approval processes. Expert interviewees asserted that these contracts are integrated into clientelistic networks and orchestrated

⁸ Ilić, Vujo, "Serbia's energy dilemma: Navigating geopolitical tensions, Russian ownership, and the path to renewable transition", *Balkans in Europe Policy Advisory Group*, October 2023. <https://biepag.eu/publication/serbias-energy-dilemma-navigating-geopolitical-tensions-russian-ownership-and-the-path-to-renewable-transition/>; Djolai, Marika and Stratulat, Corina, "Geopolitics begins at home: Foreign Actors' Role in Bosnia and Herzegovina's Energy Sector", *Balkans in Europe Policy Advisory Group*, October 2023. <https://biepag.eu/publication/geopolitics-begins-at-home-foreigns-actors-role-in-bosnia-and-herzegovinas-energy-sector/>; Emini, Donika, "Kosovo's energy transition: Between privatisation and market liberalisation", *Balkans in Europe Policy Advisory Group*, November 2023 (forthcoming).

by political parties to finance their personal interests. These local actors have enabled the creation of a permissive environment for foreign actors to exploit the country's abundant natural resources.⁹

Similarly, in Serbia, Russian dominance has been facilitated through local elites involved in rent-seeking practices within the energy sector.¹⁰ While the situation in the oil sector is not as dire as in the gas sector – though both are wholly controlled by Russian owners – the overall picture is characterised by a lack of regulatory scrutiny and the primacy of political considerations.¹¹ Kosovo, too, sees Turkish investments mediated through local political and business elites. The concentration of ownership within a Turkish consortium creates concerns about conflicts of interest and hinders the establishment of a competitive energy market.¹²

The gatekeeping role of local leadership impacts on and is manifested through public perceptions concerning external actors. Through the media, local power holders have constructed a positive image of certain third powers that is instrumental in obscuring the main interests of both local and foreign elites and, by extension, in shielding environmentally damaging deals from public scrutiny. In the Western Balkans, people predominantly draw information from local media, with 71% of respondents to our survey citing TV as their source of information. As a result, our findings indicate that local elites and their regime-friendly media outlets have played a pivotal role in shaping public perceptions of third powers. They heavily influence the narrative and limit access to information that could challenge the existing status quo.

3.2 The influence of external actors in the energy sector is not uniform

External geopolitical players exert different types of influence. Their role is not homogenous. Some foreign actors indeed play a predominantly negative role, as exemplified by the Bosnia and Herzegovina case, where Chinese projects raise questions regarding governance-related issues and the impact on the environment. Even in that case, however, the research finds that local actors are crucial. Without them, foreign influence would be much less malign.

It is furthermore important to recognise that some actors behave differently across different sectors. The Serbia case demonstrates that Russian ownership exhibits a distinct pattern of behaviour in the oil and gas sectors. In the former, the focus is primarily on profit and modernisation with limited interference in competition. In contrast, in the gas sector, Russia maintains a stranglehold over gas supply, reserves, and pipelines, thus hindering reform and alignment with EU standards.

9 Djolai, Marika and Stratulat, Corina, "Geopolitics begins at home", 2023.

10 Prelec, Tena. "The vicious circle of corrosive capital, authoritarian tendencies and state capture in the Western Balkans." *Journal of Regional Security* 15, no. 2 (2020): 167-98

11 Ilić, Vujo, "Serbia's energy dilemma", 2023.

12 Emini, Donika, "Kosovo's energy transition", 2023.

Finally, the Kosovo case study indicates that the involvement of external actors can sometimes lead to improvements, but that proper oversight is crucial. The privatisation of the energy distribution network by the Limak-Calik consortium has enhanced electricity distribution, reducing power outages and enhancing energy security, while still raising questions about procurement practices, the transparency of procedures, and the impact on the public purse.

3.3. Transition blockages and corruption work together – but dirty money can be ‘green’, too

The case studies have shown that obstacles to the energy transition and the impact of corruption sometimes work in unison. However, it is a misconception to assume that non-Western external actors focus solely on high-emission fossil fuels. These actors are increasingly investing in renewables – see, for instance, the efforts by Gazpromneft to present itself as a ‘greener’ company, or China’s push for rare earth metals across the globe.

Similarly, the shadowy practices often associated with energy investments in the region are not limited to polluting endeavours: corruption can also manifest itself in ‘green’ forms. As the gains to be made in green projects grow in significance, we will see more politically connected actors trying to extract profits out of them. This has already happened in the past – with dubious effects on the environment (e.g. through the feed-in tariffs, mechanisms designed to accelerate renewable investments, for mini hydro power plants in Serbia¹³). It is therefore essential that projects are not ‘greenwashed’ to escape scrutiny.

In sum, a nuanced understanding of external geopolitical actors’ roles in the energy sector in the Western Balkans is essential to comprehend the multifaceted geopolitics of the green energy transition – and to start formulating appropriate policy measures for a sustainable green energy transition for the region.

13 Đorđević, D., “Most money for EPS and companies connected to Nikola Petrović again”, Center for Investigative Journalism of Serbia, 19 April 2019, <https://www.cins.rs/en/most-money-for-eps-and-companies-connected-to-nikola-petrovic-again/>.

Recommendations

As this discussion on the landscape of external influences on the Western Balkans' energy transition has made apparent, addressing these multifaceted challenges demands a comprehensive strategy. While opening a series of areas worthy of further analysis, our findings point to the pivotal role of local elites, the varying nature of external interventions, and the interplay between transition impediments and corruption. With these insights in mind, we present the following set of recommendations for the EU to proactively contribute to a sustainable and equitable green energy transition in the region.

The EU should:

- > Launch a public diplomacy campaign to explain the merits of greening the energy system. This should target key audiences such as opinion-makers and people in urban centres who are likely to be concerned about poor air quality. It should also rely on online platforms rather than legacy media, which are likely to be captured by anti-reform elites.
 - > Empower local organised civil society actors that advocate for the region's green energy transition through greater financial support and more systematic consultations.
 - > More decisively encourage the diversification of energy sources to reduce coal dependence, particularly by promoting renewables, and avoid delaying the phase in of the Emissions Trading Scheme, as coal has to be priced out of the market.
 - > Provide financial incentives to support market liberalisation alongside the transition to renewables, fostering competition and reducing monopolies. Funds should be allocated to compensate vulnerable groups that could be affected negatively by marketisation.
 - > Demand greater transparency and regulation of foreign investments, particularly in the roll-out of renewables. A key priority should be to fight corrupt practices related to green investments, such as privileging friends when permits, licences, grid connections, and other perks are allocated by the government or regulators.
 - > Promote regional cooperation (on a larger scale, i.e., between Western Balkan countries and their EU neighbours) in grid interconnection and cross-border investment into renewables. The problem of intermittent supply could be resolved on a wider regional scale rather than on a country-by-country basis.
 - > Provide more targeted support for investments in renewable energy sources in the region.
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About us

The Balkans in Europe Policy Advisory Group (BiEPAG) is a joint initiative of the European Fund for the Balkans (EFB) and Centre for the Southeast European Studies of the University of Graz (CSEES) promoting the European integration of the Western Balkans and the consolidation of democratic, open countries in the region. BiEPAG is grounded in the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. It adheres to values that are common to a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail. It is composed of prominent policy researchers from the region and wider Europe with demonstrable comprehension of the Western Balkans and the processes shaping the region. Members are Florian Bieber (Coordinator), Bojan Baća, Matteo Bonomi, Dimitar Bechev, Srđan Cvijić, Marika Djolai, Milica Delević, Nikola Dimitrov, Vedran Džihić, Richard Grieveson, Donika Emini, Dejan Jović, Marko Kmezić (Assistant Coordinator), Srđan Majstorović, Jovana Marović, Zoran Nechev, Damir Kapidžić, Tena Prelec, Corina Stratulat, Nikolaos Tzifakis, Alida Vračić, Gjergji Vurmo, Natasha Wunsch.

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The European Fund for the Balkans is a joint initiative of the Erste Foundation, Robert Bosch Foundation and King Baudouin Foundation that envisions and facilitates initiatives strengthening democracy, fostering European integration and affirming the role of the Western Balkans in addressing Europe's challenges. Its strategy is focused on three overarching areas – fostering democratisation, enhancing regional cooperation and boosting EU Integration. The EFB supports the process of affirming the efficacy of EU enlargement policy across the Western Balkans, improving regional cooperation amongst civil society organisations based on solidarity and demand-driven dialogue. It provides means and platforms for informed and empowered citizens to take action demanding accountable institutions and democracy. The focus is on continuous reforms of the policies and practices of the Western Balkans countries on their way to EU accession.

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The Centre for Southeast European Studies was set up in November 2008 following the establishment of Southeast Europe as a strategic priority at the University of Graz in 2000. The Centre is an interdisciplinary and cross-faculty institution for research and education, with the goal to provide space for the rich teaching and research activities at the university on and with Southeast Europe and to promote interdisciplinary collaboration. The Centre also aims to provide information and documentation and to be a point of contact for media and public interested in Southeast Europe, in terms of political, legal, economic and cultural developments. An interdisciplinary team of lawyers, historians, and political scientists has contributed to research on Southeast Europe, through articles, monographs and other publications. The centre regularly organizes international conferences and workshops to promote cutting edge research on Southeast Europe.

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