INSTITUTE OF ENERGY
FOR SOUTH-EAST EUROPE

SYNOPSIS, CONCLUSIONS AND RECOMMENDATIONS OF THE 4TH SOUTH EAST EUROPE ENERGY DIALOGUE

SEPTEMBER 2010

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I. PREAMBLE

Last June the Institute of Energy for South East Europe (IENE), for the fourth consecutive year, organized an international meeting with the participation of senior policy and industry leaders who are at the epicentre of energy developments in South East Europe. The 4th South East Europe Energy Dialogue was successfully held in Thessaloniki on June 3-4, 2010 and constituted a joint undertaking, ever since it's planning phase, between IENE and the World Energy Council (WEC).

The SEE Energy Dialogue was organized under the auspices of the Hellenic Ministry of Environment, Energy and Climate Change and the Ministry of Foreign Affairs.

With more than 50 speakers, and 130 participants representing between them 20 different countries and several international organizations, including WEC, the European Commission, the Energy Charter Treaty Organization, the Black Sea Development Bank, EBRD, EIB, the Energy Community and CGES, the 4th SEEED built on the work of the previous three Dialogue events organized also in Thessaloniki in 2007, 2008 and 2009. WEC's active interest in the Dialogue was underlined by the participation of WEC's regional representative Mr. Slav Slavov who contributed the second keynote address during the opening session of the conference. Equally important for the smooth running of the Dialogue was the contribution of several sponsors, supporters and media partners.

The Dialogue's main points of interest, its conclusions and recommendations follow.

II. SYNOPSIS

The 4th SEEED began its proceedings on June 3rd with introductory remarks by ***Mr. Costis Stambolis***, IENE's Deputy Chairman and Executive Director and by ***Mr. Slav Slavov***, Regional Coordinator for Europe & Central Asia, World Energy Council (WEC). The importance of energy security in Europe, a topic which dominated the proceedings of this two day international gathering, was underlined by both speakers.

The Chairman of IENE, ***Dr. John Desypris***, stressed that the present lack of secure energy supplies in Europe which, if addressed correctly, might provide SE Europe the opportunity to become a unique energy corridor. He, also, proposed the establishment of a "horizontal" committee of specialists, coordinated by IENE, whose conclusions and recommendations would be submitted to the governments of the region. This committee could study all energy related matters which concern the region and focus on the identification and promotion of areas of cooperation but also undertake common tasks.

Dr. George Koutsoukos, Special Advisor of the Greek Regulatory Authority for Energy (RAE), focused on the progress of the implementation of the Energy Community Treaty, which was signed in Athens on October 2005, whereas ***Mr. Henry Donchev,*** representing the Bulgarian Ministry of Economy, Energy and Tourism, described his country's policy on electricity market liberalization.

Developments in the energy sector of his country were the core of the Head of Primary Policies Sector in the Albanian Ministry of Economy, Trade and Energy, ***Prof. Stavri Dhima's*** speech. The next speaker, ***Dr. Yurdakul Yigitguden***, Member of the BoD, Borusan ENBW Energy A.S., Turkey, analyzed the role of the Russian-Turkish energy relationship in Turkey's overall economic development. As it was generally recognized by the participants of the 4th SEEED, the several Russian-Turkish energy agreements can lead to a broader strategic cooperation between the two countries, which is likely to change the entire regional setting.

Dr. Manouchehr Takin, Senior Petroleum Upstream Analyst, of the London-based CGES, underlined the need for energy imports in SE Europe, while pointing out the influence of politics in energy investments. ***Mr. Michael Savva***, representing the Russian embassy in Greece, referred to the bilateral energy cooperation and especially to the importance of the Bourgas-

Alexandroupolis and South Stream projects. The next speaker, ***Mr. Gokhan Yardim***, General Director, of the ADG Natural Gas Consultancy Company of Turkey made a special and detailed analysis of the role of his country, regarding its position as a natural gas transit country from the Caspian region to Europe.

The next presentation, by ***Mr. Antonis Natsikas*** (DEPA, Greece) focused on the international gas interconnections between Greece and its neighbouring countries. ***Ms. Marija Savova Velkoski***, Commercial Director of TAP S.A., underlined the main advantages of the project in comparison with other similar ones in the region. ***Dr. Narsi Ghorban***, Managing Director of the Iranian Narkangan Gas to Liquid International Co. referred to the country's huge natural gas deposits, which are the largest in the whole Middle East, and its export potential, which can cover a large portion of the European demand.

Mrs. Grammatiki Tsingou (Director General in the Projects Directorate, EIB, Luxemburg), ***Mr. George Giaouris***, Senior Banker of EBRD, U.K., ***Mr. Ylli Dylgjeri***, (Director General on Economic Development & Policies, Ministry of Economy, Trade & Energy, Albania) provided, through their presentations, a clear view of the capabilities of the international banking sector in S.E. Europe in relation to both the present international situation and the needs of the region. It was their common view that, apart from the current financial and economic downturn, the countries of the region present an excellent potential but need substantial investments to modernize, decarbonise and expand their energy systems.

Dr. Sedat Cal, Senior Expert Investment of the Energy Charter Secretariat, Belgium, presented in a concise way the contribution of the Charter in facilitating the formation of a sound legal framework for international / multilateral investments.

Prof. Pantelis Capros, head of NTUA's E3C Laboratory and Chairman of IENE's Scientific Committee, presented the projections of the PRIMES model concerning the developments in the energy production and market of the region and how they are going to be influenced by EU's Climate Change legislation. According to Prof. Capros, the current trends in energy demands in SEE show a less climate-friendly evolution than in the EU27, both regarding emissions and the RES. Security of supply is among the issues for concern. Applying the EU Climate Action and RES policy package in the entire SEE region induces significant changes: high energy savings, impressively more RES (wind and biomass) and some more nuclear close to 2030. Gas substitutes fossil fuels but total gas needs reduce slightly from baseline.

The second day the "4th South East Europe Energy Dialogue" (June 4th), began with ***Ms. Chrysoula Argyriou's*** (EU - DG TREN) presentation of the European Union's policy on natural gas markets and, especially, on the promotion of investments, the importance of stable transit rules and security of energy supply. The next speaker, ***Mr. Milan Zdravkovic***, (Development Senior Director, JP SRBIJAGAS, Serbia), stressed the benefits stemming from the establishment of an integrated regional natural gas market, as well as the importance of interconnection pipelines.

Dr. Rosen Simitchiev, representing Bulgartransgaz, described the natural gas transmission system of Bulgaria, along with the strategy for its future development, whereas ***Mr. Vladimir Durovic*** (Manager, Development Division Department, Plinacro Ltd., Croatia) referred to Croatia's role in the regional energy sector. The next speaker, ***Mr. Panayiotis Kanellopoulos*** (Manager, Natural Gas Division, Mytilineos Holdings S.A., Greece), underlined the importance of LNG and its role in the liberalization of the natural gas market in Greece and the gas supply of the East Mediterranean.

The Southeast Europe Coordinated Auction Office (CAO) was the subject of ***Mr. Nenad Stefanovic*** (Senior Expert for Electricity, Energy Agency of the Republic of Serbia), who, also, referred to the improvement of the regulatory framework in Serbia. ***Mr. Nick Frydas***, Principal Consultant of Markets and Regulation, Mott MacDonald, U.K., presented a study of his company, carried out on behalf of the British government, on the cost of electricity production, while ***Mr. Aleksandar Mijuskovic*** (Department Director, PRENOS AD, Montenegro), referred to the new distribution lines that are currently scheduled in the area and how, when completed, they will affect the operation of the regional electricity market (e.g. the line to Albania and the submarine line to Italy).

Finally, ***Ms. Tatiana Tsirakopoulou***, Legal Counsel of Mytilineos Holdings S.A., Greece and ***Dr. Yannis Kelemenis***, Managing Partner, Kelemenis & Co., Law Firm, Greece, presented the European and the Greek legal framework in the electricity sector and discussed its likely impact on market development.

4th SEEED's initial findings point to the urgent need of adequately addressing the issues related to the security of energy supply in all countries of the region. This has emerged again as a permanent key issue which directly affects developments in all sectors including natural gas, electricity and RES and the investments associated with specific projects. Most speakers and panellists of the 4th SEEED were in agreement that the opening up of the electricity and gas markets, which will also affect the penetration of RES, cannot possibly proceed unhindered unless there is a flow of uninterrupted fuel supplies. Therefore the securing of smooth energy flows, with the direct involvement and support of both state and private sector companies, is a prerequisite for market development and competition. In this respect 4th SEEED participants pointed out to the serious disparities which still exist between the different countries in SE Europe.

The 4th SEEED was sponsored by several Greek and international companies and organizations which are listed as follows:

Sponsors

- **Mytilineos Holdings S.A.**
- **SIEMENS**
- **EGL Hellas S.A.**
- **DEPA S.A.**

Supporters

- **VESTAS**
- **Martifer Group**
- **TAP**

Media Partners

- **Kathimerini newspaper**
- **NEW EUROPE newspaper**
- **EURO2day.gr**
- **ENERGIA.gr**
- **SeeNews.com**

III. Conclusions

This year's Energy Dialogue indentified energy security as a key area of common concern for all countries of the region which at the same time offers promising and challenging opportunities for cooperation in all different energy sectors including energy policy, electricity, gas, energy efficiency and Renewable Energy Sources. Although, the process of market integration and market liberalization in line with EU Directives and Energy Community guidelines is of paramount importance, a position which was repeatedly stressed by Energy Dialogue participants, it lacks the necessary political backing as other priorities are at play. In spite of substantial progress in this front over the last five years, there is considerable work still to be done which will pave the way for full market liberalization. The political leadership of most countries in the region do not appear to appreciate the connection between energy related investments and market integration and competition. Therefore, it is fair to say that the region's true investment potential in the energy sector, especially in the electricity – RES and gas sectors, has not been fully understood by the respective governments.

The following summarizes the conclusions of the conference per sector:

1. ELECTRICITY

- More harmonization of the regulatory framework is needed in SEE.
  (It is necessary to define the next steps in order to meet Regulation 1228/03 and CMG compliance in SEE.)
  (There is a need of harmonization of rules and regulations between SEE Contracting Parties.)
- There is an urgent need for Congestion Management through the establishment of SEE CAO. Establishment of SEE CAO will be an important step and should help establishing a SEE Regional Electricity Market without barriers for traders.
- Outcome: SEE CAO Auction Rules as SEE regional document approved by SEE Regulators, but also implies:
  - Harmonization of Market Rules in SEE Region is needed.
  - Outcomes of WB Study on WMO in the 8th Region could be supported by SEE stakeholders and Ministries – entering implementation phase.
- Transparency of relevant market information and prices is vital for smooth market operation.
- Equal market access to all must be guaranteed.
- Co-existence of bilateral and exchange trading must be encouraged.
- Implementation of Balance Responsibility for wholesale market participants.
- Generator – Supplier unbundling, at least removal of traditional Full Supply Contracts between Generators and Suppliers / Eligible Customers.

- Regulatory investment incentives must be introduced in order to promote investment on national basis.
- Capacity costs in power generation need to be determined on a more realistic basis.
- Carbon costs must start to be included in final power generation costs.
- Consequently a levelised cost approach to power generation in SE Europe is necessary.

Also, there is a need for the Harmonization of Wholesale Trade Licenses in the region. ECRB issued recommendations on how to harmonise wholesale trade licensing in the Energy Community, but it remains preliminary to the extent that streamlining with the European approach is targeted as the final goal.

A focus has been put on licensing of wholesale traders, with the need to make difference between wholesale trading and the supply activities of the market participants. Supply is assumed to be of national character and subject to national licensing requirements.

<u>Available Options according to ECRB (Fading out option is recommended):</u>

- Harmonization of licensing procedures.
- Abolition of licenses.
- Fade out of licensing in each jurisdiction complemented with other measures ensuring a level playing field for traders while ensuring fair market conduct.
- One license valid in the region.

2. NATURAL GAS

EU's role in SE Europe is dominant in natural gas developments in view of current plans to secure enough gas for EU's domestic demand. In this the EU tries to obtain the best sources and prices for EU customers but also ensure that transit countries have stable economies and stay within the rule of law. Some of these countries have potential problems that have to be addressed by EU which also wants to help the Caspian and Middle East countries to develop their gas resources.

The tools used by EU include the Directive 2009/72/EC, European Energy Interconnections and the 2005 S.E. Europe Energy treaty, including S.E. Europe together with Ukraine and Moldova and willingness to develop competition rules within the market.

In 2007 the EU proposed a "Caspian Development Corporation" and establish remedies for the countries they cannot make it.

EU Commission aims:
- To establish, stabilize and diversify transit routes (e.g. Nabucco, ITGI and TAP)
- EU to become cleaner with the use of gas as the primary fuel for electricity generation.
- To increase energy efficiency with the help of gas.

EU envisages 4 Corridors:
- Western Corridor – North Africa
- Eastern Corridor - Russia
- Southeast Corridor – Caspian / Middle East
- North Corridor – the North Sea

Currently EU's does not have a corridor in the Middle East, but would like to develop one. Currently it is developing others:

- South Caucasus: need legal and potential framework.
- Turkey: need legal framework and a pipeline rehabilitation and development of new trunk lines.
- The "distances" and the "number of transit states" lead to the need of extending common legal status across all.

Interconnections

The establishment of gas interconnections between the various states of the region was identified as being of key importance and a top priority for the region. Construction of these interconnectors can be supported by EU structural funds. Examples in progress include the Greek – Bulgarian interconnector (IGB), Bulgaria – Romania interconnector, NIS – Dimitrovgrad, etc.

The development of a Regional Gas Market will help better balance supply - demand and in that sense a regional gas market is both a necessity and an obligation.

Regional Market needs infrastructure, regional pipelines, etc. For a regional market, "Energy Treaty" and EU directives are needed. For a future regional gas market, to operate effectively several interconnections are required while the existing lines are judged as insufficient.
The "Energy Ring" concept was identified as too early and far from reality. The parties do not recognize a need for it as yet. A "Regional Gas Market" needs 4 pillars: Infrastructure, new interconnectors, legislation and technical regulations.

Major Commitments:

- To establish common rules
- To establish national levels
- To establish timetable

Need deadlines and status

LNG

LNG is becoming more important and relevant with larger share of international trade. It is more flexible and not oil-indexed. It has started affecting the SE European gas market as prices have dropped significantly over last 12 months. Gas spot market is determining the price to a large extent rather than oil-indexed pricing. Gas market, especially LNG, is gradually opening up to competition thus contributing to regional market development.

SE Europe as a Gas Corridor

A number of prerequisites are necessary for SE Europe to emerge as an effective transit gas corridor linking EU proper to Asian – Caspian supplies. These include the establishment of:

- Interconnectors (extensive network necessary)
- Underground gas storage
- Local gas prices must not be affected but should be determined using market criteria
- Effective market competition

Consumers Choice

This emerged as another important issue which will soon affect the SE European energy scene. The institution of the 3rd Energy Package prepares the ground for the enforcement of consumer's rights (Directives 2009/72/EC and 2009/73/EC). The following are some important observations:

- Right of choice to all consumers of the European Union including SE European countries
- Reinforcement of the competitive market

- ✓ Variety of offers
- ✓ Efficiency gains
- ✓ Higher standards of services
- ✓ Competitive prices
- ✓ Increase of investments in new infrastructures → improvement of security of supply and reduce of risks of blackouts or gas supply interruptions.
- ✓ Tool against climate change
- ✓ Improvement of Energy efficiency

- ∞ Scope: Realistic and effectible right of choice

- ∞ Means: Measures on Consumer Protection
  - ✓ Protection of the vulnerable Consumers
  - ✓ Security, quality and price of supply
  - ✓ Guidelines about the duties and the powers of National Regulatory Authorities
  - ✓ Cross border dispositions
  - ✓ Provision of a Consumer Ombudsman
  - ✓ Provision of minimum content of the supply contracts
  - ✓ Right of change supplier
  - ✓ Suppliers' obligation for notice of intention to modify contractual conditions
  - ✓ Provision of wide choice of payment methods
  - ✓ **Enhanced of National Regulatory Authorities – Monitoring of the operation of the market**
    The draft of the new Supply Code delegates RAE to monitor the effectiveness of the market

- ∞ Provision of "Last Resort Supplier"

- ∞ Establishment of a European energy consumer checklist providing consumers with practical information about their rights

- ∞ Need to introduce intelligent metering systems that will assist the active participation of consumers in the electricity supply market

- ∞ Consumers' choice for supplier is considered very tight with the demand side management not yet fully utilised

- Demand side management needs a wide social consensus and technologies which support efficiency

- The Consumer's choice means:
  - ✓ New business
  - ✓ New suppliers
  - ✓ New opportunities for investments and jobs

- Need of a regional market
  - ✓ A common wholesale market with a common S&P and more players involved
  - ✓ Access of all citizens to affordable energy
  - ✓ Remodel of the economic development

3. THE BUSINESS AND INVESTMENT CLIMATE

This session enhanced the content of the Conference by providing the participants with a clear view of the international banking sector and its priorities with regard to SE Europe.

The participation of speakers and panelists from EIB, EBRD, BSTBD and the Energy Charter Secretariat contributed to a balanced and high quality informative discussion.

The speakers focused on the impact of global challenges in SE Europe in relation to the region's special characteristics as they are perceived by the banking sector.

The speakers made clear reference to the advantages that a sound international legal framework offers to international / multilateral investments while the contribution of the Energy Charter in facilitating this situation was presented in a concise way.

Most speakers focused on the specific characteristics of SE Europe and agreed that apart from the current financial and economic downturn the countries of the region need substantial investments to modernize, decarbonize and expand their energy systems.

The message from the participating banks was that adequate funding for the type of energy projects discussed and presented at the conference was available to all countries in the region. Licensing, pricing (e.g. Feed in tariffs, transit fees) management and contractual considerations (e.g. legitimate public tenders) are key in prioritizing disbursement of funds for all different type of energy projects.

In this framework the discussion concluded that such a challenging task requires political determination good cooperation, supportive regulatory framework and a good understanding of the region's socioeconomic conditions.

Climate Change Agenda

The current discussion on Climate Change and EU's clearly defined strategies in order to mitigate adverse effects but also advance solutions based on new technologies and wiser use of energy is inevitably affecting developments in SE Europe.

There are clear implications arising from the development of sustainable electricity systems which are summarized as follows:

- New era in the power sector with distributed generation
- Expansion of the use of electricity in heating/cooling, transport etc, with increasing demand
- New structure and rules in the European power system for efficient management, ENTSO-e
- Actions on energy efficiency and new power generation with zero emission
- High RES penetration into the future networks with storage facilities and flexible power units
- Competitive electricity market with large RES penetration and charges for CO2 emission after 2013

Large scale penetration of RES into the electricity sector is already in evidence in SE Europe. Therefore one must carefully consider:

- Integration of RES into the management and operation structure of the networks for high penetration
- Optimum mix of the RES considering their complementarity for efficient penetration into the network and geographical dispersion
- The feed-in tariff, a tool for policy in RES development and step to the entry in the electricity market

- Large offshore wind parks and super-grid in the North Sea with 35€/MWh are designed for participation in the electricity market. Useful lessons can be drawn for application in SE Europe
- Solar Photovoltaic applications in the South European countries can be expanded considerably (grid parity soon and beginning of the next decade PV's to remain competitive in the electricity market)
- Forecasting models for solar and wind power generation for efficient management in the market

However, sharing the same vision in the development of sustainable electricity systems is not always possible. The following have to be carefully considered:

- The way for large RES penetration is difficult: prudence, innovative technologies, time and investment are needed
- Sustainable development combined with competitiveness and maximizing the social and economic benefits
- Large RES penetration, the main issue for the power sector in the next decades, cooperation in R&D activities
- RES are going to be competitive with fossil fuel power generation, policy and measures for participating in the market, virtual power plants
- Integrated action plans for RES development in SE Europe and Trans-European power transmission lines

Major Climate Action Policies in the EU

The EU Climate Action and Energy Policy, adopted in 2008, is now under implementation and is already affecting developments:

- ETS Directive: significant limitations of carbon allowances until 2030 with full auctioning from 2013 onwards
- Non ETS Directive: specific emission reduction targets per country until 2020
- RES Directive: specific ambitious targets for renewable per country until 2020
- Supporting Directives and Regulations: Eco-Design, Buildings (recast), Cars, IPPC, LCD, etc

South East Europe and the EU Climate Change

The current EU climate action (and RES) policies are ambitious and have strong implications on:

- Energy investment (RES, nuclear, CCS, energy efficiency)

- Costs and prices (higher electricity prices because of costs and ETS auctioning payments)

What would be the impacts on the South East European area of raising ETS carbon prices and promoting the RES, similarly to the EU

- 25€/tCO2 by 2020 and 47€/tCO2 by 2030
- 48€/MWh shadow subsidy for Renewables

Conclusions

- Economic growth scenarios for the Balkans after the financial crisis imply rather low growth of energy demand. The projections for Turkey differ than the rest of the SEE.
- Gasification trends and renewable deployment is a dominant trend; however future gas needs are found lower than expected in the recent past.
- The current trends in the SEE show a less climate-friendly evolution than in the EU27, both regarding emissions and the RES. Security of supply is among the issues for concern.
- Applying the EU Climate Action and RES policy package in the entire SEE region, induces significant changes: high energy savings, impressively more RES (wind and biomass) and some more nuclear close to 2030. Gas substitutes fossil fuels but total gas needs reduce slightly from baseline.
- However, such a policy implies higher electricity prices but a modest increase in overall energy system costs.

4. RES AND NEW ENERGY TECHNOLOGY PROSPECTS

Although energy use in SE Europe lags behind in terms of energy efficiency and RES penetration compared to other areas of Europe, there is very high degree of interest from both governments and companies.

The development of new technologies and their deployment for power generation and heating/cooling applications, including biofuels for transportation, is expected to affect and shape the energy scene in SE Europe in the coming years. In addition, new technologies in electricity storage, new concepts in control strategies and the management of electricity flows and electricity grids are under development for large scale penetration of RES into the networks and are expected to have an impact on energy use in SE Europe over the next decade. Another priority area is energy efficiency where large scale development and deployment of appropriate technologies is expected to be introduced in the current decade. Expectations are high at government level on the potentially large amounts of energy that can be conserved through the use of low cost and locally adaptable solutions.

Distributed generation by renewable energies and efficient power generation technologies of zero or low CO_2 emissions is suitable for application in SE Europe. An increased demand for electricity is expected due to the expansion of the use in heating/cooling by efficient heat pumps combined with low enthalpy geothermal energy, and increased use of electricity in the transport sector.

Due to the intermittent character of power generation by RES, storage facilities and flexible power generation units are needed, while trans-European high voltage transmission lines are very important for efficient operation of the future European electricity system and the electricity market with large penetration of RES. High penetration of RES into the electricity sector can be achieved by the integration of the RES into the operation and management structure of the networks and the optimum mix. Forecasting models with better accuracy are under development for more efficient exploitation of RES.

Energy efficiency in buildings is a key element of the EU policy and this sector is a top priority in terms of energy efficiency potential, with 40% of total energy consumption. Every new building must be near zero emissions by 2020 and the public buildings by 2018. Member states have to establish ambitious plans to bring the existing building stock to near zero emissions. In the new energy performance of buildings directive (EPBD) CEN standards will be more usable as direct reference.

RES applications are advancing fast in certain countries of the region with Greece, Turkey and Bulgaria being in the forefront in terms of wind, solar thermal and photovoltaic use. Albania is also leading in the small hydro sector while other countries including Romania, Serbia and Croatia are focusing on biomass and energy efficiency applications. Although limited in terms of current applications geothermal energy's potential for the region is considered large for both power generation and heating applications.

Another important conclusion was that the RES electricity sector must be flexible with reasonable prices, so as to contribute towards a more competitive economy. Benefits in employment with the creation of new jobs, regional development and other social and economic benefits should be expected in parallel. The region has an important potential of RES, such as hydro, wind, solar, biomass, which could be exploited and managed using the interconnection electricity transmission lines. Close cooperation in the region for RES electricity and the sharing of the same vision in creating a competitive electricity market should be expanded. Cooperation in the region in joint studies, R&D and demonstration projects in the field would very useful for achieving common benefits in the long term.

IV. RECOMMENDATIONS

A number of suggestions and recommendations have been formulated by the organizing and scientific committee upon the conclusion of the 4th SEE Energy Dialogue:

1. Following the success of the 4th SEEED, both in terms of content and participation, it is proposed that a 5th SEEED is organized next year (2011). Thessaloniki once more appears as a suitable venue primarily in terms of location and facilities which can be provided by local institutions and companies. However, this does not preclude the organization of subsequent SEEED's in other parts of SE Europe and IENE, as the organizer, would like to consider the candidacy of other cities as suitable venues from 2012 onwards.

2. The Dialogue meeting presents a first class opportunity for the informal gathering of a representative group of regional energy players, once a year with the view of carrying out a realistic market assessment and reaching certain conclusions as to where the market is heading and what corrective action, if any, is required. Therefore, IENE proposes a closed (i.e. by

invitation only) roundtable meeting with a pre agreed agenda to be organized few months before the actual SEEED Conference where major issues and ideas can be discussed by a representative group of between 26 to 30 people from all different countries of the region (Background documents to be prepared in advance by IENE for the purpose of this meeting). It is proposed that IENE in cooperation with the interested governments and companies undertakes to arrange this one day pre-conference event early in 2011. The proposed gathering can take the form of a Coordinating Action Group. The findings of such a meeting suitably formulated and cleared by all present, to be widely circulated to governments and companies in preparation of the 5th SEEED.

3. There is a need for a kind of charter which will govern the workings of SE Europe's Energy Dialogue and which will be acceptable to all governments and private sector representatives. Therefore, a Working Group should be set up from representatives of the different countries who participated in previous SEEED meetings in order to prepare and propose such a charter at SEEED's next meeting. IENE to undertake to organize the meeting of this Working Group which should convene not later than the end of March 2011. This meeting can be combined with the above proposed meeting in paragraph 2 of the recommendations.

4. IENE to invite representatives from all regional organisations with interests in energy, to attend the 5th SEEED and contribute to its workings

5. WEC's role in fostering the energy and environment debate in the region is emerging as crucial, given its excellent network of contacts, its comprehensive work programme and its extensive background studies. Therefore, every effort should be made for WEC's involvement in the SEEED process.

6. The setting up of a horizontal permanent committee is proposed where representative from all countries of the region will participate and will be able to advise IENE on SEEED but also on other topical energy issues affecting the whole of SE Europe. Again the first meeting of this committee can be combined with the meeting as proposed in paragraph 2.

7. Through the Dialogue's proceedings the need was identified for more up to date information and rigorous analysis on the ongoing investment programmes in all different areas of activity in the broad energy sector. In that sense IENE, further to its ongoing information gathering and analysis

work, could undertake the preparation and publication on a regular basis of a series of detailed briefs to cover the following areas:

(i) Oil & Gas upstream
(ii) Oil & Gas downstream and midstream
(iii) Market unbundling and competition in the electricity sector
(iv) Clean Fuel Technologies
(v) Oil & Gas Pipelines project review
(vi) RES update
(vii) Climate Change Policies and how they affect national and regional energy strategies.

8. The Dialogue further identified the need for the organization of specialized and highly focused informal meetings on specific energy topics to be held regularly in different countries of the region. IENE has already organized one such meeting on "The Nuclear Energy Option for S.E. Europe" (Sofia, May 19, 2009) which could serve as a model for further such events. The following have been proposed as suitable themes for one or two day conferences, seminars and workshops.

(i) S.E. Europe as a Main Gas Corridor
(ii) Hydrocarbon Exploration in East Mediterranean and the Black Sea
(iii) Competition in S.E. European Electricity Markets
(iv) S.E. Europe Renewable Energy Forum, (Istanbul, October 2011)
(v) Investment Opportunities in West Balkan Electricity Infrastructure (Belgrade, April 2011)
(vi) RES Applications and Business Opportunities in Albania (December 2011)

9. Given the broad participation in the 4th SEEED, but also in previous meetings, by senior government officials and top company executives from the countries of the region, the Dialogue could evolve into a permanent informal platform for the formulation and presentation of specific ideas and proposals aimed at governments, companies and academia. In that sense it could help if work already undertaken by IENE in setting up a "S.E. European Energy Electronic Platform" (which was first broached by SEEED in June 2007 and endorsed by the 2nd SEEED) could be speeded up so that the platform can be realized before next year's Dialogue meeting. The operation of such a platform will contribute enormously in speeding up the process of communication and interaction between the various countries and institutions in the SEE area.