

The background is a dark blue image featuring a stylized map of Europe. Overlaid on the map are numerous glowing blue lines and nodes, representing a network or energy grid. The lines radiate from various points across the map, creating a sense of connectivity and energy flow.

## *Geopolitical Dimension of Energy - Energy Community Policies*

Simon Uzunov

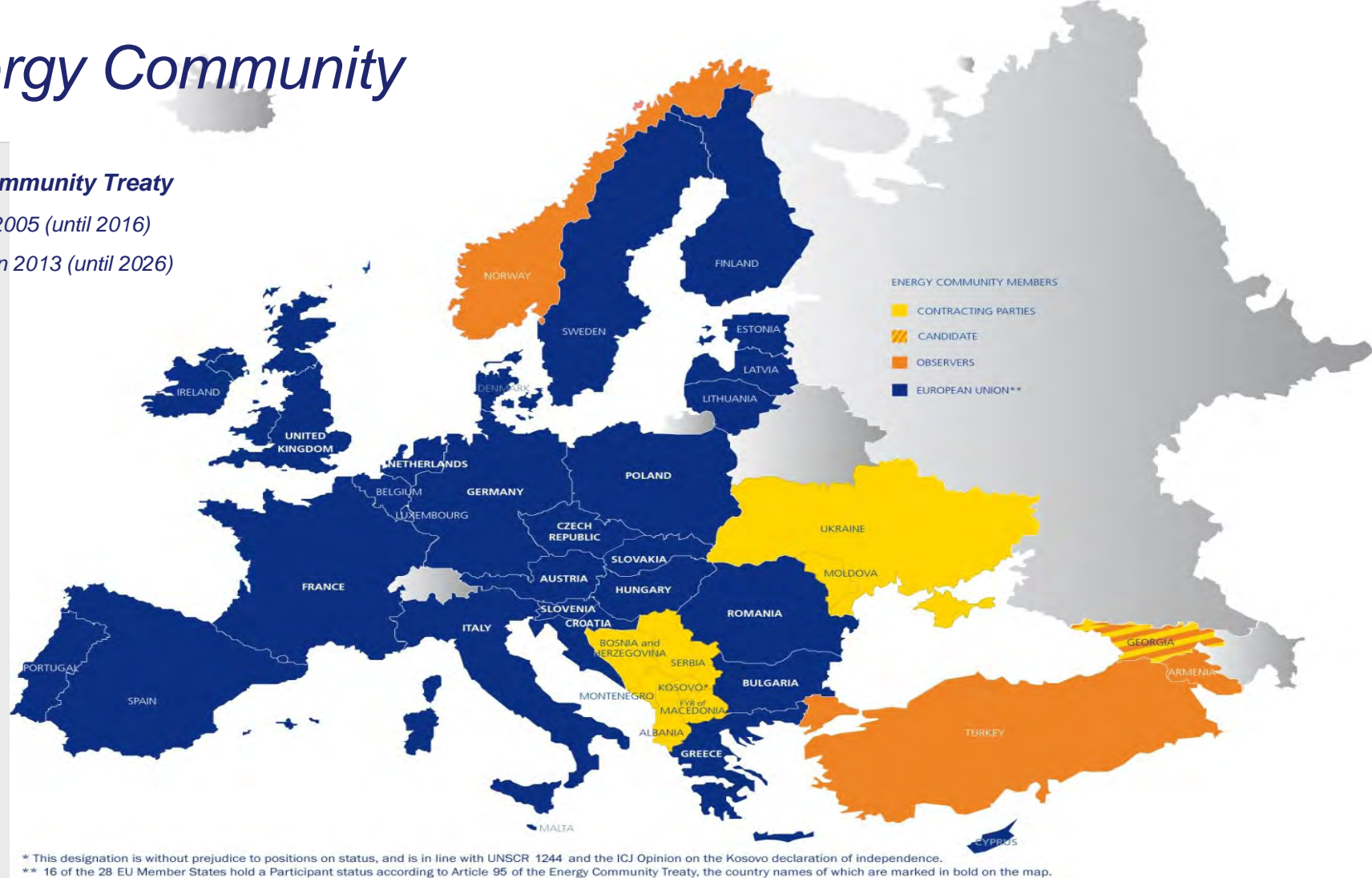
Head of Electricity Unit, Energy Community Secretariat

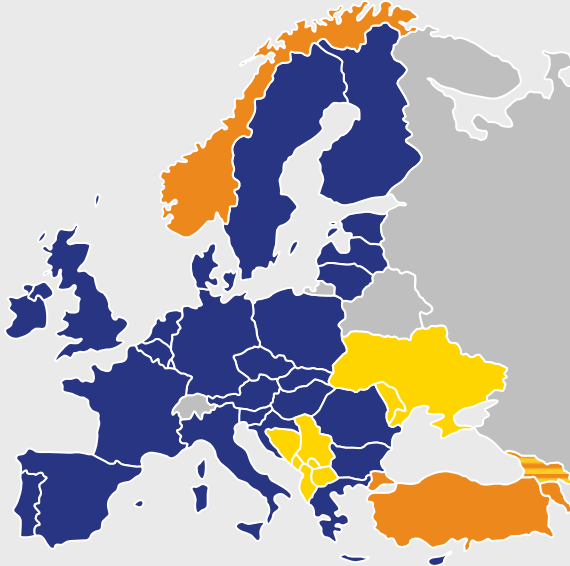
- Energy Community **POLICY** and legal framework
- Electricity **MARKETS** in the Energy Community
- Development of Energy **INFRASTRUCTURE**
- Energy Community for the **FUTURE**

# Energy Community

## Energy Community Treaty

- Signed in 2005 (until 2016)
- Extended in 2013 (until 2026)





- **Attract investments in power generation and networks**  
in order to ensure stable and continuous energy supply  
that is essential for economic development and social stability...

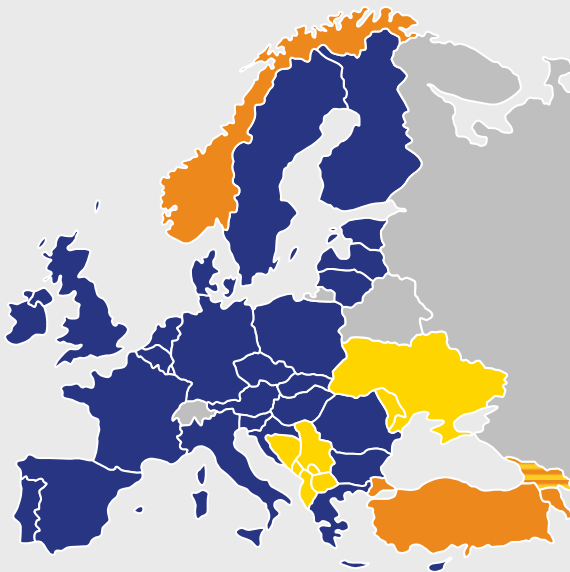
**...Create an integrated energy market**  
allowing for cross-border energy trade and integration  
with the EU market...

**...Enhance the security of supply...**

**...Improve the environmental situation**  
in relation with energy supply in the region...

**...Enhance competition at regional level**  
and exploit economies of scale.

- **Bring the Contracting Parties closer to their accession into the European Union**



**Electricity (Third Package) – by 1<sup>st</sup> January 2015 !!!**

**Gas (Third Package) – by 1<sup>st</sup> January 2015 !!!**

**Electricity / Gas (Second Package) – by 1<sup>st</sup> January 2012**

**Renewable Energy – by 1<sup>st</sup> January 2014**

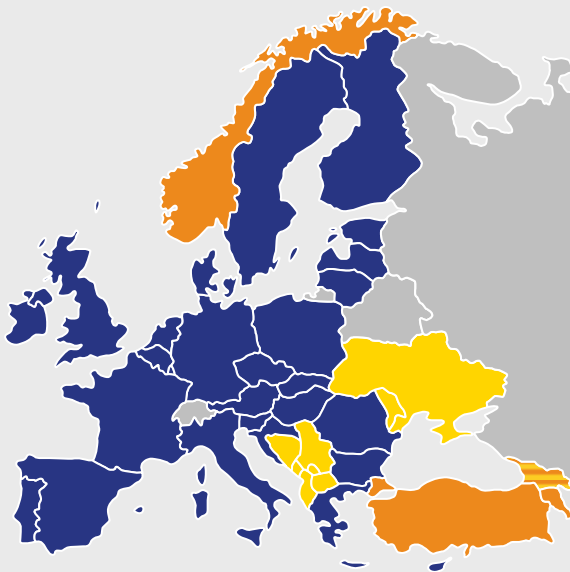
**Energy Efficiency – by 31<sup>st</sup> December 2012**

**Sulfur in fuels Directive (Env) – by 31<sup>st</sup> December 2011**

**LCP Directive (Env) – by 31<sup>st</sup> December 2017**

**Energy Statistics – by 31<sup>st</sup> December 2013**

**Oil Stocks – by 1<sup>st</sup> January 2023**



**EU Network Codes (ENTSO-E / ENTSOG)**  
implementation pending as soon as adopted by the EC

**Acquis extension** was discussed on the MC Meeting in Kiev in September 2014

**Regulation (EC) 347/2013** on guidelines for Trans-European energy infrastructure – accepted as a Recommendation

**Directive 2012/27/EC** on Energy Efficiency in buildings – PHLG in the first half of 2015

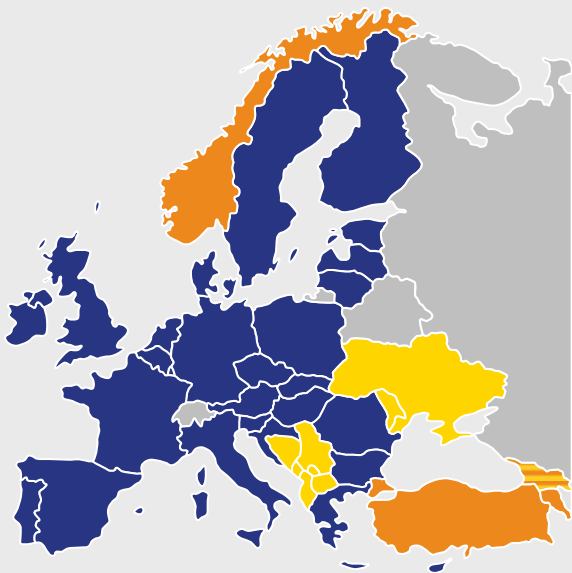
**Regulation (EC) 543/2013 (REMIT)** on transparency of electricity markets - consultations in the course of 2015

**Regulation (EC) 994/2010** on security of gas supply - consultations in the course of 2015 (postponed due to pending EC reconsideration)

**The Secretariat** provides direct assistance in transposition of the 3<sup>rd</sup> Package (AL, BiH, MD, UA) and assessment of compliance

**Infringement Procedure** is applied in case of persistent non-compliance





## ■ SEE CAO

- Yearly capacity allocations take place on 27 November 2014
- Monthly auctions (for January 2015) on 15 December 2014
- Daily auctions (for 01.01.2015) on 31.12.2014

(**HOPS, NOS BiH, CGES, OST, KOSTT, IPTO, TEIAS**) participate subject to:

- EMRA approval of the auction rules
- VAT problem in Albania solved
- KOSTT control area status defined in practice

## ■ PX project initiatives

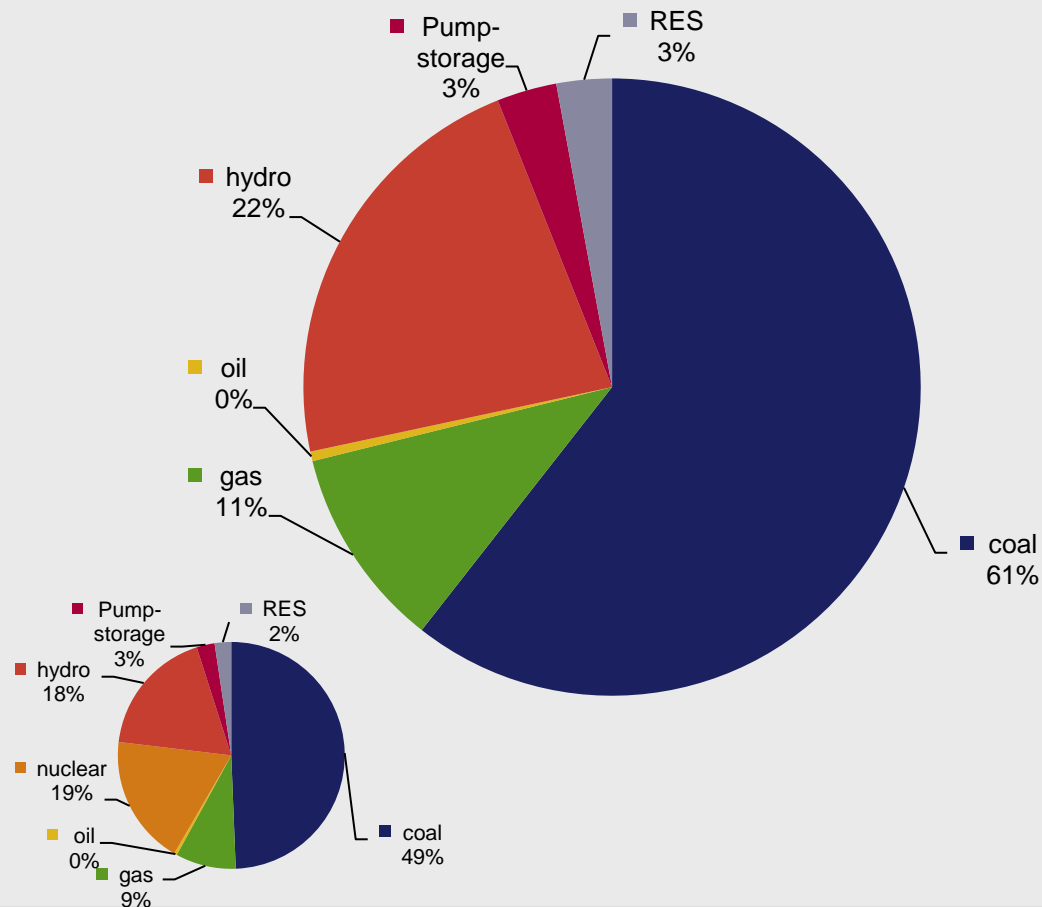
- SERPEX (MN, FYR of Macedonia to join)
- AL / FYR of Macedonia / Kosovo\* / ME (independent study)

## ■ Dominant use of coal (lignite)

- Environmental costs usually not included
- No full cost recovery or competitive prices for the coal (no market)
- Still significant coal deposits – in perspective
- Important source of employment

## ■ Growing interest for RES

- Large incentives - questionable sustainability on longer term
- No full cost recovery from the market (subsidized)
- Source of system volatility – cost of system stability not fully recovered



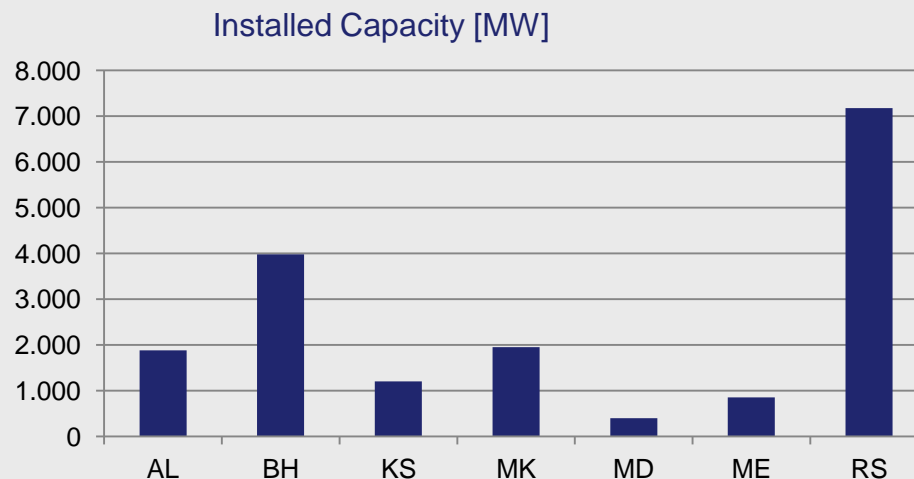
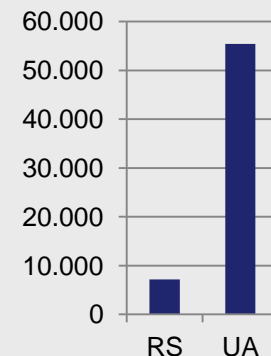


## ■ Investments are missing

- Old and obsolete facilities – threat to security of supply
- Costs of new investments are not part of the regulated prices
- Consistent investment policies are needed
- Planning instruments are not consistent
- Cumbersome authorization procedures

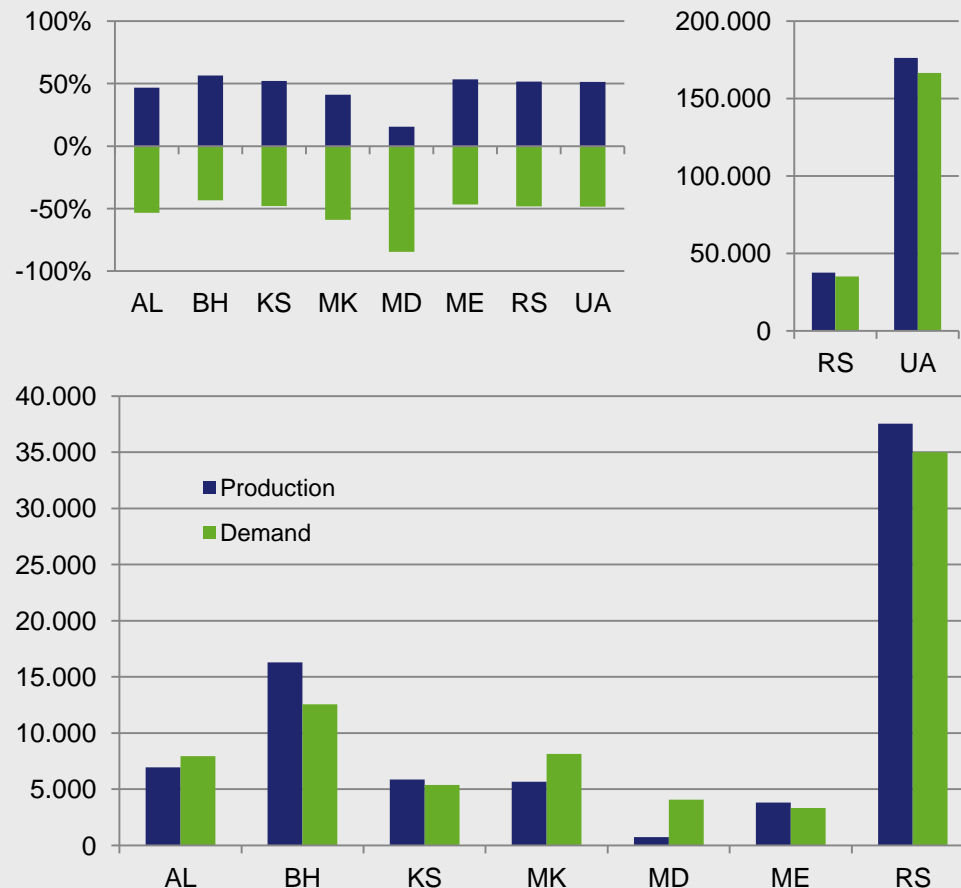
## ■ Generation adequacy is low

- Low level of diversification in some of the countries (AL, KS)
- Low transparency in the costs of production



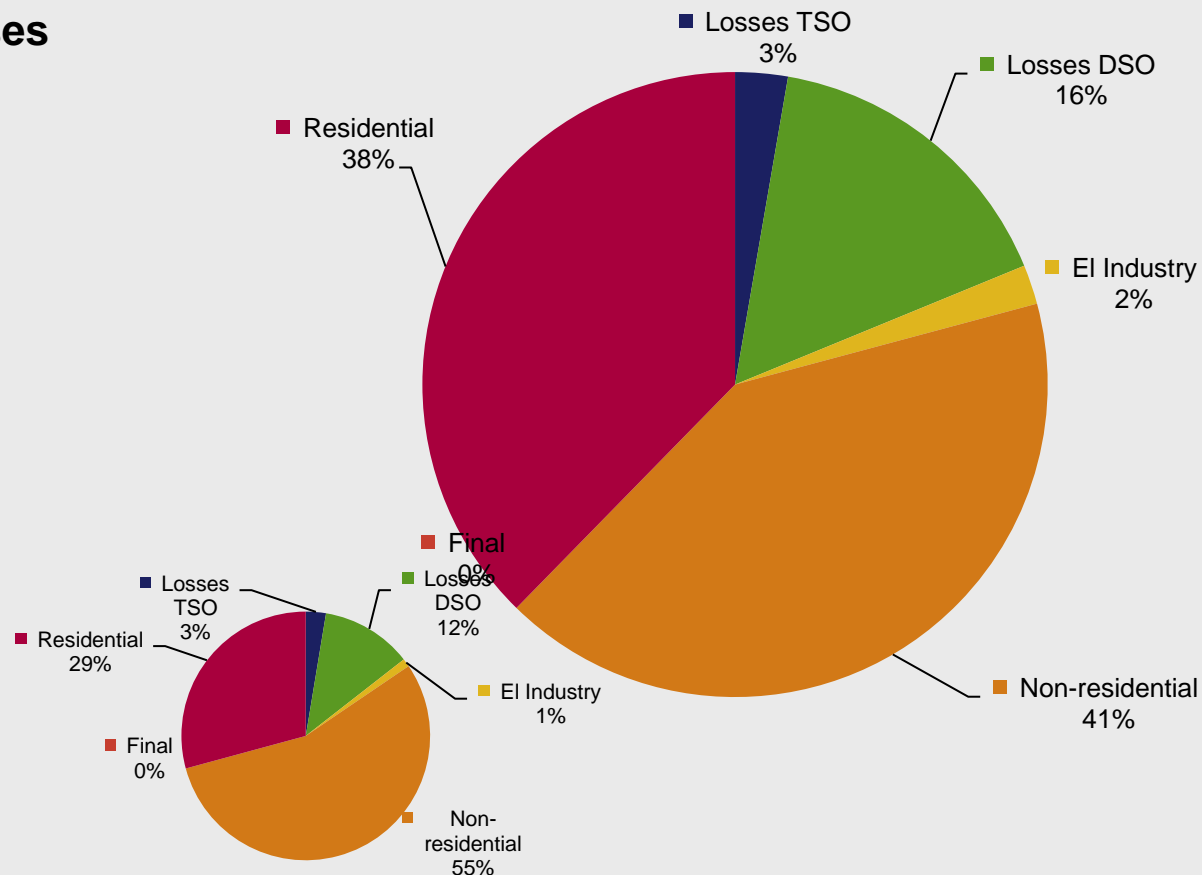
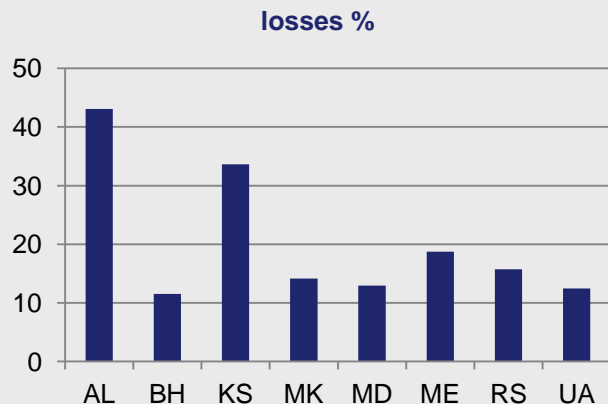
## ■ Dependence on domestic production

- Exemption is MD with high dependence on imports
- Critical FYR-MK and AL
- No sufficient surplus of production to facilitate a liquid competitive market
- Most Countries are net IMPORTERS
- UA and BH are net EXPORTERS



## ■ High level of distribution losses

- Technical aspects – metering, other equipment
- Legal and regulatory aspects – to eliminate theft
- Policy aspects – customer support
- Collection rate is also problematic



## ■ High percentage of household consumption

- UA is an exemption with high industry consumption
- Relatively low energy efficiency in the household domain
- Regular use of electricity for heating
- Need for effective social policy



- Many **projects have been tendered and re-tendered**, without success in the past 7-10 years
- Investment decisions and **authorization processes are cumbersome** (e.g. In Serbia, an investor needs over 20 different permits, it is similar in all countries)
- In the Western Balkans **electricity markets are too small to be attractive**, therefore more market integration and cross border flows of energy are needed
- In most countries of the Western Balkans, **investors can not be adequately rewarded** by the system of regulated prices and public utilities

## ■ Focus on fewer projects

- better prepared documentation (FS, ESIA), supported by EU funds through WBIF, governments and incumbent companies should put their resources behind them (human, financial, fiscal)

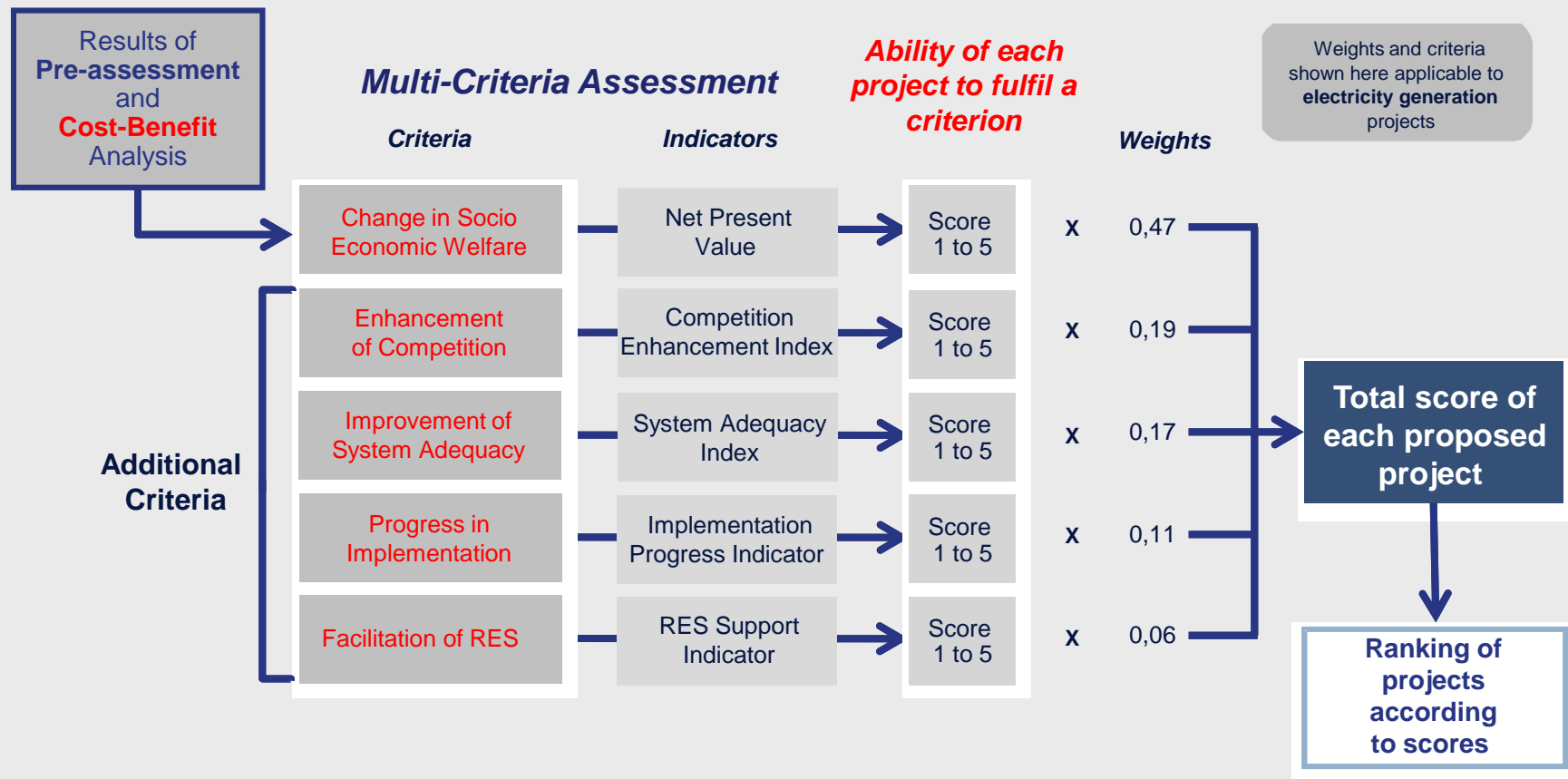


- Projects that **would benefit from additional support** such as:
  - Policy and regulatory instruments
  - Technical assistance
  - Financing mechanisms
  
- NOT intended to replace or supplement each country's **own strategy** or project development priorities
  
- Focused on **projects of regional significance** – that would provide added value in a specific energy sector from a regional perspective

# PECI projects – candidate list (2013)

Contracting Party / Project Promoter	Electricity Transmission	Electricity Generation	Gas	Oil
Albania	1	1	2	0
BiH	3	15	4	0
Croatia	4	2	4	1
Kosovo*	6	4	0	0
FYR of Macedonia	2	3	0	0
Moldova	2	0	1	0
Montenegro	3	3	0	0
Serbia	6	13	9	2
Ukraine	2	2	2	1
TAP Company	0	0	1	0
<b>TOTAL: 100</b>	<b>30</b>	<b>43</b>	<b>23</b>	<b>4</b>

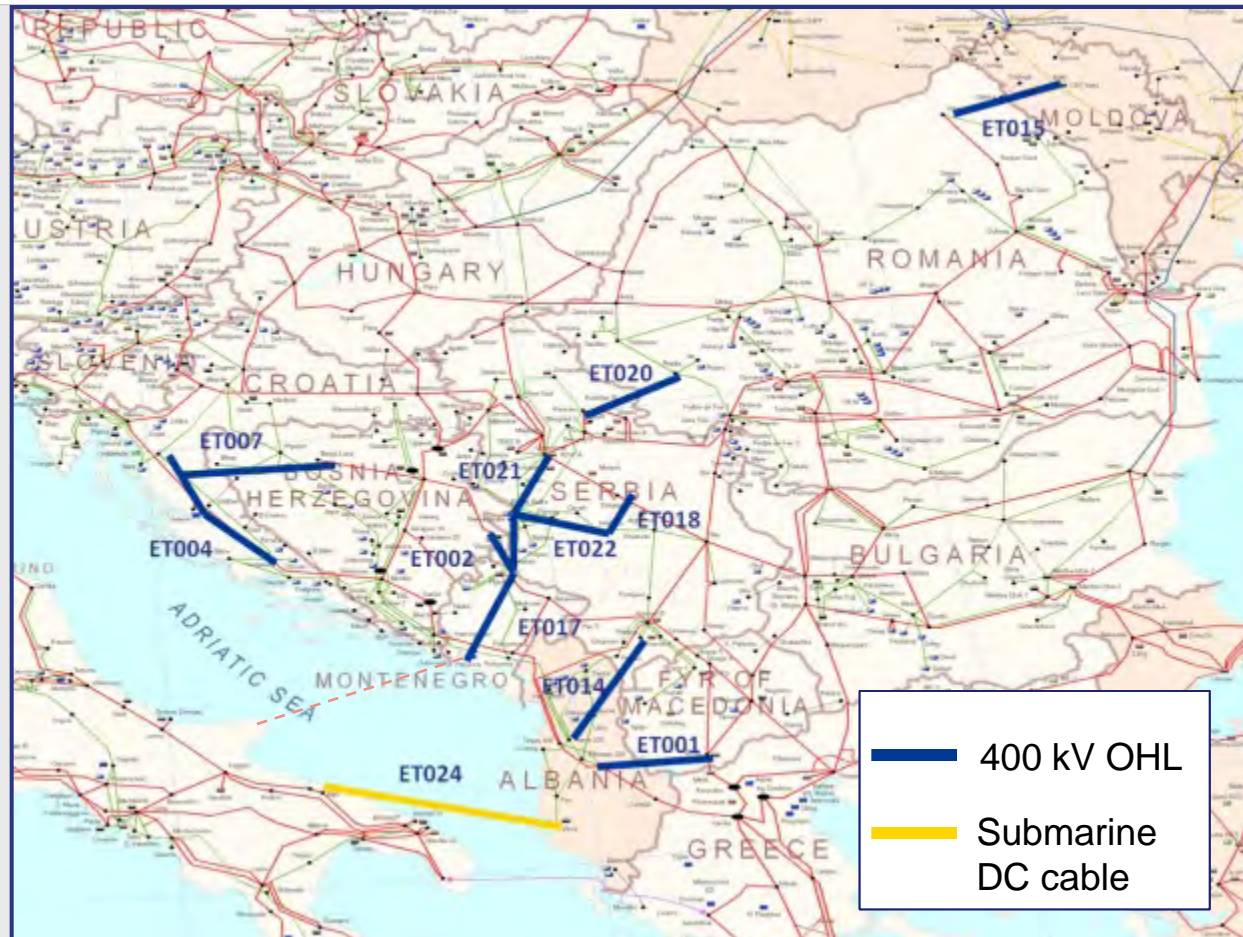




# PECI projects – electricity generation



# PECI projects – electricity transmission





# PECI projects – gas infrastructure



Area of intervention	Costs in mil. €
Electricity Generation	8.053,00
Electricity Infrastructure	669,89
Gas Infrastructure	4.024,70
Oil Infrastructure	607,80
<b>TOTAL:</b>	<b>13.355,39</b>



- HLRG established by the Ministerial Council in Oct. 2013
- Prof. Jerzy Buzek, Chair of the HLRG, and 5 members:  
Mr. Walter Boltz, Ms. Vesna Borozan, Mr. Fabrizio Donini Ferretti, Mr. Volodymyr Makukha and Mr. Goran Svilanović
- Mandate  
*to “make an independent assessment of the adequacy of the institutional set up and working methods of the Energy Community to the achievement of the objectives of the Energy Community Treaty, taking into consideration the evolution of this organization over the past years and its extended Membership, and to make proposals for improvements to the Ministerial Council in 2014”*
- Stakeholder consultation and public hearing

- A success story, but **need for improvements** to achieve its ambitious goals
- **Key shortcomings:**
  - **Lack of implementation** of the legal commitments entered into by the Contracting Parties in real terms
  - **Lack of private investments**
  - Need for adjustment to differing national or regional circumstances - **lack of flexibility**
  - Too **narrow scope**
  - **Weak enforcement** mechanisms
- **Recommendations** in **4 key areas**: legal perspective, investments, geographical scope and institutional set-up, and **3 levels**: no modification of the Treaty, modifications of the Treaty by simple decision of the Ministerial Council and full Treaty revision



- **More flexibility** in the adaptation of the acquis
- Additional acquis on **environmental protection**
- Title IV of the Treaty - fully integrated pan-European **energy markets**
- Broadening **scope** of the legal framework
  - Free movement of services and capital and freedom of establishment
  - Competition and State aid in the energy sector
  - Public procurement (Directives 2004/17 and 2004/18/EC) in the energy sector
- Enforcement of the Treaty before **national courts**

- Harmonise **permitting procedures** and criteria, increase transparency
- More funding for **technical assistance** and investments conditional on acquis compliance
- Enhance preparedness of **priority projects** (on contractual basis).
- Establish an Energy Community **Risk Enhancement Facility (ECREF)** to address risks difficult to mitigate  
(e.g. breach of contract, retroactive measures, taxation, payment defaults)
- Establish “clusters” of **complementary projects** which reinforce each other  
(e.g. For energy security or networks enhancement, etc.)

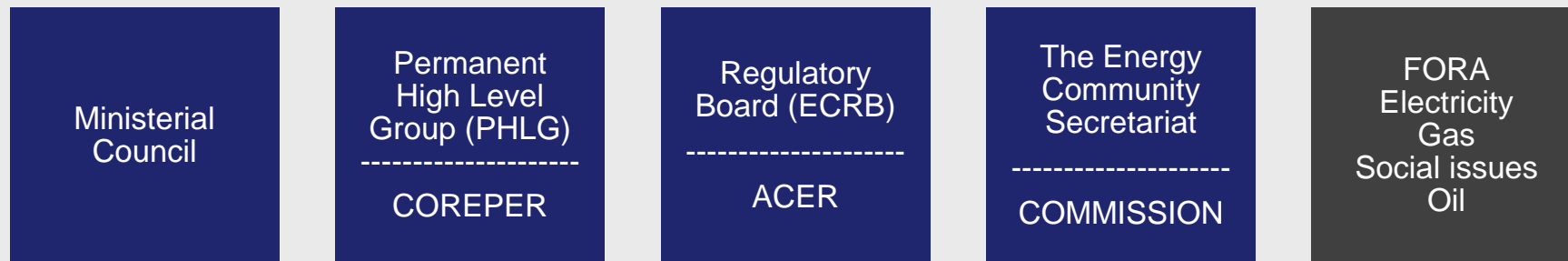
# HLRG Recommendations – geographical scope



- **Member Countries** (instead of Contracting Parties)
- **Associated Members** for countries adopting basic (minimum) level of implementation
- **Observer** status - sustained
- **Participant** category – eliminated
- Identify **important countries** or regions (Eastern Partnership countries, Switzerland, Norway and Mediterranean countries)
- Replace the current “one size fits all” by a **differentiating scheme** (2-tire approach, realistic deadlines)



# HLRG Recommendations – institutional setup



- Link of Energy Community institutions with **EU institutions** under 3rd Package  
(NRAs represented in **ACER**, TSOs in **ENTSO-E** and ENTSO-G – membership criteria)
- Budget contributions - increasing CPs' share, national secondments to the Secretariat
- Role of MC, **PHLG**, **FORA**, Civil Society and business community
- Institutional capacity of the **Secretariat**  
(assistance to law implementation, monitoring, coordinate EU-TA, investigate and execute)
- Gradual replacement of dispute settlement procedure by a **Court of Justice**  
(based on the European Economic Area Court, directly accessible by individuals and companies)

The background is a dark blue image of a globe with glowing blue lines and nodes, representing a global network or energy grid.

***Thank you for your attention***

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[www.energy-community.org](http://www.energy-community.org)