

# SEE Energy Community, Renewable Energy and Sustainability: Role of World Bank

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# Benefits of the Energy Community - the Regional Approach

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- **Exploit regional benefits/economies of scale** in energy investment and operations, including emergencies (security of supply) and environment
- Present investors and energy suppliers (incl. traders) a more attractive market - a bigger regional market, with EU-compatible rules and institutions
- **Integrate** into the European Community internal energy market and to facilitate accession to the EU
- Promote Stability and Prosperity in the region

# European Energy Agenda

## Competition & Customer Choice

Through competitive internal (EU-wide) energy markets, regulation of network monopolies

## Security of Energy Supply

Through diversification of energy sources/suppliers, integrated and well-coordinated energy networks

## Energy Community

## Environment

Through increased use of natural gas, emission standards, CO<sub>2</sub> emission markets, competition/efficiency, renewables, etc.

# Sustainability of the Energy Community - Regional Issues

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## Regional Trade:

- auctioning of transmission capacity - Coordinated Auction Office (CAO)
- Imports (Ukraine, etc.) & Exports (Central Eastern Europe, Italy, Turkey)

## Market Liberalization:

- Equitable treatment of eligible and captive
- Regional market/regional opening - national markets too small to be sustainable/liquid
- a regional day-ahead market and market operator
- new transmission links

# Sustainability of the Energy Community - National Issues

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## Electricity Generation:

- Competitive selection of investors for priority projects
- Generation mix diversification - Hydro development needs more attention. Potential is good
- Some renovation projects no longer viable (higher fuel prices and climate change agenda)

## Electricity Distribution :

- Tariff and collection fundamentals
- Targeted support for the poor

Reform actions, good governance and increased transparency are needed to build up momentum and investor confidence for sustainability

# Renewable Energy in the Energy Community

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## Hydro (small & large), wind, biomass

- All potentially viable options in SEE -- priority generation status, feed-in tariffs, tax incentives/subsidies, etc. support measures are needed
- The bigger the project, the more important access to the regional market will be for project success (large hydro in particular)
- Smaller projects depend primarily on local/national conditions (tariffs, contracts, access, liberalization, etc)

# Renewable Energy in the Energy Community (2)

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- Targeted support measures do not provide a sufficient solution - Reform actions, good governance and increased transparency, are needed to build up momentum and investor confidence

# Renewable Energy in the Energy Community - Related Issues

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## Other Potential Applications

- Heating offers scope for increased use of biomass

Improved energy efficiency key to sustainability, even with an increasing share of renewable energy. Massive unfinished agenda





# World Bank Support

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Projects under Implementation in SEE: \$2.2 billion  
Projects under Preparation: about \$1 billion

Flagship: \$1 billion Energy Community loan facility (APL) to support electricity projects:

- Projects aligned with the regional priorities - mostly hydro and transmission, plus Kosovo coal TA
- over \$400 m committed (8 projects in 7 countries)
- additional projects to come

# World Bank Support <sup>(2)</sup>

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## Energy Efficiency and RES: Priority Support

- Dedicated EE finance facilities (e.g., BEEF in BG, FREE in RO; Croatia, Serbia, Macedonia)
- RES (e.g., Turkey, Macedonia). TA for RES Regulatory Framework (BG)
- New projects envisaged



# World Bank Support (3)

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- Standard IBRD and IDA instruments
- IBRD loan terms simplified and highly attractive (customized solutions, maturity extended to 30 ys, loan fees eliminated/reduced)
- IFC (private sector arm) supports private investment in Energy Community
- WB/IFC Subnational Finance Initiative - to support subnational entities (local govts, public utilities) without sovereign guarantee requirement of IBRD/IDA instruments

# World Bank Support - Gas

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The WB is considering an Energy Community APL facility for gas, using standard IBRD and IDA products:

- SEE Gasification Study being finalized (KfW/WB cofinancing)
- Projects would be aligned with regional priorities
- Energy Community Gas Ring is a possible regional project for gas APL support

# Energy Community Gas Ring

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- Ring would connect the 7 Contracting Parties and link them to their EU neighbors
- Provides flexibility, security of supply, and environmental benefits
- Enables the development of gas-fired power plants

# Concept 1

SOUTH EAST EUROPE  
REGIONAL GASIFICATION STUDY  
DISTRIBUTION PIPELINES TO TARGET  
COUNTRIES  
SYSTEM BASED ON SUPPLY FROM  
NABUCCO PIPELINE  
50010/PL/002

