

Conclusions of the 12th Energy Community Gas Forum

20 September 2017, Ljubljana

1. The Forum underlined that integration of the Contracting Parties' gas markets with neighbouring EU markets remains a central interest and strategy of the Energy Community. In this context, the Forum supported implementation of gas network codes and guidelines in the Contracting Parties and encouraged the Energy Community Secretariat ('Secretariat') to proceed with discussions on including Regulation 1227/2011 (REMIT) into the *acquis communautaire* ('acquis'). The Forum also welcomed the Secretariat's initiative to, in cooperation with the European Commission ('Commission'), investigate the development of a concept for harmonisation of wholesale (trade) and retail (supply) licenses in the framework of Title III of the Energy Community Treaty ('Treaty').
2. The reform of the Treaty is an indispensable pre-requisite for effective market enhancement in the Contracting Parties and integration with the EU gas market. The Forum specifically highlighted the need to create a level playing field and to close the regulatory gap for interconnection points between Contracting Parties and Member States and encouraged the Commission to further proceed with its efforts to table a proposal for Treaty reforms, as proposed by the Secretariat and discussed with the Permanent High Level Group.
3. The Secretariat presented efforts made in Albania, Kosovo*, Moldova, Montenegro, Serbia and Ukraine to align primary legislation with the Third Energy Package, underlined the need to urgently overcome the persisting related deadlock in Bosnia and Herzegovina and encouraged fYR of Macedonia to speed up the reforms. Georgia has been encouraged to proceed with reforming its national gas market in line with the Energy Community *acquis communautaire* ('acquis').
4. It has been stressed that genuine progress towards liquid gas markets cannot be expected without effective implementation and consequent application of legal provisions. In this context, the lack of serious attempts in Serbia and Ukraine to unbundle the national gas transmission system operators were highlighted.
5. The Forum took note of European energy policy advancements related to the Energy Union and the "*Clean Energy for All Europeans*" Package and stressed the need for the Energy Community to keep pace with related developments in order to not widen the gap between Contracting Parties' and Member States' gas markets. In this context, the Forum agreed that natural gas can have an important role in all five dimensions of the Energy Union, especially with regard to supporting the decarbonisation agenda and helping fostering competitiveness and security of supply. The high flexibility of power generation based on natural gas makes it an important back-up for balancing demand peaks and for supporting the integration of renewables in the energy system.
6. The Forum welcomed the findings of the Agency for the Cooperation of Energy Regulators and REKK on gas transmission tariffs in the Energy Community Contracting Parties and neighbouring EU Member States. It stressed that above average entry/exit charges at interconnection points, in particular, from Member States to Contracting Parties must be looked into and any discriminatory application of tariff principles must be abolished. First positive developments were observed in 2017.
7. The Forum took note of the approach presented by the Ukrainian regulatory authority to set up tariff methodologies. The Forum invited all gas transmission system operators and regulatory authorities to

increase transparency in context with tariff methodology setting. In this process, independence of regulatory authorities is crucial and must not be jeopardised.

8. The Forum welcomed the initiative of the Secretariat and the Agency for the Cooperation of Energy Regulators to continue assessing the EU and Contracting Parties' wholesale and retail gas markets in a combined way.
9. Upon debate on Ukraine and transit of Russian gas, the Forum noted that - as the current transit contract ends in 2019 and the preparation of competing transit infrastructure projects bypassing Ukraine is well advanced - the post-2019 period will also depend on Ukraine's seriousness to live up to its commitments under the Treaty. The panel, however, stressed that the Ukrainian gas system is abundant and an efficient way to deliver supplies from Russia to Europe and that various other projects could actually deteriorate security of supply of the Energy Community Contracting Parties and other Southern European countries.
10. EU experience shows that well established and implemented rules on usage of infrastructure, supported by adequate technical abilities, are necessary prerequisites for a functioning market. This is the path to be followed in the Energy Community by implementing the relevant codes on balancing, congestion management and capacity allocation. Joining the existing capacity platforms as early as possible would foster the process.
11. The Forum stressed that LNG supplies are an excellent link of Europe to the truly global natural gas markets. Nevertheless, the Forum questioned whether the Central and South East Europe countries can benefit from LNG glut in case of high interconnection tariffs, missing or insufficient interconnection capacities and legacy contracts preventing new arrangements. In order to benefit from international competition these barriers need to be removed. In this context, the LNG terminal in Lithuania presents an excellent example how longstanding dependence on a single supply source can be overcome with a comprehensive and well-coordinated approach.
12. The Forum invited the Secretariat to organise a special workshop where different studies on development of a gas market in Contracting Parties without one (Albania, Kosovo*, Montenegro) would be discussed.