

POSITION PAPER - POLICY RECOMMENDATIONS

Town of Poreč-Parenzo, Croatia

Activity III.2

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Prepared by: Town of Poreč-Parenzo, Croatia

Author: Gordana Lalić, Parentium L.t.d., Municipal company for development of the city, energy efficiency and environmental protection

Reviewed by: Ian Turner, Energy Cities

PROJECT INFORMATION

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Address: 2 Chemin de Palente, 25000 Besançon, France

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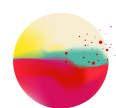
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INTRODUCTION

Climate change is the biggest challenge of our times and an opportunity to completely transform our economy and our societies.

The role of cities in climate change is huge. Cities are home to about 54% of the global population, they consume about 70% of energy and produce about 75% of GHG (greenhouse gas) emissions. By 2050, up to 68% of the global population will live in urban areas, which means that resource consumption in these areas will also increase.

Yet, in addition to cities representing a huge consumption of resources, they are also a very sustainable invention. People live and work nearby which allows sustainable mobility, shorter travel from home to work, smaller homes with lower electricity consumption. Therefore, urban environments, if their population density is properly distributed, are more sustainable than suburban settlements.

Therefore, Cities and Municipalities represent the perfect stage for the energy transition. They possess the incredible potential to empower the daily lives of citizens through the energy transition. And, it's a two-way street, Cities and Municipalities are often committed to higher targets than their national governments in terms of renewable energy, and climate change mitigation.

The European Climate Law writes into law the goal set out in the European Green Deal for Europe's economy and society to become climate-neutral by 2050. It sets the intermediate target of reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels and a legally binding target of **net zero greenhouse gas emissions by 2050**. The EU Institutions and the Member States are bound to take the necessary measures at EU and national level to meet the target, taking into account the importance of promoting fairness and solidarity among Member States.

Climate neutrality by 2050 means achieving net zero greenhouse gas emissions for EU countries as a whole, mainly by cutting emissions, investing in green technologies and protecting the natural environment.

Nearly, at the same time, the European Union institutions concluded the final legislative files for the Clean Energy for All Europeans Legislative Package (CEP), a legal framework that will help the EU meet its 2030 climate and energy objectives. The framework has created the space to implement alternative strategies needed to rise to the challenge, while creating the necessary space for a strong shift in the role of citizens from passive consumers to active participants in the energy transition.

With the introduction of the Citizen Energy Community (Electricity Directive) and Renewable Energy Community (Renewable Energy Directive), the EU legislator created an important levy to include Europeans in the energy transition not only as consumers, but also as citizens.

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The Covenant of Mayors already demonstrated the commitment of local authorities to support local energy transition planning. By giving citizens an equal seat at the table, the new Clean Energy Package enables local actors to bring this existing movement to the next level.

For the first time the European Union is recognising and acknowledging the tremendous potential that lies in empowering citizens as active participants in the energy sector. By giving citizens an equal seat at the table, communities have a better chance of responding to the climate emergency - not only in terms of increasing the penetration of renewables and reducing energy consumption through an economically viable model, but also in providing a governance model that will foster healthy and resilient societies in the light of the climate impacts and related societal challenges.

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CURRENT STATE OF AFFAIRS

LEGISLATIVE FRAMEWORK IN CROATIA

Development of energy and climate related strategic documents on national level in Croatia is in line with the EU propositions.

Energy Development Strategy 2030 was adopted by the Croatian Parliament in February 2020. Climate change Adaptation Strategy 2040 with a view towards 2070 in April 2020. The National Development Strategy 2030, bringing four development directions, third one being the "Green and digital transition" with strategic goal number 8: "Ecological and energy transition for climate neutrality" and one of the priority areas "Energy self-sufficiency and the transition to clean energy" was adopted by the Croatian Parliament in February 2021.

The Low-carbon development strategy 2030 with a view towards 2050 was adopted by the Croatian Parliament in June 2021. Strategic objectives of the Low Carbon Strategy include achieving sustainable development based on a low-carbon economy and resource efficiency. The path taken by the low-carbon strategy will lead to economic growth with lower energy consumption and more use of renewable energy sources. The Low-carbon strategy aims to reduce emissions by 80% by 2050 compared to 1990. The Integrated National Energy and Climate Plan of Croatia, INECP, dates from December 2019. It gives an overview of the current energy system and the situation in the field of energy and climate policy.

Following up on the latest updates regarding the 2021-2030 National Energy and Climate Plan of Croatia update, Croatia wants to cut its CO₂ emissions by 45% by 2030 and to abandon coal by 2033. But the transition to a low-carbon economy won't be easy, requiring major investments in new energy infrastructure and increased renewable energy resources.

The national strategy aims at a 36,4% share for renewable energy by 2030 and significant investment across the energy sector, including hydropower, wind farms, solar photovoltaic plants, and hydrogen energy.

GENERAL CONDITIONS, OBSTACLES, GAPS

In Croatia, renewables are developed almost entirely by companies and with minimal engagement from citizens and the local community. Public interest in RES is quite strong, but citizens' participation is mostly limited to rooftop solar power, and cumulative installed solar power accounts for only 10% of all RES in Croatia. Although minor changes have become notable, there still is a widespread and deeply rooted belief that citizens are only final energy consumers without any proactive attitude. This leads to a fact that most Croatian citizens

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are passive bystanders in the energy market and system, while local resources are utilized by foreign investors. Despite the high potential of renewable energy sources, especially solar, the energy dependency of the country is high – about 53% of energy consumption is covered from imports.

Small scale solar for households is mostly highly reliant on annual government subsidies for solar energy that means that without public money support there would, hardly, be any investment into solar energy - despite the high potential of solar energy and relatively attractive period of investment return (6-10 years on average). Furthermore, government subsidies create market distortion with market actors using the opportunities to increase the market costs of their services.

On top of everything, complexity and time consuming of the existing legal procedures tend to discourage citizens on their path of becoming proactive participants (prosumers) within the energy market and energy transition itself.

REGION OF ISTRIA – CURRENT STATE OF ENERGY PRODUCTION

According to the available data from February 2023, the total installed capacity of electricity production facilities in the Region of Istria is 231,35 MW, 6,1% of which referring to the installed capacity of photovoltaic power plants; 0,11% to the small Letaj hydroelectric power plant, while the largest share, that of 93,79% refers to the coal powered thermal power plant Plomin 2.

Although the Plomin 2 thermal power plant meets the total demand of the Istrian peninsula with its production, the problem occurs with the peak load, which can reach 250 MW during the Summer months.

On the other hand, although the population, according to the 2021 census, decreased by almost 6% compared to 2011, electricity consumption in the Region of Istria is constantly increasing. Compared to 2021, when the consumption of electricity in the Region of Istria was 1.247 GWh, in 2022, a 6,4% increase was noted, resulting with a total consumption of 1.327 GWh.

Taking into account the planned closure of the Plomin 2 thermal power plant in 2033, the constant increase in electricity consumption and European climate and energy goals, the increase of renewables as well as the use of solar energy must become a regional priority.

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POREČ SUNNY OFFICE REGIONAL ROUND TABLE

Achieving climate neutrality by 2050, means that the European Union needs to make a radical shift towards renewable energy. We cannot expect current energy producers to completely exit fossil fuels. More than that, technically it would not make any sense. The aim of going 100% renewables needs to be paired with a deep transformation of the energy system whereby energy generation and distribution become largely decentralised.

On the other hand, with the European energy and climate policy goals becoming more and more ambitious every year, it is becoming more and more obvious that the energy transition is largely happening at local level, "in our backyards" and "on our doorsteps" and once again, Cities and Municipalities are the ones that will have to take on the challenge and play a key role in it.

Zero-emissions energy generation and the desire of people to be active consumers (prosumers) as well as the need for renewables to be generated locally and consumed in proximity, recognizes Cities and Municipalities as the "drivers" of the desired change.

So, the obvious question to be answered within the Regional round table, which gathered over 20 representatives from 12 Istrian Cities and Municipalities, together with the representatives of Region of Istria, Istrian Regional Energy Agency (IRENA), Istrian Regional Coordinator for European Programs and Funds (AURORA), Green energy cooperative (ZEZ), Town of Poreč-Parenzo and Municipal company Parentium L.t.d., was:

What can Cities and Municipalities do to encourage and accelerate the development of renewable energy projects in their area?

REGIONAL ROUND TABLE DISCUSSION / CONCLUSIONS

- National government authorities play an important role in removing barriers by simplifying procedures in general and they need to do so.
- Energy market in Croatia is centralized. Croatian Power Utility (HEP) - HEP Group still has a factual monopoly in transmission, distribution and sale of electricity. Procedures for obtaining an electricity "prosumer" status are very complex and time consuming (they can take up to two years) which often acts as a discouraging factor and it is something that has to be changed on all levels (national/regional/local).

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- Development of photovoltaic/solar systems within the area of Istrian Cities and Municipalities needs a systematic approach. Due to the fact that all Cities and Municipalities (especially the ones smaller in size and population) have quite limited budgets, good preparation and high quality planning is crucial. It is important for the representatives of the Cities and Municipalities to understand the concept of long term energy and climate visions and not to implement project proposals because of appealing co-funding and “positive publicity” but to implement project proposals that are in line with strategic documents and action plans and in line with the actual (specific) needs of the Cities, Municipalities and their citizens.
- When talking about investments in photovoltaic/solar systems on publicly owned facilities, it is necessary to conduct analysis and prioritize investments within investment ranking plans which will (based on the total costs of the investments and their return period) determine priority investments. By defining such lists of priority investments, the representatives of Local government units determine the optimal nominal power of the photovoltaic plant for each individual object, identifying the amount of the investment value, taking into account the internal rate of return of the project, the net present value of the investment and the discounted investment return period. This process should be followed by creation of technical documentation for the high priority projects, assuring for the Local government units to have all the necessary documentation to apply to available sources of co-financing (national or provided by EU programs).
- Cities and Municipalities can encourage and accelerate the development of photovoltaic/solar systems among citizens by introducing various models with subsidies which will provide their citizens with financial funds for the realization of PV/solar projects. However, in order to positively affect the trend of small scale solar for households not to be highly reliant on subsidies, despite the high potential of solar energy and relatively attractive period of investment return, Cities and Municipalities should emphasize the implementation of “soft” measures. Soft measures imply the education of citizens on solar energy and their role within the energy market and energy transition in general. This kind of approach is necessary to “prepare the grounds” for future establishment of energy communities and can provide a clear vision and guidance that raise the community’s appetite to increase in citizen driven solar energy.

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POLICY RECOMMENDATIONS FOR LOCAL GOVERNMENT UNITS

In order to encourage and accelerate the deployment of renewable energy projects in their area, Local government units (LGUs) must:

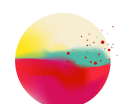
- reinforce human capacities, invest in their education and expertise so that they gain skilled staff
- establish a clear vision about their energy and climate goals, at least for the period until 2030
- due to the fact that Istrian Cities (10 in total) and Municipalities (31 in total) are rather small (the entire Region of Istria has 195.237 inhabitants) they need to collaborate more on setting joint goals and priorities, develop joint project proposals and undertake joint actions
- plan ahead their project investments in a way which foresees applying to available national/EU funds and programs
- improve communication channels between City/Municipality experts and the decision makers
- make it a priority to establish models for educating and empowering citizens as active participants in the energy market
- take on an active role of facilitators within the energy transition and provide support and assistance to their citizens, both in the solarization process and in energy transition itself, so that together they can reach the common goal of living in green and sustainable cities

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APPENDIX I.

PHOTO DOCUMENTATION

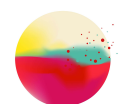
Regional round table

What can Cities and Municipalities do to encourage and accelerate the development of renewable energy projects in their area?

Poreč-Parenzo, June, 05th 2023.

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Participants of the Regional round table with Mr. Ugo Musizza, deputy Mayor of Town of Poreč-Parenzo



Participants of the Regional workshop during the Regional round table

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APPENDIX II.

SIGNATURE LIST

Regional round table

What can Cities and Municipalities do to encourage and accelerate the development of renewable energy projects in their area?

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**ŠTO GRADOVI I OPĆINE MOGU UČINITI KAKO BI POTAKNULI I
UBRZALI RAZVOJ PROJEKATA OBNOVLJIVE ENERGIJE NA SVOM PODRUČJU ?**

Poreč-Parenzo, 05. lipnja 2023.
Potpisna lista

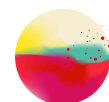
Redni broj	Naziv Institucije / Grada / Općine	Ime i prezime	Funkcija	E-mail kontakt	Potpis
1	Grad Poreč-Parenzo	Loris Peršurić	Gradonačelnik	ured.gradonacelnika@porec.hr	
2	Grad Poreč-Parenzo	Sabina Baranašić	Voditelj projekta	Sabina.baranasic@porec.hr	
3	Grad Poreč-Parenzo, Parentium d.o.o.	Gordana Lalić	Koordinator projekta	Gordana.lalic@porec.hr	
4	Istarska županija	Aleksandar Major	Viši stručni suradnik za regionalni razvoj	Aleksandar.Major@istra-istra.hr	
5	IRENA – Istarska regionalna energetska agencija	Andrea Poldrugovac		Andrea.Poldrugovac@irena-istra.hr	
6	JU Regionalni koordinator Istarske županije za EU programe i fondove	Ivana Dragišić	<i>RTV KATARIJA</i>	ivana.dragisic@istra-istria.hr	
7	ZEZ – Zelena Energetska Zadruga	Goran Čačić	<i>Velika projekta</i>	goran.cacic@zez.coop	
8	Općina Kaštelir-Labinci Castelliere-Santa Domenica	Linda Grebac	Direktorica TZ Kaštelir-Labinci Castelliere-Santa Domenica	linda.grebac@kastelir-labinci.com	

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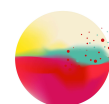
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9	Grad Pula-Pola	Lorena Dropulić	Voditeljica Odsjeka za energetske učinkovitost	lorena.dropulic@pula.hr	
10	Grad Pula-Pola	Marina Maršanić	Savjetnica 1. za energetske učinkovitost	marina.sabanagic@pula.hr	
11	Grad Novigrad-Cittanova	Ladislav Liović	Savjetnik za izgradnju komunalne infrastrukture	ladislav.liovic@novigrad.hr	
12	Grad Novigrad-Cittanova	Vanja Gorički Milčinović	Savjetnica za europske projekte i međunarodnu suradnju	vanja.goricki@novigrad.hr	
13	Općina Medulin	Jasmina Ritoša Benazić	Viša stručna suradnica za razvojne projekte i gospodarstvo	jasmina.ritosa@medulin.hr	
14	Općina Funtana	Korin Liović		korin.liovic@funtana.hr	
15	Općina Vižinada-Visinada	Neda Šainčić Pilato	Zamjenica načelnika općine Vižinada-Visinada	nedapilato@gmail.com	
16	Općina Pican	Ivana Tončić	Viši stručni suradnik za prostorno planiranje i gradnju	ivana.toncic@pican.hr	



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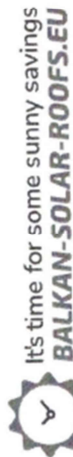
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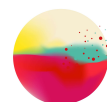
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17	Grad Umag-Umago	SELENA KEČIĆ	PROJEKAT PROJEKTIKA	jelena.nedicepuma@gr	
18	Grad Umag-Umago	HARIO TERLAK	Višu savjetniš za izgradnju	maric.germou@umag.hr	
19	ZEZ	JOSIP BERBER	ODRETELJ PROJEKTIKA	josip.berber@zez.com	
20	IBENA	DORIS PAVIČIĆ	-	claus.pelcan@ibena-roma.hr	
21	ISTARSKA ŽUPANIJA	MATEA BONIĆ	-	matea.bonic@istra.istra.hr	
22	IRENJA	ANURGA POLJUNGOVA	-	ANURGA.POLJUNGOMI@IRENJA-ISTRA.AN	
23	OPĆINA VISHADA	LAURA KEČIĆ	-	-	
24	DOMSUSIMIR	DOMSUSIMIR DANET-MK	-	DOMS.VISIMIR @INET-MK	

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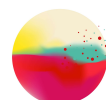
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25	OPĆINA PUNTANA	NENSI PARZANIN	ADMIN. POREČNO	nensi.pazanin@puntana.hr	Parzanin
26	OPĆINA SVETI LOVREČ	IVAN HRASTOVIĆ	SMOSTALNI UPRAVNI REFERENT	IVAN.HRASTOVIC@SVETI-LOVREC.HR	
27	OPĆINA VRSAR - ORSERA	TEA ŠIFANIĆ	POSREDOVANJE ZA POSREDOVANJE I U PROMETU	tea.sifanic@vrsar.hr	Tea Šifanić
28	OPĆINA MEĐULIN	JASMINA RITOŠA BENAZIĆ	VIŠA STRUČNA SURADNICA	jasmina.ritosha@medulin.hr	
29	OPĆINA TINJAN	JASMINA CUVIĆ LUKIĆ	PROJEKCIJA I UO	jasmina@tinjan.hr	
30	FEJERHANI COORDINATOR IČ	IVANA DRAGIĆ	RAVNOVAŽICA	ivana.dragic@188a-188b.hr	Dragić
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