

OPENING UP THE WEST BALKANS ENERGY MARKET

BELGRADE, 7th MARCH 2012

Session I - Introductory remarks (Petar Maksimović, Energy Agency of the Republic of Serbia)

Ladies and Gentlemen,

Good morning to all of you and warm greetings from the Energy Agency of the Republic of Serbia.

At the outset, I would like to extend my utmost appreciation to the Institute of Energy for South- East Europe, for the opportunity to jointly organise this workshop as the first IENE event in Serbia. I would also like to welcome the publication of the SEE Energy Outlook 2011 and establishment of an regional energy data base, a flagship initiative of IENE addressing the well-known need for better energy statistics and continual market analysis in the region. Second, I would like to acknowledge the participation of an outstanding pool of international speakers, representing regional energy industry, international organisations and public administration, who will be addressing the region's most pressing energy policy issues, particularly the regional electricity and gas markets, renewable energy sources and energy efficiency.

This year we are entering in the second decade of the joint effort of the Western Balkans countries to create a regional energy market and integrate it in the EU internal energy market- the so called Athens Process. The Treaty Establishing the Energy Community, signed in 2005, was designed with a view to enable the countries of South-East Europe to become a part of the EU's internal market in this key economic sector even before their formal accession to EU. Another important milestone towards establishing a Pan-European energy market was the legally binding decision of the Ministerial Council of the Energy Community of October 2011 to implement the 3rd package of EU internal market legislation. While the activities focused on creating a level playing field across Europe may be assessed as a success story (according to the recent EC report on the Energy Community), the crucial issues of market integration and security of supply remain to be a concern.

This brings us to the Session II of this conference, the **regional electricity market**. Following the EU efforts to introduce unprecedented level of integration of electricity markets until 2014, both in terms of geographic scope and magnitude of market interactions, the region has recently commenced implementing the EU target market model, planning to join the EU-wide market coupling scheme in 2015. This is a vital interest of the region, taking into consideration that due to the size and structure of majority of national markets, meaningful competition can be developed on regional or EU level rather than on national level. On the other hand, the recent crunch of the regional electricity market due to extreme weather conditions clearly demonstrated fragility of the regional market and the need to urgently address the existing barriers to

cross-border trade, and especially the issue of insufficient generation and transmission adequacy.

We are faced with new global developments influencing the perspectives of the **regional gas market** - agreement between Turkey and Azerbaijan on the Trans Anatolian Pipeline (TANAP), latest considerations of the Shah Deniz consortium related to the Southern Corridor including further delay of the decision on the preferred project, possible downgrading and shortening the Nabucco pipeline; start of construction of South Stream pipeline announced for December 2012. However, no final investment decision on aforementioned projects has been taken by now, leaving some uncertainty in the means of bringing additional gas supplies in the region. Furthermore, the recent turbulences in the Middle East and North Africa have generated doubt over the reliability of energy supplies from the region, introducing concerns that consequential volatility of oil prices would inevitably affect the oil-indexed gas prices in the region. The Energy Community Gas Ring, a genuine regional initiative aimed to enhance security of supply of all Western Balkan countries is advancing from theoretical concept towards practical implementation. Complementing the current top-down approach with adequate bottom-up support in terms of structured multilateral regional cooperation of TSOs in network planning could contribute to acceleration of this project. Today's discussions within Session III will shed light to the burning issues of the regional gas market from the industry's point of view, focusing on network investment plans.

The final 4th Session of the workshop is dedicated to the untapped potentials of the Western Balkans countries- **energy efficiency and renewable energy sources**. Setting a balance between the need to secure reliable and affordable energy supplies to support economic recovery on one hand and to enforce energy efficiency measures and penetration of renewable energy sources on the other hand is definitely a challenge of Western Balkans governments faced with persistent fiscal and financial difficulties. This workshop aims to present the status quo and pinpoint further development trends of energy efficiency and RES in South East Europe.

I wish you a fruitful and successful meeting.

Thank you