

Workshop on NECPs Regional Consultation: Background Paper

The next Energy and Climate Technical Working Group (ECTWG) meeting on 8th October 2020 will set the ground for regional consultations of Energy Community (EnC) Contracting Parties (CPs) on their upcoming National Energy and Climate Plans (NECP). This meeting aims to kick-start and facilitate the discussion among EnC CPs and EU MS to be held at their own initiatives and/or at the meetings of the EnC Secretariat. During the ECTWG, EnC CPs will be invited to list the topics of their specific interest for regional consultations and to agree with other EnC CPs/ EU Member States (MS) on when and under what format these are to be discussed.

This Background Paper is meant to support EnC CPs in preparing their intervention. It outlines the opportunities that regional consultations can provide and lists key topics that might be of interest for EnC CPs to discuss with other EnC CPs / EU MS. This list is meant to be tentative. EnC CPs are encouraged to bring up other topics relevant to them and/or leave those topics that had been solved or are irrelevant.

1. Call for regional consultation and cooperation

According to the Regulation on the Governance of the Energy Union and Climate Action (EU) 2018/1999, EnC CPs should involve regional authorities, consult with other EnC CPs/ EU MS and consider regional cooperation when preparing their NECP. In this process:

- EnC CPs should get the opportunity to comment on other EnC CPs' integrated NECP before they are finalised and to liaise with their EnC CPs/ EU MS counterparts' plans to avoid inconsistencies and potential negative impacts on other EnC CPs and EU MS and ensure that objectives are met in a consistent manner. Regional cooperation in elaborating and finalising integrated NECP as well as in their subsequent implementation should be essential to improving the effectiveness and efficiency of measures and fostering market integration and energy security.
- In order to facilitate market integration and cost-efficient policies and measures, EnC CPs shall, in the period between the deadline for submission of their draft integrated national energy and climate plans and the deadline for submission of their final plans, present the relevant parts of their draft integrated national energy and climate plan in relevant regional cooperation fora with a view to their finalisation.
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The regional consultation and cooperation activities should later also be described in EnC CPs' NECPs as:

- Chapter 1.3.¹ Consultations and involvement of national and EnC entities and their outcome (ii. Involvement of local and regional authorities; iv. Consultations of other EnC CPs and EU MS); and
- Chapter 1.4.¹ Regional cooperation in preparing the plan (i. Elements subject to joint or coordinated planning with other EnC CPs/ EU MS; ii. Explanation of how regional cooperation is considered in the plan).

¹ Regulation (EU) 2018/1999 of the European Parliament and the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action; available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32018R1999&from=EN#d1e32-47-1>

2. Topics potentially relevant for regional consultations

The Governance Regulation calls out specific topics relevant for regional consultation including possible objectives and targets and proposed policies and measures that might have an impact on neighbouring EnC CPs/ EU MS. Related consultations should account for all relevant dimensions of the Energy Union and cover aspects related to decarbonization and renewable energy, energy efficiency, energy security, energy market and research, innovation and competitiveness.

In regional consultations, EnC CPs are welcomed to discuss in particular those parts of their NECPs, which relate to the topics listed below:

- **National objectives and targets** – proposed national targets related to (1) GHG emissions reduction and removal, (2) energy efficiency and (3) share of renewable energies (RE).
- **Generation adequacy assessment** – Evolution of the electricity generation mix, diversification of energy sources and supply, routes and imports/exports/ suppliers from third countries:
 - o Plans for decommissioning of existing thermal power plants indicating the year of decommissioning and generation capacity to be decommissioned, including opted-out plans under the Large Combustion Plants Directive;
 - o Plans for fuel conversion or reconstruction of existing and construction of new thermal power plants, including gas fired power plants;
 - o Plans for new capacities from renewable energy sources, including, transboundary hydropower projects – Plans for hydropower development at the level of shared river basins. Status of related adequate bi-/multilateral agreements between the Parties sharing the basin including among other topics the use of shared waterflows, criteria for marginal (minimum) level, impact from the alternative use of waters (social / economic priorities);
 - o Plans for potential increase of system flexibility options such as by improving demand side management/response, installing baseload generation capacities or using energy-storage systems (e.g. pumped hydro, gas or other types of storages), hydrogen, achieving geographic and technological diversification of variable energy sources;
 - o Plans for ensuring generation adequacy through energy import, including from third countries.
- **Interconnections and transmission capacities:**
 - o Existing and planned interconnectivity level;
 - o Existing net transfer capacities at different borders, network congestions (if any);
 - o Plans and activities to possibly increase net transfer capacities;
 - o Plans for new electricity and gas interconnections especially due to higher integration of renewables: main electricity and gas transmission projects with planned date of commissioning and expected capacity; in particular, plans for adapting and constructing gas networks to inject low carbon gases.
- **Energy market integration** – plans, policies, measures, timelines and impact on competitiveness and energy prices related to:
 - o day-ahead and intraday market coupling, including for (regional) coordinated capacity calculation and allocation;
 - o gas market integration and establishment of regional gas hubs;
 - o cross-border balancing market integration (load frequency control (LFC) block configuration, dimensioning of reserves, imbalance netting, exchange of balancing reserves and energy);
 - o bidding zone reconfiguration;
 - o introduction of carbon pricing mechanism;
 - o phasing out of subsidies in the energy sector;

- flexibility trading with a view to enable higher integration of intermittent renewable energy sources;
- mutual recognition of licenses;
- harmonization of VAT regimes;
- **Cross-border mechanisms for renewable energy deployment and trade** – plans, policies, measures and timelines for:
 - enabling the cross-border exchange/ transfer of energy from renewables incl. guarantees of origin or green certificates including for low carbon gases;
 - statistical transfers (estimated excess production of energy from renewable sources to be transferred to other CPs / EU MS in order to achieve the national contribution and trajectories);
 - joint support schemes for renewable energy projects such as cross-border auctions;
 - joint renewable energy projects;
- **Risks and security threats in energy networks and critical energy infrastructures (including cybersecurity)-**
 - regional risk assessment, risk preparedness and crisis management mechanisms focused on potential cascading effects in case of security crisis;
 - plans for building up the resilience and cybersecurity of interconnected networks and critical energy infrastructures - common energy security acts, coordinated security measures (preventive plans, emergency plans, contingency plans, security standards, definition of protected customers, solidarity measures in crisis, certification criteria, etc.);
 - cross-border cooperation among energy operators / CSIRT teams (mechanisms for early warning and sharing / analysis of security-critical information, coordinated training / capacity building);
- **Transport sector regional cooperation on:**
 - Modalities to foster usage of renewable energy, natural gas (CNG), hydrogen in transport sector by 2030;
 - efficient freight transport, railway system and infrastructure management;
 - Electromobility infrastructure and services development (network of chargers) etc.
- **Research and innovation** – engagement in researching and deploying new technologies related to any of the following: carbon capture and storage, enhanced renewable energy technologies, production and deployment of hydrogen in the energy system, digitalization of the energy sector and smart grids, etc.
- **Regional Cooperation** - explanation of how regional cooperation is considered in their NECPs (with regards to GHG emissions and removals; renewable energy; energy efficiency; energy security; energy transmission infrastructure and energy market).
- **Other objectives and targets and/or policies and measures impacting other CPs/ EU MS and/ or regional cooperation** e.g. impacts on the energy system in neighbouring and other EnC CPs and EU MS in the region to the extent possible; impacts on energy prices, utilities and energy market integration.