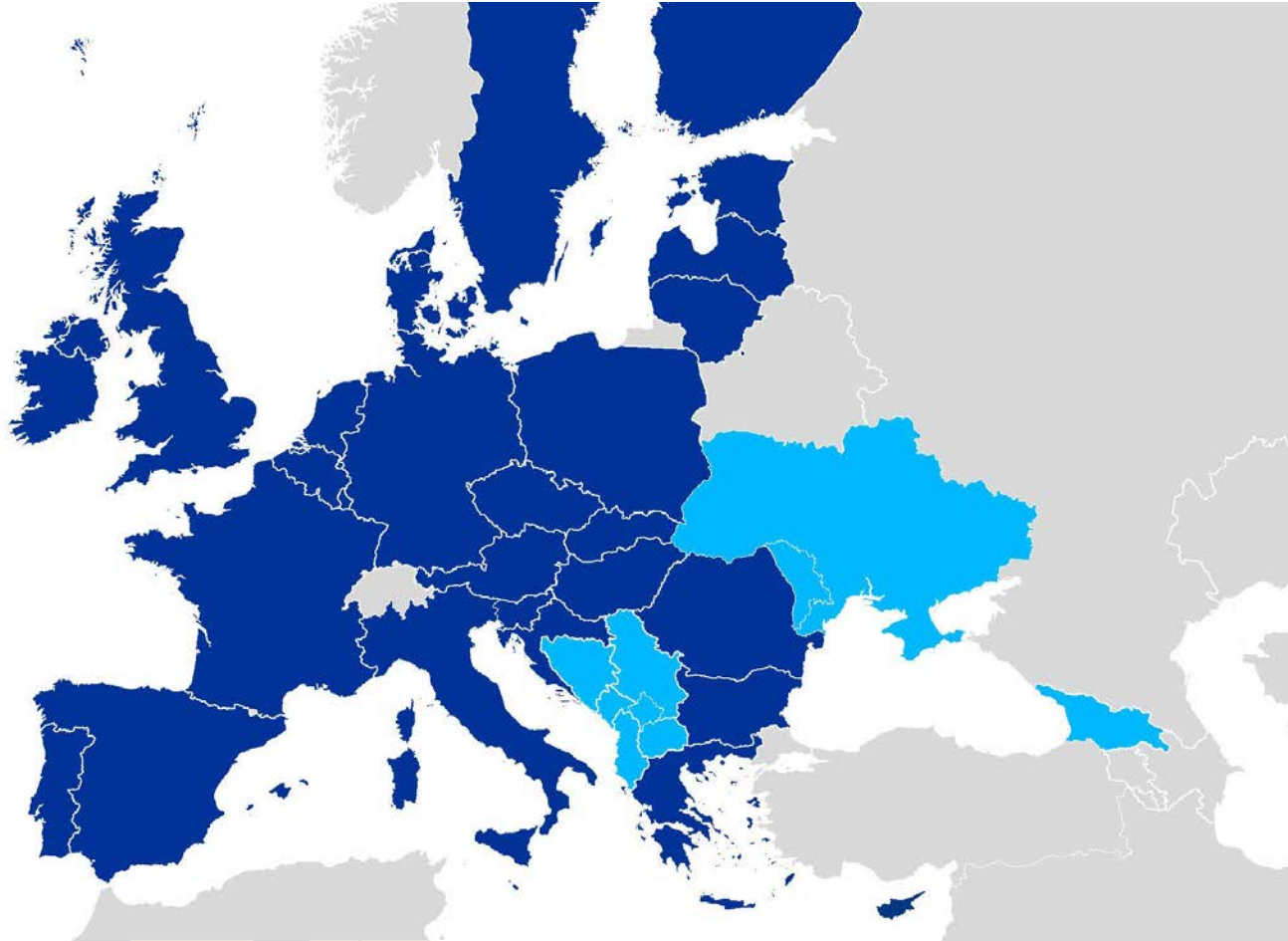




The Energy Community - Transforming the EU's neighborhood in line with the energy acquis

Meeting of the Committee on Industry, Research and Energy

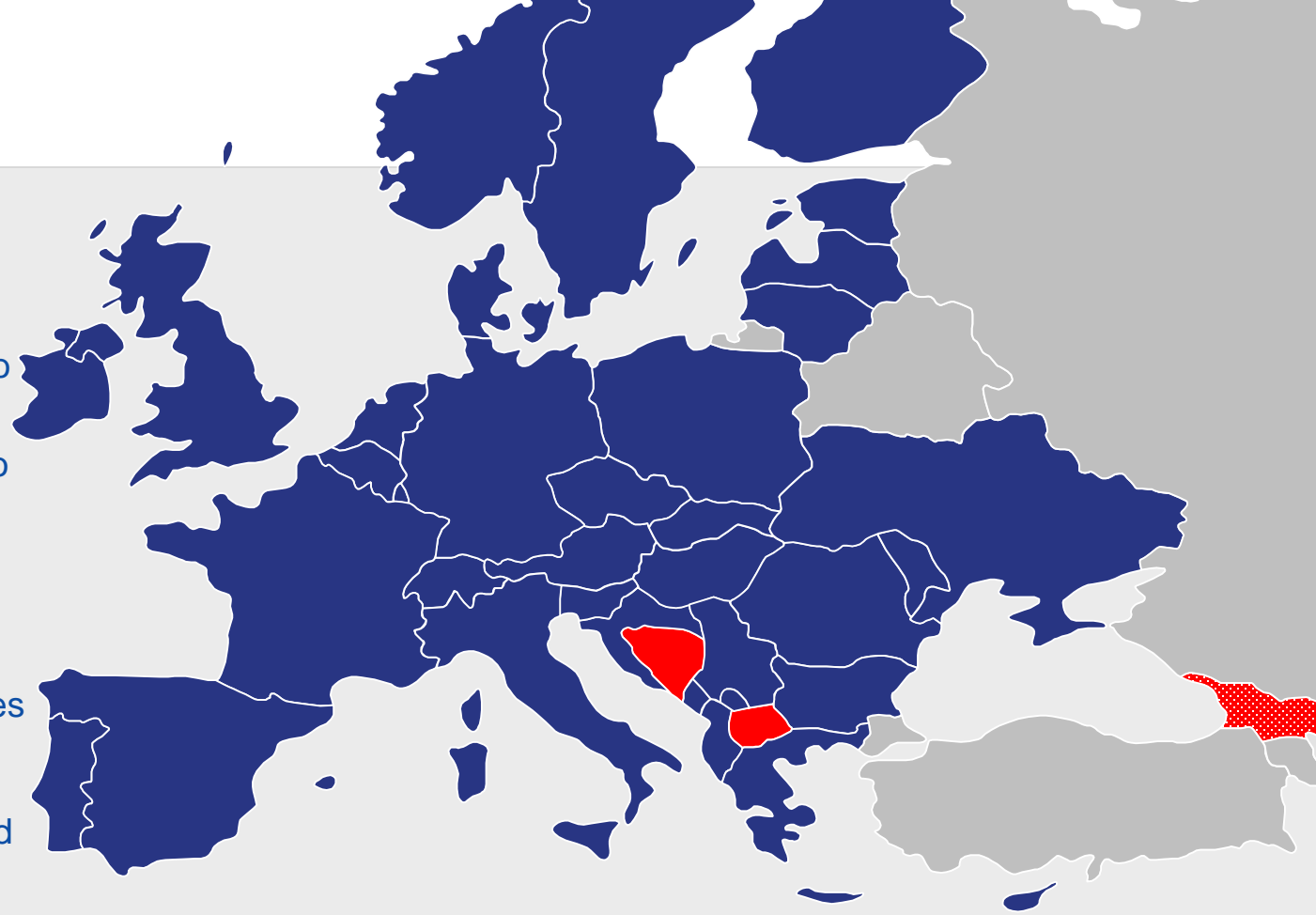
European Parliament, 24 April 2018



A treaty-based instrument to reform the EU neighbouring countries' energy sectors in line with EU energy law and principles towards a **Pan-European Energy Market**

Third Energy Package

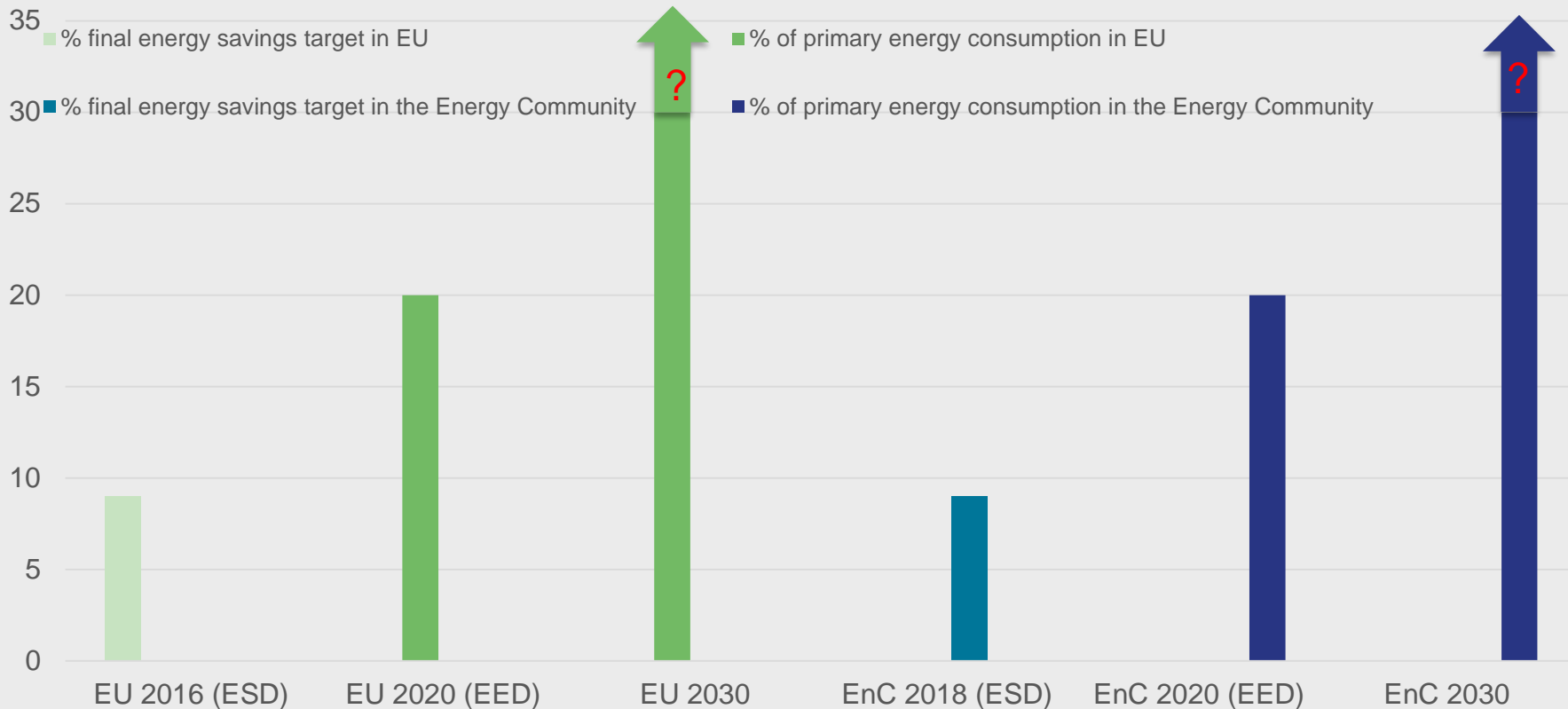
- Albania, Kosovo*, Montenegro, Serbia, Moldova and Ukraine have transposed the Third Energy Package to a sufficient degree
- FYROM aspires to do so in the course of 2018
- Situation in Bosnia and Herzegovina remains dead locked
- Implementation continues to be a challenge, e.g. resistance to gas TSO unbundling in Serbia and Ukraine
- Delayed transposition deadlines for Georgia



- **Renewables**
 - Kosovo*, former Yugoslav Republic of Macedonia, Serbia and Ukraine remain below their indicative trajectory to meet the 2020 targets
 - Albania, Bosnia and Herzegovina, Moldova and Montenegro are on track
 - Yet, overall increase in total RES capacities not so high (rather due to revised statistics (biomass) and/or reduced energy consumption)
 - Renewable energy in transport target (10%) will not be met as no sustainability criteria and no certification schemes are in place in the Energy Community
- **Energy efficiency**
 - The Energy Community 20% headline target likely to be met by 2020 based on current projections
 - But energy intensity remains high compared to the EU average and stronger energy efficiency measures must be implemented across sectors
- **Climate change**
 - Two recommendations were adopted
 - Contracting Parties beginning preparations to draw up first Integrated Energy and Climate Plans

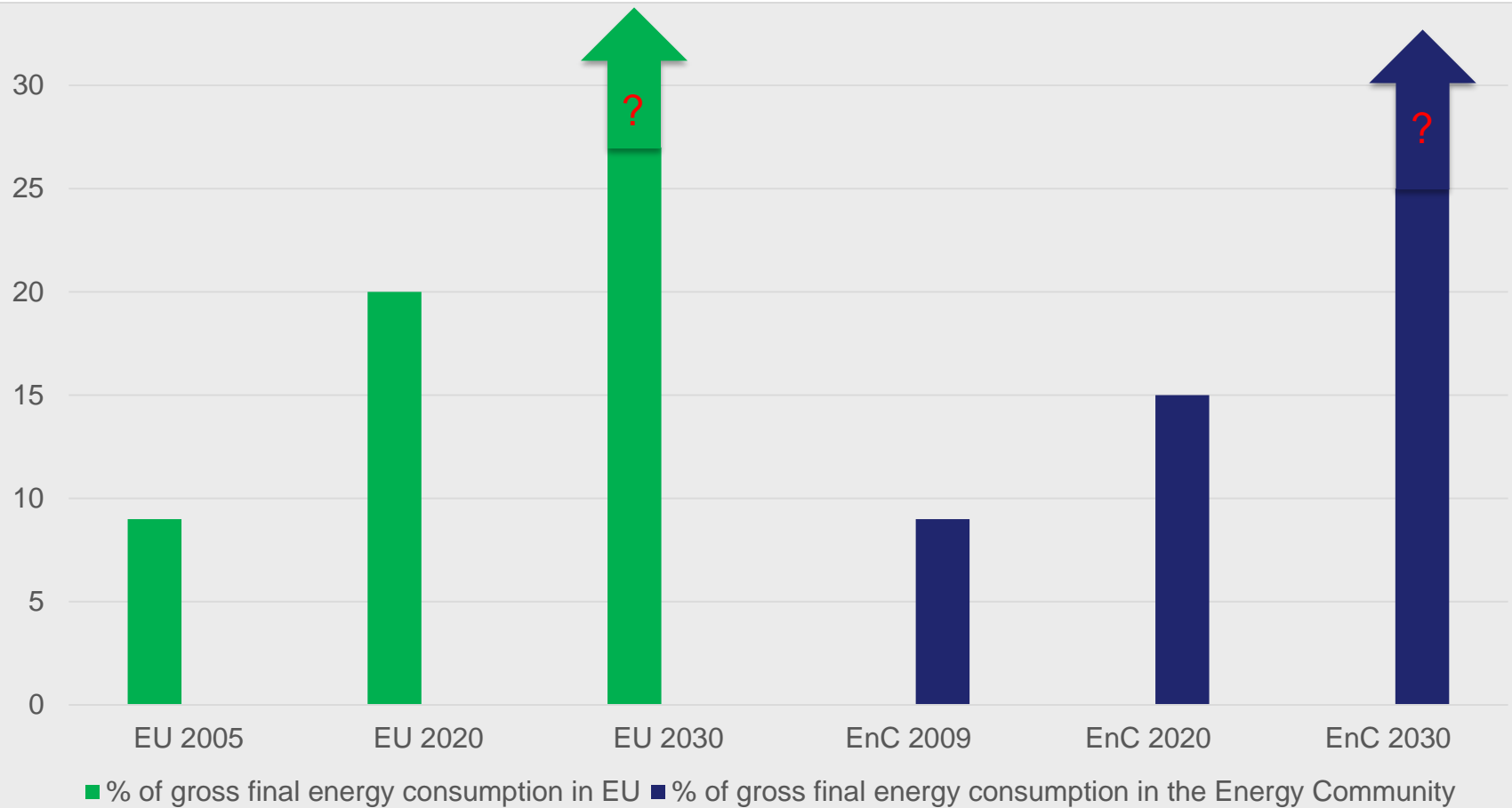
Next Steps: The 2017 Energy Community Ministerial Council tasked the “European Commission to make appropriate proposals with respect to the Clean Energy for all Europeans package for incorporation in the Energy Community swiftly after its adoption in the EU”. The discussion and development of 2030 proposals, including the methodology to be used, is already ongoing.

Energy efficiency targets – EU vs. EnC



EED - Energy Efficiency Directive (2012/27/EU)
 ESD - Energy Services Directive (2006/32/EC)

Renewables targets – EU vs. EnC





- As of 1 January 2018, Contracting Parties are implementing the Large Combustion Plants Directive for existing plants and stricter emission limit values for new plants (or completely retrofitted plants) under the Industrial Emissions Directive
- Emission reporting will be conducted in cooperation with the European Environment Agency
- Countries beginning to take concrete actions:
 - Serbia to shut down eight coal-fired power plant units by 2024
 - Montenegro announced retrofitting of thermal power plant
 - Steps to build a new coal-fired power plant in Kosovo*, but Secretariat has state aid and competition concerns
- **Biggest question: what comes after coal?**

- ***Fossil fuel subsidies vs. RES subsidies***
- ***High country risks – high capital costs***
- ***Expensive feed-in tariffs, resistance to auctions***
- ***Underestimated state aid***
- ***No job transformation policy, no hope for fossils***
- ***Resistance to introduce electricity regional market***



Benefits of cross border trading

(integrated vs isolated markets)

271 mil. € on annual level

Benefits of market coupling

In range of:

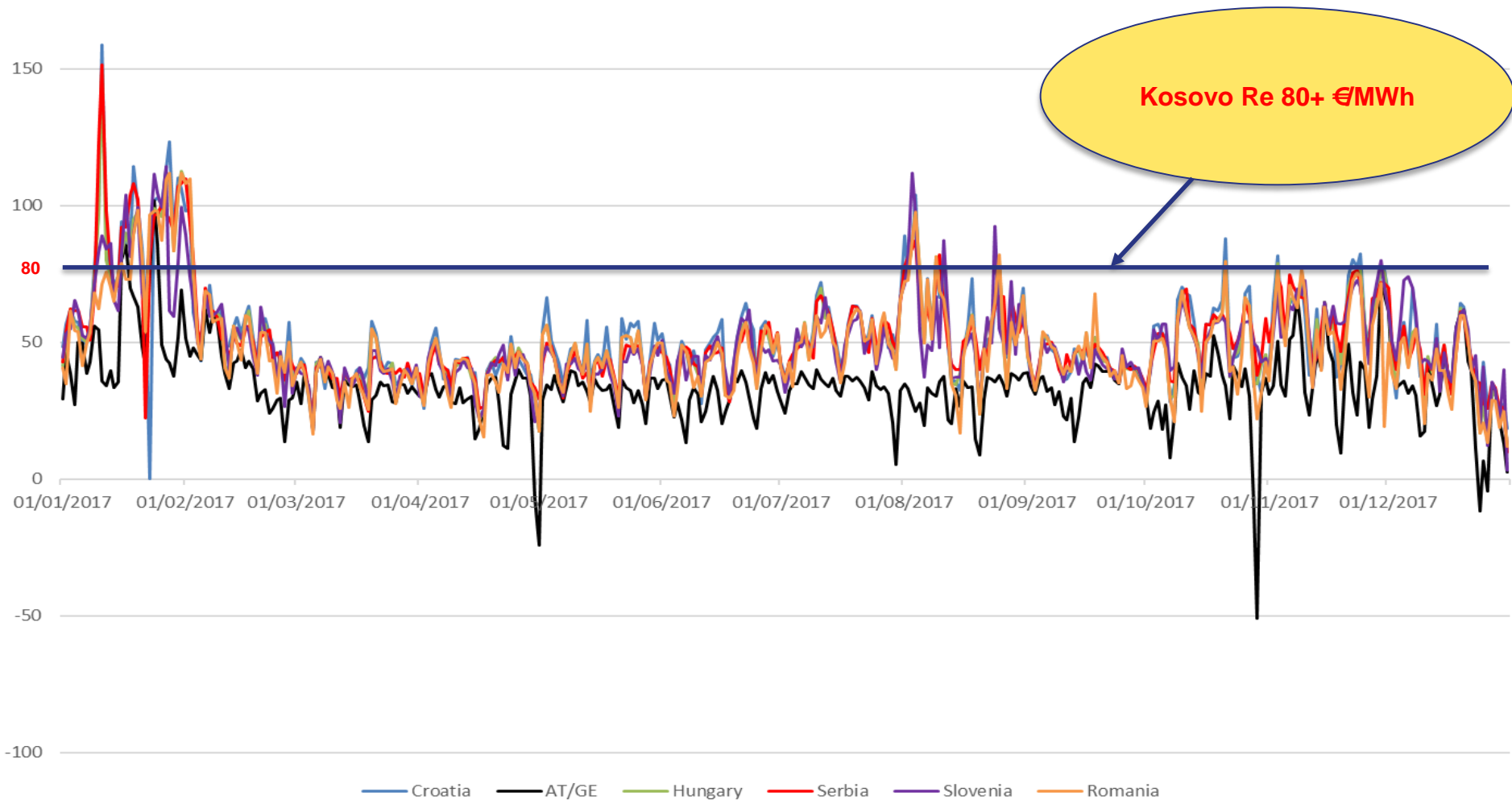
14.5 - 28 mil. € on annual level

(for 10%-20% more efficient interconnectors utilization compared to explicit auctions)



The main finding is that the gains from market coupling implementation are considerable in absolute terms, and at least an order of magnitude larger than the costs; still, it should be recognized that they are rather modest compared to the total value of wholesale turnover.

Moving towards market coupling - SEE price convergence (2017)



- Cross-border energy market integration remains slow, including on interface with EU Member States
- Central and South-Eastern European Gas Connectivity (CESEC) initiative helps to generate political support and boost regional cooperation on common challenges, e.g. harmonisation of licenses for trade and supply of electricity and gas
- Western Balkan 6 Initiative revived electricity market integration, e.g. cross-border balancing and market coupling projects with neighbouring EU Member States

WB6 Bulgaria-FYROM stakeholder meeting, signature of MoU on coupling of day-ahead electricity markets, 12 April 2018, Sofia



- Secretariat implementing U4Energy Governance project supporting reforms in the Eastern Partnership countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine



- Lack of progress in the normalization of relations between Serbia and Kosovo* constitutes the single biggest obstacle to regional energy market integration in the Western Balkans
- Success of regional initiatives hinges on sufficient political will
- Energy Community dispute settlement procedure successful in non-controversial cases, but fails to serve as a sufficiently dissuasive mechanism when political or commercial issues are at stake
- Discussions on Energy Community Treaty reform must continue
- Ensuring the Energy Community does not get left behind in the clean energy transition
- Discussion on 2030 Energy Community targets has started, important to push the process forward

The background is a satellite-style image of the Earth at night, showing city lights. Overlaid on this are numerous glowing blue lines that represent energy transmission paths, connecting various points across the globe.

*Thank you
for your attention!*

www.energy-community.org