

**Welcome address by Mr Fabrizio Barbaso,  
Deputy Director-general**

**2<sup>nd</sup> Energy Dialogue in South East Europe**

The Energy Community: achievements and  
perspectives

Dear Ministers,

Ladies and gentlemen,

Five years ago, in this city of Thessaloniki, a clear European perspective was given to the Western Balkans. This perspective has brought about considerable changes and reforms in the region. Of course, we are not yet at the end of the journey. However, in December 2007, the European Council reaffirmed that "the future of the Western Balkans lies within the European Union" and in many aspects the

European perspective has become very concrete. Let me first mention a few important milestones.

For the two candidate countries, Croatia and the Former Yugoslav Republic of Macedonia, important steps are expected in the coming months:

- For Croatia, provided a number of conditions are met, the Commission in this autumn's Enlargement package will present an indicative timetable, or a conditional roadmap, for the technical conclusion of the accession negotiations in

2009, probably even during the mandate of this Commission;

- For the Former Yugoslav Republic of Macedonia, following the granting of candidate status in 2005, there was a slowdown. However the Commission's rather critical Progress Report of 2007 has been followed by corrective actions. Important reforms have been adopted since then. A recommendation to start accession negotiations will depend upon progress which the country will make. The Commission will present its assessment this autumn in the enlargement package.

As regards the potential candidates, we have seen a lot of positive developments. Stabilisation and Association Agreements were signed or are expected to be signed shortly. The recent signature of an ASA with Serbia is definitely very good news for the whole region and we do hope that the conditions for its entry into force will be met shortly. We also hope that Bosnia-Herzegovina will be in a position to sign its ASA soon as well.

In this context, the Energy Community proves to be a powerful pre-accession instrument.

With the Energy Community Treaty, the parties have decided to implement the main elements of the European energy policy, in particular as regards the internal market in gas and electricity. Together, we form a solid and stable Community, with common objectives, with permanent institutions, and with a well-developed legal framework for market actors.

The Energy Community Treaty only recently entered into force, in July 2006, but it has already gained considerable credibility. Investors and financial institutions are strongly supporting its rapid implementation. The Secretariat in Vienna is now fully staffed and

operational. The field of acquis covered has already been extended to the Regulation on gas transmission and to the EU main legislation on security of supply. Generally applicable technical standards were accepted. Stakeholders now see the Energy Community progressively materialize in an integrated market anchored to the EU market.

This reinforces the attractiveness of the Energy Community for third countries. Ukraine, Moldova, Norway and Turkey as observers to the Energy Community Treaty are candidates for future accession and we trust that all conditions will be met in order to engage in formal negotiations this year. Another

noticeable step has been the acceptance of Georgia as an observer in December last year. Ever since Georgia has shown an active participation. The Energy Community is expanding its boundaries and enlarging its objectives and as such is becoming of increasing strategic importance.

It is worth underlining that the Energy Community covers almost all aspects of the EU Energy and Climate policy:

- The internal market is at the core of the Energy Treaty. It covers all the EU legislation related to the gas and electricity markets, but also refers directly to the

competition rules set in the EU Treaty. We consider that – for the key principles of our electricity and gas legislation – the degree of implementation of the Energy Community Treaty is generally positive. Most Contracting Parties have reached a level that is close to the EU Member States in the region. Of course, as in several of the EU Member States, there are still efforts to be made and enforcement shall be addressed. But we also clearly understand that the questions of energy prices and energy companies restructuring are politically and socially sensitive and that a progressive approach is necessary. About two years after entry into force of the Energy Community Treaty, we are well



on track. The Commission, together with the Energy Community Secretariat, will of course continue to focus on a correct and complete implementation of the relevant acquis.

- The Energy Community also promotes cleaner energy. Let me remind that all Contracting parties have the obligation to apply the environmental impact assessment directive and several other key pieces of our environmental legislation. All new power plants constructed in the region must comply with the EU standards as regards emission of pollutants and existing power plants will have to comply by 2017

at the latest. This is certainly an area where efforts should be intensified.

➤ The Energy Community is clearly promoting renewable energy sources. The EU legislation on the promotion of electricity produced from renewable sources and concerning biofuels is integral part of the Treaty. We will need to examine how the Energy and Climate package of 23 January, when adopted, could be taken over in the Energy Community.

➤ The Energy Community Treaty also provides a framework concerning security

of energy supply. Both for gas and electricity, the EU security of supply instruments were integrated into the Energy Community. Even before the Lisbon Treaty, we had provisions on mutual assistance in the Energy Community! These provisions will allow us to define solidarity mechanisms. The June Ministerial Council will have a first orientation discussion on this very important topic.

- Energy efficiency belongs to the basic principles of the Energy Community. We have mandated a task force to identify concrete areas of improvement and to

identify what elements of the EU legislation on energy efficiency could be integrated into the Energy Community. As we all know, there is an important potential for energy savings in the region. We will therefore strongly encourage the development of energy efficiency activities in the Energy Community.

- A strong emphasis was also put on investment in Energy infrastructures. In order to promote a more regional approach to investments, we established in December 2007 a first indicative list of projects of regional interest, based on the criteria used for the TEN-E. This list will

be updated by the end of the year. It now constitutes a common reference for investors and project promoters. It is also a tool to better monitor project preparation and in particular the environmental aspects.

- Finally, one should not forget the social dimension of our energy policies. With the Memorandum of Understanding signed in Vienna last October, the Energy Community has gained a social dimension allowing addressing customer protection issues, energy company restructuring and social dialogue in the energy sector. A first workshop with the social partners is

scheduled next week, in order to prepare the Social Forum taking place in October.

Ladies and Gentlemen,

As one can note, the Energy Community Treaty constitutes a bridge, not only for our internal market in gas and electricity – which is of course extremely important – but also for almost all aspects of the EU energy and climate policy.

The Energy Community is the framework in which we cooperate with our neighbours on energy policy issues. It is therefore important for the Energy Community to keep in sight the

coming evolutions. In our view, two dimensions should be further developed.

- First, we should develop an oil dimension. The Balkan Peninsula is at the cross-roads of very important oil routes and it is in our European interest to limit the traffic of oil tankers in the Mediterranean sea, especially through the already congested straits. Therefore, all projects that allow avoiding the straits and connecting to major European oil terminals should be supported. Besides, the question of emergency oil stocks should be addressed. The June Ministerial Council will have a first discussion on these topics.

➤ Second, we need to think about a carbon dimension. The Energy Community Treaty explicitly refers to the importance of the Kyoto Protocol and invites its Contracting Parties to adhere to it. In fact, Albania, Bosnia-Herzegovina, Croatia, Montenegro, the Former Yugoslav Republic of Macedonia and Serbia ratified the Kyoto Protocol early this month. As coal –fired plants represent an important share of electricity and heat production in the region, the potential for CO2 emission savings is very important. We wish to accompany and support our partners of the Energy Community in the Kyoto and post-Kyoto mechanisms. It is of particular



importance to already fully anticipate the cost of carbon when planning new energy infrastructures; in particular new coal fired power plants.

The Commission will issue, probably by the end of this year or early next year, a report on the functioning of the Energy Community Treaty, which may include proposals for its further development. I wished however to share with you these preliminary thoughts.

Finally, let me mention a few projects that the Commission consider with great interest as a sign of a new – regionally-minded – approach.

➤ In the field of gas transmission, let me first quote the NETS project. The idea to progressively merge the activities of several gas transmission operators to create value for their shareholders and facilitate investments is very relevant for the region. The main TSO involved have agreed to study all legal, commercial and regulatory aspects of the project and we hope to see a developed concept in the coming months. This project is perfectly compatible with new investment projects like Nabucco. This bring me to the second example of regional cooperation that I would like to highlight.

➤ The Energy Community Gas Ring is now encountering a wide acceptance as an overarching concept which will bring together most gas pipeline projects in the region. The Ring will allow to bring gas to new areas and to increase the number of entry points for the benefit and security of all parties. Its design and further development was at the heart of the discussions at the Maribor Gas Forum this Spring and the Commission is strongly supporting it.

➤ Finally, in the oil sector, the recent progress around the Pan-European Oil Pipeline (PEOP) is very encouraging. With

the signature in Bucarest on 22 April 2008 of a shareholder agreement for the establishment of a project development company, PEOP is entering into a new phase. The interest shown by important oil producing countries from the Caspian region is remarkable. For us, PEOP has the great advantage not only to avoid the heavily congested Bosphorus Strait but also to directly connect to the main European oil pipeline grid, thus avoiding oil trans-shipment and oil transport in the Mediterranean Sea.

I wanted to quote these three projects – NETS, the Energy Community ring and PEOP – as a

concrete sign of increased regional cooperation in the field of energy. Of course, I could have mentioned several electricity interconnection projects of other pipeline projects, the list is not supposed to be exhaustive!

Finally, let me conclude with a few words concerning our energy and climate policy. The agreement by the March 2007 European Council to set precise, legally binding targets – the well-known 20/20/20 strategy –, was a symbol of Europe's determination. Two key targets were set:

- A reduction of at least 20% in greenhouse gases (GHG) by 2020 – rising to 30% if there is an international agreement committing other developed countries to "comparable emission reductions and economically more advanced developing countries to contributing adequately according to their responsibilities and respective capabilities".
  
- A target of a 20% share of renewable energies in EU energy consumption and a 10% share of biofuels in EU road transport fuel consumption by 2020.

We strongly believe that South-East Europe is able to play a significant role in achieving this 20/20/20 objective and I am confident that all actors represented in this conference today are eager to bring their contribution to this common endeavour.

Thank you for your attention