

Energy Community Parliamentary Plenum
Joint Report on Security of Energy Supply in the Energy
Community Region
19 December 2017, Vienna

Co-rapporteurs: Lev Pidlisetsky (Parliament of Ukraine) and Claude Turmes (European Parliament)

The Energy Community Parliamentary Plenum,

- having regard to the Treaty establishing the Energy Community;
- having regard to the European Parliament Resolution on European Energy Security Strategy (2014/2153(INI));
- having regard to the Energy Community High Level Reflection Group Report on the Future of the Energy Community;
- having regard to the 2014 EU gas stress test results;
- having regard to the Directive 2005/89/EC of 18 January 2006 concerning measures to safeguard security of electricity supply and infrastructure investment;
- having regard to the Directive 2004/67/EC of 26 April 2004 concerning measures to safeguard security of natural gas supply;
- having regard to the Regulation (EU) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010;
- having regard to the Proposal for a Regulation of the European Parliament and of the Council on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC;
- having regard to the Commission Regulation (EC) 543/2013 on submission and publication of data in electricity markets ("Transparency Regulation");
- having regard to the Directive 2010/31/EU of 19 May 2010 on the energy performance of buildings;
- having regard to the Directive 2012/27/EU of 25 October 2012 on energy efficiency;
- having regard to the Paris Agreement on climate change;

- having regard to the Energy Community Secretariat's 2017 Annual Implementation Report on the Contracting Parties' progress in transposition and implementation of the acquis;

- A. whereas the overriding objective of the Treaty establishing the Energy Community is to create an integrated and sustainable pan-European energy market;

- B. whereas a stable regulatory and market framework would enhance the security of energy supply of the single regulatory space, contribute to decarbonisation and promote renewable energy sources and energy savings;

- C. whereas energy security is one of the five dimensions of the Energy Union and can only be achieved through greater regional co-operation with neighbouring countries;

- D. whereas EU Member States and Energy Community Contracting Parties are all committed to the Paris Agreement with the goal to keep global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius;

- E. whereas the Energy Community Contracting Parties and EU Member States are part of the same internal energy market and should be treated as equal partners;

- F. whereas the best means of safeguarding security of energy supply is ensuring the full implementation of the Third Energy Package and the relevant legislation in the field of energy security as well as energy efficiency and renewables; and the lack of compliance and timely transposition of the acquis endangers the energy security of the Energy Community and the European Union;

- G. whereas the key goal of the Third Energy Package is genuine market transformation, enhancing energy efficiency, strengthening security of energy supply, increasing the share of energy from renewable sources, putting consumers at the centre of the system and developing interconnectors thus creating the prerequisites for deeper market integration;

- H. whereas increasing cross-border interconnections and optimising the utilisation of existing ones will improve Europe's security of energy supply by overcoming bottlenecks and ending the isolation of energy islands;

- I. whereas there are different levels of energy market concentration, vertically integrated energy companies, distorted pricing (including the absence of a carbon price), administrative complexity, inefficient cross-border cooperation and interconnection are preventing deeper market integration;

- J. whereas the European Union has recently taken measures to boost its security of energy supply via the application of the new security of gas supply regulation and is currently revising the regulation on risk-preparedness in the electricity sector, the Energy Community is yet to follow in the EU's footsteps and still depends on outdated legislation to safeguard its security of energy supply;
- K. whereas the EU's gas stress tests concluded that cooperation between EU Member States and Energy Community Contracting Parties is vital for security of supply of gas as they share the same gas supply infrastructure;
- L. whereas the Energy Community Contracting Parties, like some EU Member States, are heavily reliant on one single country for gas supplies, the Russian Federation;
- M. whereas it is recognised that Member States and Contracting Parties are free to determine the structure of their energy mix, including to use natural gas, and to consider this energy source as playing a key role in the transition to a decarbonised economy;
- N. whereas the access to reliable data is indispensable for electricity market participants' ability to take efficient production, consumption and trading decisions, and timely availability of complete sets of data on fundamentals of electricity systems should also increase the security of energy supply, while protecting commercially sensitive information and citizens' right to privacy;
- O. whereas increasing levels of automatization and digitalization may evoke the vulnerability of national energy markets to cyber-attacks causing crisis situations that can extend beyond a country's borders;
- P. whereas the Energy Community adopts every two years a list of Projects of Energy Community Interest and Projects of Mutual Interest to improve energy connectivity between Contracting Parties and also with EU Member States, which plays a key role in increasing energy security, contributes to higher renewables integration, and ensures more affordable energy prices for consumers;
- Q. whereas the uptake of energy efficiency and saving measures and technologies as well as the increase of energy from renewable sources presents an efficient solution for fighting climate change, decreasing countries energy bills and imports, and finally delivering better services for consumers;

Herewith:

1. Underlines that the Energy Union must be truly pan-European, encompassing EU Member States as well as the Energy Community Contracting Parties on an equal footing; and in this regard welcomes Georgia's membership in the Energy Community;
2. Recognizes the importance of security of energy supply for the well-being of citizens and functioning of the economy;
3. Takes the view that securing energy supply through efficient and sustainable operation of energy markets is one of the cornerstones of the Energy Union as well as one of the overriding objectives of the Energy Community Treaty;
4. Underlines that no country can successfully ensure its security of energy supply without cooperation with its neighbours and crises situations often extend beyond a country's borders; Stresses a need for complete compliance of all Contracting Parties with acquis on market development as well as for more efficient cross-border cooperation;
5. Recognizes the Energy Community Treaty is a valuable and effective instrument for increasing pan-European energy security; underlines that the implementation of EU norms and principles of the internal energy market in the EU's neighbourhood enhances the security of energy supply of the neighbouring countries as well as the EU; the Energy Community Treaty should be further strengthened in order to address the widening "legal gap" on the border between EU Member States and Energy Community Contracting Parties; the gap should be tackled by introducing a reciprocity clause in the Treaty;
6. Recognizes that activities in the field of renewable energy sources, applying energy efficiency and saving measures as well as demand-side management play a significant role in increasing security and sustainability of energy supply, alleviating scarcity and decreasing dependence on energy imports; and welcomes the past Energy Community Ministerial Council conclusions tasking the Secretariat to carefully elaborate visions for Energy Community post-2020 renewables, energy efficiency and greenhouse gas reduction policies in the context of the Paris Agreement and to discuss and develop the proposals for the Ministerial Council in the first half of 2018;
7. Underlines that renewable energy sources, taking into account readiness of the Contracting Parties and a maturity of their electricity markets, require a stable revenue stream that should be allocated for large-scale projects via a competitive, market-based approach to ensure cost-effective deployment of renewables for the benefit of end-customers and contribute to higher renewables integration, while continuing with more simple forms of support for small-scale installations, self-consumption and renewable energy communities;
8. Highlights the importance of energy efficiency as the least cost option for improving energy security and sustainability and creating local jobs; and having in mind that the buildings

sector, responsible for 50 percent of energy consumption in the Energy Community, has the largest potential in terms of energy efficiency gains, calls on the Contracting Parties to push on with transposition and implementation of the Energy Efficiency Directive and the Energy Performance of Buildings Directive as well as legislation on national buildings renovation programmes;

9. Highlights the role of local authorities and citizens in contributing to the improvement of security of energy supply; community energy projects on biomass and solar PV in Montenegro and new energy cooperatives for production of biogas in Bosnia and Herzegovina are positive examples that could be replicated in other Contracting Parties;
10. Underlines the challenges as well as opportunities that lie ahead in reaching the objectives of the Paris Agreement, believes that addressing emission reduction in the most cost-effective way goes alongside with increased security of supply;
11. Stresses that the costs of adaptation of power plants to the requirements of the Large Combustion Plants Directive 2001/80/EC, including of the National Emission Reduction Plans, shall be exclusively borne by the owners of generation plants as market operators;
12. Notes that the benefits of compliance with the Large Combustion Plants Directive 2001/80/EC, including via National Emission Reduction Plans, will largely outweigh the costs of implementation in terms of health-related costs of air pollution;
13. Underlines the importance of a proper legal framework, which supports the creation of a transparent, investor-friendly market environment, as the best guarantee for ensuring security of supply and stresses the crucial role of parliamentarians in this process; calls on the Energy Community Secretariat to closely monitor and assess the transposition and implementation of the Energy Community acquis;
14. Recognizes the importance of open and timely access to reliable information for all market participants as a precondition for effective functioning of the competitive energy markets, alleviating market abuse and facilitating security of supply; calls on the Contracting Parties to enforce the rules and apply mechanisms for provision of full sets of required data to the ENTSO-E Electricity Transparency Platform;
15. Underlines that cyber security must be an indispensable part of security of energy supply and adequate attention must be paid to cyber security of energy markets and infrastructure data, development of an adequate regulatory base in the sphere of cyber security; thus welcomes cooperation among countries on countering and overcoming cyber threats and creating a common cyber security policy;

16. Underlines that ensuring security of energy supply requires having in place liberalised, transparent, fair and well-regulated energy markets whilst protecting vulnerable energy consumers; notes that regulated energy prices must be phased out in the longer term in order to eliminate barriers to achieving well-functioning energy markets under the condition that support mechanisms are applied to protect vulnerable consumers and combat energy poverty;
17. Expresses concerns that whereas the Projects of Community Interest in the EU benefit from the Connecting Europe Facility, the priority energy infrastructure projects in the Energy Community Contracting Parties have significantly limited financing possibilities from European concessional funds (grants);
18. Underlines the potential of regional cooperation and solutions to improve security of energy supply, in particular the possibility of making use of Ukraine's vast gas storages to other countries;
19. Underlines the importance of market integration in the Energy Community Contracting Parties and their neighbouring EU Member States, including through the building of new interconnections where necessary and the optimal use of existing ones; welcomes regional energy connectivity initiatives such as the Western Balkan 6 process and the CESEC as well as national ones such as the ongoing efforts to integrate Ukraine's "Burstyn Island" into the European Inter-TSO Compensation Mechanism (ITC) as a step towards further integration and market coupling; to that end calls upon each Contracting Party to establish organized electricity market day-ahead and intraday trading, facilitate cross-border transactions and balancing services, and ensure access to a local or regional power exchange;
20. Expresses concerns that, despite the likelihood of a security of supply crises spilling over the EU border to/from neighbouring Contracting Parties due to their geographic proximity, cooperation between EU Member States and Energy Community Contracting Parties with respect to security of energy supply is to a large extent not obligatory and limited to voluntary agreements;
21. Underlines that dealing with gas or electricity supply crises requires a common framework of rules and coordinated procedures to be in place for preventing, preparing and handling a crisis to be in place; underlines that, in case of an emergency, the Energy Community Contracting Parties can significantly reduce the risk of a supply crisis also in EU Member States and urges the Energy Community Secretariat to consider all available legal possibilities and take the initiative in proposing and coordinating the development and application of such cooperation mechanisms;
22. Expresses concerns regarding the outdated legislation on security of gas and electricity supply currently applicable in the Energy Community and suggests to the European Commission to consider, taking into account opinions of the Contracting Parties, immediately

proposing Regulation (EU) 2017/1938 concerning measures to safeguard security of gas supply, and the Regulation on risk-preparedness in the electricity sector for adoption in the Energy Community;

23. Calls on the Energy Community Ministerial Council to assess whether the current instruments under the Treaty establishing the Energy Community are sufficient to ensure security of energy supply and take corresponding measures to support further progress;
24. Instructs the Energy Community Secretariat to forward this report to the Energy Community Ministerial Council and to participants to the Energy Community Civil Society Day.