Europe renewable energy north macedonia

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Established in 2006, the Energy Community Treaty is an international agreement between the EU and 9 neighbouring countries, or contracting parties, Albania, Bosnia and Herzegovina, Kosovo*, North Macedonia, Georgia, Moldova, Montenegro, Serbia and Ukraine. The Treaty aims to promote closer integration, cooperation and alignment with ambitious energy, environmental and climate policies. The Treaty also extends parts of the European Union"s internal energy and climate policies to the countries, supporting their efforts on the path to accession.

At COP29 in Baku, signatories of the Treaty held a ministerial roundtable to discuss how they can converge further on climate and energy measures, advance decarbonisation efforts and take coordinated action to reach our global climate goals.

The event was organised by the European Commission, represented by Commissioner for Energy Kadri Simson and Deputy Director-General Jan Dus?k of the European Commission"s DG Climate Action. They opened the meeting by underlining the EU"s firm commitment to reaching climate neutrality by 2050 and shared an update on Commission"s proposal for a net -90% emissions reduction target by 2040. Jan Dus?k stressed the importance of carbon pricing as an effective instrument for emissions reduction, noting that the EU"s carbon pricing policies serve as both a regulatory and financial pathway toward decarbonisation.

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

The analysis, conducted using the World Bank’s MINDSET macroeconomic model, assessed two scenarios: the phase-out of free emissions allowances within the EU and the introduction of the CBAM. While the overall economic impact on North Macedonia may seem modest, with GDP projected to decline by 0.3%, the industry-specific consequences are significant. Key sectors, including aluminum and steel, are particularly at risk due to their high emissions intensity relative to EU standards. Projected losses in output for these industries could approach 2%, driven by the additional costs associated with CBAM fees levied on exports exceeding EU emissions benchmarks.

These effects extend beyond individual industries to disrupt value chains. North Macedonia’s reliance on exports to EU markets means supply chain repercussions for industries such as transportation and services, which depend on these heavy manufacturing sectors. Without adjustments to align with EU carbon pricing, the nation risks losing competitiveness in these crucial industries.

The CBAM’s impact will also be felt across North Macedonia’s labor market, with an estimated 1,500 job losses anticipated, primarily in male-dominated industries like mining, aluminum, and

steel production. These losses stem from declining exports and production in sectors heavily dependent on EU trade. The reduction in wages and employment could further ripple through the economy, leading to decreased household incomes and constrained consumer spending, which in turn affects service and retail industries.

The gender disparity in these impacts is noteworthy. Male-dominated sectors, such as mining, are expected to bear the brunt of job losses, further exacerbating income inequalities in affected communities. With men holding most jobs in these industries, the broader socioeconomic effects are likely to ripple through families and regions reliant on these workers.

To counter these challenges, the report outlines a series of proactive policy recommendations. Introducing carbon pricing in sectors covered by the CBAM is a critical step to reduce fees paid directly to the EU and instead generate revenue for domestic decarbonization efforts. Investments in renewable energy and energy efficiency measures are equally important to lower emissions, enhance industrial competitiveness, and create new economic opportunities.

Another key recommendation involves aligning North Macedonia’s electricity market with the EU’s single electricity market. Such integration could help reduce emissions from energy generation, a significant contributor to CBAM costs for exported goods. Additionally, implementing a Just Transition Action Plan would ensure support for workers and communities most affected by the CBAM, offering retraining opportunities and other socioeconomic protections.

While the CBAM poses significant risks, it also highlights opportunities for North Macedonia to align with global climate goals and modernize its economy. By reducing its carbon intensity and investing in green technologies, the nation can improve its standing in EU markets and attract investments in sustainable industries. For instance, decarbonization efforts in sectors like cement and aluminum could position North Macedonia as a regional leader in low-carbon production, creating competitive advantages in the long run.

The CBAM also underscores the interconnectedness of trade, energy, and labor policies in a carbon-conscious global economy. By adopting a comprehensive approach to emissions reduction, North Macedonia can navigate the short-term challenges while building resilience against future policy changes in international markets.

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Web: https://kary.com.pl/contact-us/
Email: energystorage2000@gmail.com
WhatsApp: 8613816583346