



Annual Report

1 November 2020



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Annual Report on the Activities of the Energy Community 2019 - 2020

The Annual Report on the activities of the Energy Community outlines key actions and achievements in the period from 1 November 2019 to 1 November 2020 following the requirements of Article 52 of the Energy Community Treaty. It highlights the results of key activities set out in the Energy Community Work Programme for 2019 and 2020.

Spearheading the energy transition

Progressing the energy transition continued to be an integral part of all Energy Community activities during this reporting period. Convening under the Moldovan Presidency on 13 December 2019 in Chisinau, the 17th Energy Community Ministerial Council gave an important political impetus to advancing ambitious energy and climate reforms, including preparations for the adoption of key elements of the Clean Energy for All Europeans package.

The Secretariat continued to assist the Contracting Parties in the development of National Energy and Climate Plans, the central instrument to guide them in the energy transition. The Secretariat worked to strengthen modelling capacities and supported timely consultations among the Parties to ensure that regional challenges are tackled in the most secure and cost-effective way. North Macedonia was the first Contracting Party to submit its draft plan to the Secretariat for formal review.

As follow up to the Western Balkan 6 connectivity initiative, the Secretariat launched a new instrument to monitor the progress the WB6 parties are making on their energy transition path - the Energy Transition Tracker. It maps the Parties' emissions footprint, energy market development, penetration of renewables, energy efficiency measures and progress in the development of

integrated National Energy and Climate Plans. The report also put in the spotlight the Secretariat's work on implementation monitoring of the Large Combustion Plants Directive, essential for the health of citizens, air quality as well as decarbonisation.

To guide informed decision-making, the Secretariat designed several policy guidelines, including on energy efficiency financing mechanisms, renewables self-consumers and small hydropower plants. The Secretariat continued to assist the Contracting Parties in designing competitive support schemes for renewables. The Energy Community stayed abreast of new developments important for the energy transition including energy storages and hydrogen.

In November 2019, the Secretariat supported by stakeholders embarked on a process of analysing carbon pricing options for the Energy Community. The aim is to propose an effective carbon pricing mechanism in the electricity sector and prepare the Contracting Parties to join the EU Emissions Trading Scheme in the future. The results of the study will be unveiled by the end of 2020.

This reporting period also saw the Secretariat intensify its awareness raising activities on methane emissions from the gas sector, including the importance of adequate reporting. The Contracting Parties' gas industry has begun to collect methane emissions data, based on the methodology applied by EU companies. In addition, the Secretariat joined, as a supporting organisation, the Methane Guiding Principles, a global initiative aiming at reducing methane emissions across the natural gas value chain.

Recognising that its supporting role does not come without environmental impact, the Secretariat launched the process of introducing the Eco-Management and Audit Scheme (EMAS). The Secretariat expects to obtain the EMAS certification in the course of 2021.



17th Energy Community Ministerial Council, 13 December 2019, Moldova, Chisinau



Energy reform in a time of crisis

Treaty implementation activities were strongly impacted by the Covid-19 pandemic. Assisting in addressing effectively the challenges posed by the crisis and putting in place the needed recovery measures was at the forefront of the Energy Community's activities.

At the outset of the crisis, the Secretariat made all its resources available to support the Contracting Parties in the management of the crisis and the recovery process. The Secretariat coordinated virtual meetings among regulators, distribution system operators and members of the Permanent High Level Group of the Energy Community. It continuously monitored the security of supply situation and published regular updates on its website. This included reporting on the current status of financial liquidity of the electricity sector; measures taken by energy regulators and distribution system operators to address the crisis; and information about support from international financial institutions and commercial banks.

The Secretariat advocated for a smart recovery, including focus on energy efficiency as a source of boosting economic regeneration after the crisis. It called for enhanced investments in building renovations, increased use of sustainable heating and cooling, support for economies to produce nationally and install energy efficient technologies in residential, public and commercial buildings.

Creating an integrated energy market

Despite the difficult circumstances, several Contracting Parties succeeded in making far-reaching progress in their energy reform paths with the assistance of the Secretariat. Georgia, the newest Contracting Party, made a giant leap forward by adopting a set of laws transposing the Third Energy Package, the Renewables Directive, the Energy Efficiency Directive and the Energy Performance of Buildings Directive.

During this reporting period, the Secretariat drafted numerous primary and secondary laws and reviewed more than 150 national legal acts to assist the Contracting Parties in the transposition of the acquis. The Secretariat was deeply engaged in several transmission system operator certification processes in Bosnia and Herzegovina, Moldova, Serbia and Ukraine. Work also continued on adopting a legally binding framework for market coupling based on the reciprocal application of the Regulation on establishing a guideline on capacity allocation and congestion management (CACM). In order to make some of its legal assessments of particular provisions of national laws and secondary legislation public, the Secretariat launched a new document series "compliance notes". The first such assessments focused on provisions on public service obligations and transmission tariffs.

The Secretariat continued its market monitoring activities through the Energy Community Regulatory Board (ECRB), and shared best practice experience with other regional regulatory bodies and deepened international cooperation with the Agency for Cooperation of Energy Regulators (ACER), the Council

of European Energy Regulators (CEER) and the Association of Mediterranean Energy Regulators (MEDREG).

Secretariat's reviews of national legal acts per country in first to third quarter of 2020

Contracting Party	Number of reviews
Albania	10
Bosnia and Herzegovina	44
Georgia	14
Kosovo*	2
Moldova	13
Montenegro	4
North Macedonia	7
Serbia	4
Ukraine	37

Infrastructure as the backbone of market integration

In order to boost sustainable large infrastructure development, the Energy Community in close coordination with the European Commission conducted the third selection process of Projects of Energy Community Interest (PECI) and Projects of Mutual Interest (PMI), in line with Regulation (EU) 347/2013. The PECI or PMI label should facilitate the implementation of infrastructure projects, through faster and more streamlined permitting procedures, improved regulatory treatment and financial support from EU and international financing institutions. The Secretariat monitors the yearly progress of existing PECIs and PMIs via its web platform (PLIMA) and reports to the Ministerial Council.

The Regulation defines the general eligibility criteria for the PECI and PMI labels, namely that the project shall have cross-border impact and its potential benefits shall outweigh its costs. In order to select the most market driven projects from the candidate list, electricity and gas market models were used for the assessment, underpinned by a methodology that included a cost-benefit analysis and a multi-criteria assessment. The Regulation defines the specific criteria according to which the benefits shall outweigh the costs (market integration, sustainability and security of supply for electricity and gas projects and competition improvement for gas projects). The monetized benefits that represent the socio-economic welfare impact of each project were also calculated. The Secretariat continuously aims to implement methodological improvements to the assessment process. In 2020, a green future scenario in line with the scenarios available in the European Union (ENTSOs) was incorporated as well as a more sophisticated treatment of project maturity. The aim was to better reflect the future impact (benefit) of the projects and the actual development of the projects towards commissioning.

The PECI and PMI lists are expected to be adopted by the Ministerial Council during its forthcoming session, in line with the recommendation of the Permanent High Level Group.

Leading regional energy market connectivity in the Western Balkans

The so-called WB6 Initiative financially supported by the Grant Contract to “Technical Assistance to Connectivity in the Western Balkans - Component 2: Regional Energy Market”, which is funded by the European Union and implemented by the Secretariat, concluded in December 2019. It contributed to strengthening regional cooperation among the six Contracting Parties of the Western Balkans. The project successfully delivered 11 national, one bilateral and five regional projects, which were



Regional Energy Market Connectivity in the Western Balkans, project closing event, 5 December 2019, Tivat, Montenegro

instrumental in tackling some of the biggest challenges the WB6 were facing in creating a regional electricity market.

The WB6 regional electricity connectivity closing event brought together 80 stakeholders from all WB6 Contracting Parties on 5 December in Tivat, Montenegro. Event participants underlined that national projects delivered concrete results, while regional projects, e.g. day-ahead market coupling, cross-border balancing, capacity calculation, etc., need follow up to be implemented and reap the full benefits of the technical assistance.



EU4Energy Governance: Improving the legislative and regulatory environment in the Eastern Neighbourhood

The Energy Community Secretariat is one of the implementing partners of the “EU4Energy Governance” technical assistance project, funded by the European Union, under the EU4Energy Initiative. Within this four-year project initiated in June 2016, the Secretariat delivers technical assistance to Georgia, Moldova and Ukraine to improve the legislative and regulatory environment of their energy sectors in line with their Energy Community Treaty obligations and Association Agreements with EU.

In close collaboration with authorities, over 70 regulatory drafts and studies were prepared for Georgia, Moldova and Ukraine since the launch of the project. More than 200 workshops and 12 high-level policy talks were organized in order to address the need for specific reforms and accelerate the pace of adoption of legislation. Training, exchange of experience and best practice was provided to over 1.500 officials from the three beneficiary countries. The EU4Energy Governance project will complete its four-year Phase I at the end of 2020.



Signing of Memorandum of Understanding on Cooperation in the Area of Security of Gas Supply between Moldova and Ukraine, 13 December 2019, Chisinau, Moldova



EU4Energy Governance Workshop on Support in Development of Regulation on Protection of Vulnerable Customers in Natural Gas and Electricity Sectors, 4 December 2019, Tbilisi, Georgia

Supporting the energy digitalization future

To help address the twin challenges of market liberalization and decarbonization, the Secretariat issued a study on electricity system adequacy and capacity mechanisms in the Western Balkans. Another key element for maximizing system reliability that was in focus during this reporting period was the roll-out of smart grids. The Secretariat's scoping study on smart grid opportunities in the Energy Community pinpointed energy digitalization areas of most relevance for the Contracting Parties. It also proposed concrete regional projects that could be eligible for technical and financial assistance.

Given the increased shift towards energy system digitalization, enhanced cooperation in the field of cybersecurity continued at the level of the Energy Community. The central point of departure was the 2019 study on cybersecurity, which assessed the current state of development of the Contracting Parties with respect to the EU cybercrime legal framework. The Cyber Group set to work to develop guidelines for the early implementation of cybersecurity acquis and technical standards in the Energy Community.

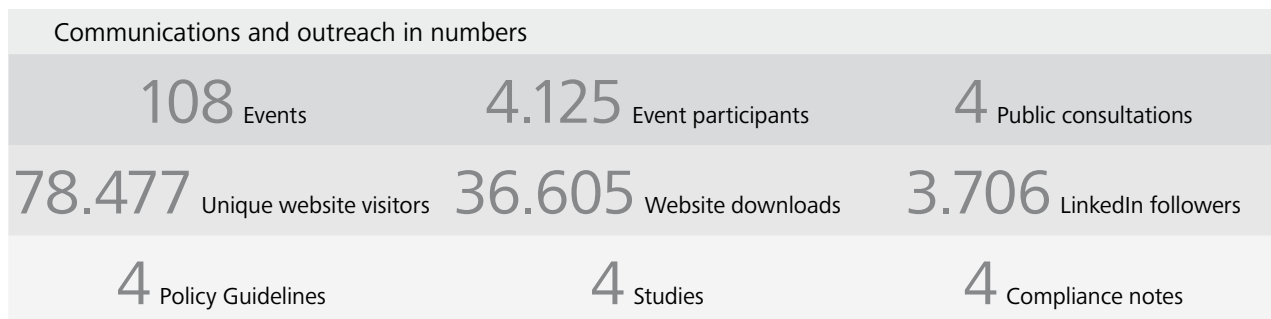
Communications and outreach

The Energy Community continued to increase its visibility. Communication activities by the Secretariat played a central role in reaching this objective.

Due to the Covid-19 crisis, the Secretariat shifted its engagement with stakeholders to digital platforms. The majority of events, including the flagship Energy Community Electricity (Athens), Gas, Oil and Sustainability Forums, took place via video conference. The Secretariat launched a series of free educational webinars on energy topics, which took place on a weekly basis from mid-April until the end of June 2020. The online lectures offering insights into contemporary energy issues attracted a new audience to the Energy Community and its activities. To continue its knowledge sharing activities under the Energy Community Summer School, the Secretariat launched the webinar series "Eternal Summer" in October 2020 filled with lectures by representatives of the faculty, alumni and other friends of the Summer School.

Reaching out to citizens and stakeholders, the Secretariat conducted four public consultations covering hydropower, renewables self-consumers, energy infrastructure and fuel quality. It also launched two new discussion platforms dedicated to gas distribution and district heating and cooling.

The Secretariat continued to improve the Energy Community public website making it an even more valuable tool for stakeholders. It expanded its legislative observatory of national secondary legislation, which now covers over 800 secondary legal acts and other national documents that have been assessed by the Secretariat. The website newly features a database on the sustainable use of biomass-based heating. All information is available in seven languages, Albanian, Bosnian, Croatian, English, Macedonian, Montenegrin and Serbian.



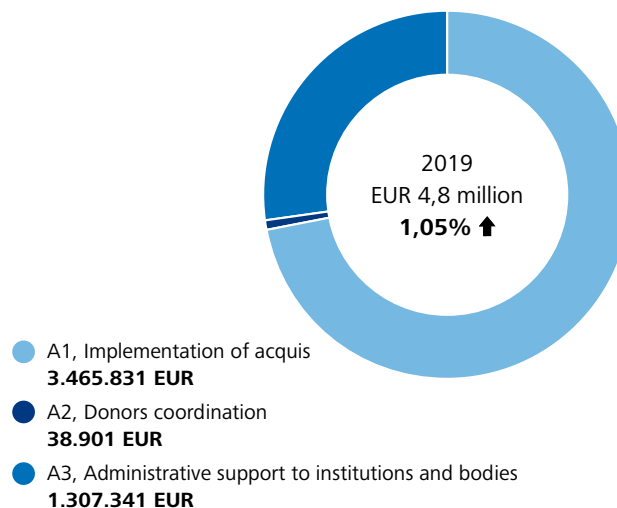
Staff

During the reporting period, the Energy Community Secretariat engaged 38 permanently employed professionals, covering diverse expertise from all areas covered by the Energy Community. Apart from its permanent staff members, fifteen interns, seven temporary staff members and one secondee made valuable contributions to the Secretariat's work.

Budget 2019

The Energy Community is funded by contributions from the Parties to the Energy Community Treaty. The final budget for 2019 amounted to EUR 4.812.073 (2018: EUR 4.761.931). This figure excludes EU4Energy Governance, Connectivity in the Western Balkans technical assistance funding and donations.

2019 indicative spending per activity



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