

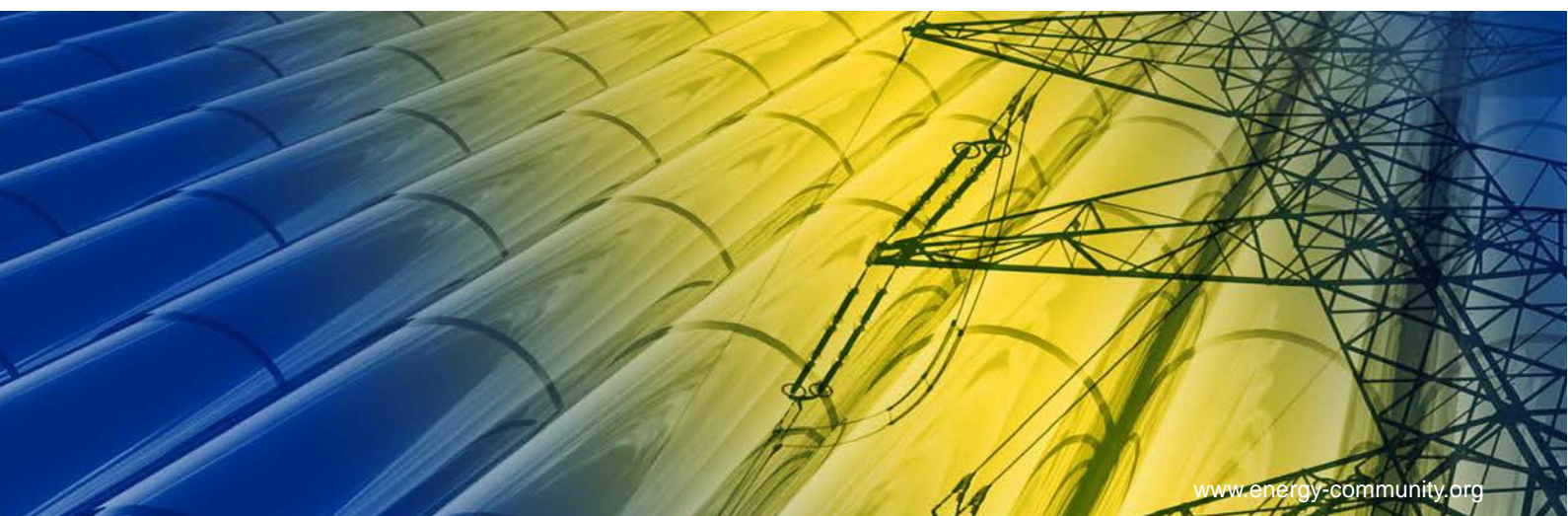


(DRAFT) POLICY GUIDELINES

by the Energy Community Secretariat

**on the development of National Energy and Climate Plans
as part of Recommendation 2018/01/MC-EnC**

PG 02/2018 / 28 Feb 2018



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1. Introduction

On 18 November 2015, the European Commission adopted its first Communication on the State of the Energy Union, stating that integrated national energy and climate plans (NECPs), addressing all five key dimensions of the Energy Union¹, are crucial tools for the implementation of the Energy Union Strategy and for the development of more strategic energy and climate policy planning. As part of the 2015 State of the Energy Union, the European Commission issued a Guidance to EU Member States on integrated NECPs, which provides the basis for EU Member States to start developing national plans for the period 2021 to 2030 and sets out the main pillars of the governance process. NECPs will reduce the administrative burden, enhance transparency for Member States, and ensure investor certainty until the year 2030 and beyond.

Similar to the European Union, Energy Community Contracting Parties committed to monitoring and reporting in the areas of renewables, energy efficiency, and greenhouse gas emissions as well as other information relevant to climate change. The Paris Agreement further defines the climate change related reporting obligations for the period after 2020 by establishing an enhanced transparency framework for action and support. In this context, the Energy Community adopted a Recommendation on preparing for the development of NECPs addressing the five dimensions of the Energy Union by the Contracting Parties of the Energy Community. The Recommendation aims at building the analytical, institutional and regulatory preconditions for the development of integrated NECPs, in January 2018.

The purpose of this document is to offer guidance to Contracting Parties on the process of developing their integrated NECPs as well as their main elements. This document launches and explains the key steps of the gradual process from now until the finalisation of national plans, including the main roles and tasks of Contracting Parties, the Energy Community Secretariat, and the European Commission.

2. General principles and scope of the national plans

The national plan should take a holistic approach and address the five main dimensions of the Energy Union in an integrated way, which recognises the interactions between the different

¹ 1. Security, solidarity and trust; 2. A fully integrated internal energy market; 3. Energy efficiency; 4. Decarbonizing the economy. 5. Research, innovation and competitiveness.

dimensions. Specific elements of existing plans may be preserved depending on the area and periodicity of the planning processes. The NECPs should cover the period from 2021 to 2030, laying down the pathway to achieve the agreed 2030 targets, build upon what each Contracting Parties should deliver in relation to their policies for 2020 (as a baseline), and include a perspective until 2050.

It is very important that national plans provide long-term predictability and certainty for investment, ensure greater cooperation and coherence among Contracting Parties' approaches, and are harmonised with EU Member States on climate and energy policies. In particular, national plans should complement and where possible reinforce each other, using national strengths to address regional challenges in the most secure and cost-effective way. Coordination of national policies should also prevent adverse incentives, allow for exploiting synergies and mitigate inconsistencies between national policies of Contracting Parties.

3. Content of national plans

National plans should cover the period from 2021 to 2030, including a perspective until 2050 in order to ensure consistency with long-term policy objectives at EU and Energy Community level.

National plans should include the following elements:

a) Current Situation

- Overview of the national energy system and policy context of the national plan across the five dimensions of the Energy Union (including macroeconomic context, greenhouse gas emissions, energy mix and the situation in each subsector of the energy system).
- Assessment of the situation in terms of current energy and climate policies and measures, including support schemes and fiscal systems for renewable energy and energy efficiency, also building on experiences with reaching 2020 targets for energy and climate.
- Overview of key issues of cross-border relevance including opportunities and challenges for further regional cooperation and integration.
- The administrative structure of implementing national energy and climate policies, including responsibilities of main administrative bodies and their interactions.

National plans may be built upon Contracting Parties' existing national energy and climate policy strategies for the years 2020, 2030 and beyond in accordance with this Guidance.

b) Objectives, policies and measures for the five dimensions

The national plans should define objectives for each dimension, in line with the five pillars of the Energy Union. In addition, the plans should be consistent with the future 2030 targets in the Energy Community and support their achievement. For greenhouse gas emissions in the non-ETS sectors, the plans should set out the policies and measures planned to meet the targets to be set in the Energy Community.

The interaction between the different dimensions should be set out (e.g. the contribution of renewable energies and energy efficiency to greenhouse gas emission reduction, the infrastructure needs arising from a greater use of renewables etc.).

For each objective, the plan should include a description of the policies and measures planned for meeting these objectives. This should also include an assessment of how these policies interact with each other to ensure policy coherence and avoid overlapping regulation.

Energy security, solidarity and trust

Medium- to long-term objectives and standards relating to security of supply, including with regard to diversification of energy sources and supply countries, infrastructure, storage, demand response, readiness to cope with constrained or interrupted supply of an energy source, and the deployment of alternative domestic sources. The objectives should include regional cooperation and the policy measures to achieve these objectives should be regionally coordinated. In this context, national plans should build on the specific security of supply plans (assessment plans, preventive action plans and emergency plans) which are drawn up in accordance with the regulation on gas security of supply.

- Policy strategies concerning energy security in the broader sense, including other relevant policy choices such as those relating to energy savings or the energy mix.
- The general policy approach to ensure security of external energy supply, including through infrastructure and as applicable the intended approach to international governmental agreements with third countries should also be covered.

A fully integrated internal energy market

Development of electricity interconnectivity from 2021 to 2030 (ratio between cross-border transmission capacity and installed generation capacity), aiming for 15% by 2030 and taking into account Contracting Parties specific factors such as costs and potential trade flows. This should also include an indication of the main projects envisaged to achieve the necessary interconnectivity in a 2030 perspective.

- For energy infrastructure, how planned national infrastructure projects as well as the Projects of Energy Community interest (PEICs) relating to the Contracting Parties will be implemented, including a time-line. In this context, national plans should build on the regulation on guidelines for trans-European energy infrastructure, as incorporated in the Energy Community.
- Objectives with respect to market competition, market integration and coupling, deployment of flexibility in the power sector, including development of short term markets, demand response competitiveness of energy markets, and roll-out of smart technologies and smart grids.
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- Assessment of the implications of planned infrastructure investments and of developments in energy production on wholesale and retail energy prices and on market integration with other Member States and Contracting Parties.

Energy efficiency contributing to moderation of demand

- National policies and measures planned to support the achievement of the future energy efficiency target(s) in the Energy Community, taking into account the expected energy savings from these policies and measures, as well as the implementation of existing Energy Community legislation.
- A trajectory for energy savings to be quantified as the resulting level of primary as well as final energy consumption until 2030 should be provided as the Contracting Parties' contribution to achieving the future energy efficiency target(s) in the Energy Community.
- National policies and measures planned to increase energy efficiency in the building sector. This includes national building renovation strategies and national energy efficiency investment programmes.

Decarbonisation of the economy

- Planned policies and measures to reduce greenhouse gas emissions, covering all key emitting sectors, including transport and agriculture, to meet the targets set by 2030 under the Energy Community and the National Determined Contributions under the Paris Agreement, with an outlook to the long-term vision and goal to become a low-carbon economy (2050).
- National policies and measures planned to support the achievement of the future renewable energy target(s) in the Energy Community, taking into account the implementation of existing Energy Community legislation as well as possible a perspective up to 2050.
- A trajectory for the share of renewable energy in gross final energy consumption until 2030, including trajectories for relevant technologies as well as for electricity demand (installed capacity and produced energy), should be provided by Contracting Parties.
- Measures to be taken for increasing the flexibility of the energy system with regard to renewable energy production. Status and plans for electricity market coupling and integration, regional measures for balancing and reserves and how system adequacy is assessed in the context of renewable energy. National policies and measures planned to support other low carbon technologies.
- National policies and measures planned to support the decarbonisation of transport.
- If Contracting Parties intend to support the development of specific technologies, the plan should also include an assessment of the implications for energy prices and energy utilities and on market integration with other Contracting Parties and EU Member States.

Research, innovation and competitiveness

- Objectives, policies and measures set at the national level to accelerate energy system transformation.
- National policy strategies and, if any, funding programmes for research and innovation in the areas of renewable energy, energy efficiency, and other low-carbon technologies including in the transport sector, as well as their market uptake, including strategies to support research and technology institutions.
- Industrial policy strategies concerning competitiveness of the low-carbon technology sector and competitiveness in a broader sense, including subsidies, the impact on growth, jobs and skills, subsectors, finance and resources.

c) Integrated projections and indicators

National plans should entail a separate section on projections as an analytical basis of the plan, including reference and policy scenarios assessing the relevant impacts of the policies and measures proposed. Biennial progress reports on the implementation of national plans should make use of key indicators developed by the Secretariat in cooperation with the European Commission and Contracting Parties as well as updated projections, policies and measures.

Due to the cross-cutting nature of the five dimensions of the Energy Union, there is a need to assess and validate policy objectives and instruments based on integrated methodological tools. For this reason national plans should include projections for the period until 2030 and beyond for the energy system and for greenhouse gas emissions, including a 2050 perspective. The projections should take account of, e.g. the macroeconomic context (such as expected Gross Domestic Products and population growth), structural changes to the economy likely to impact on the energy system and greenhouse gas emissions, global energy trends (such as international fossil fuel price developments) as well as carbon prices, cross-border grid interconnections, and technology costs. The Secretariat and the European Commission will provide technical recommendations on these issues, with Contracting Parties providing clarity where they would deviate from these, for instance due to model requirements.

The national plan should set out at least two scenarios: (i) a reference scenario based on current trends and existing policies and measures at Energy Community and national level; and (ii) at least one policy scenario reflecting the implementation of envisaged national objectives by additional policies and measures, taking into account the five dimensions of pan-European energy policy and including notably the future 2030 targets in the Energy Community, as outlined in the national plan. Potential synergies and trade-offs between the policies and measures would then be highlighted.

The Secretariat and the European Commission can support Contracting Parties by providing available data, analysis and policy scenarios to support their strategic planning, identify common challenges and assess implications of individual Contracting Parties' policy choices on the achievement of common objectives.

National projections should be presented timely to allow assessment of the overall state of the energy system and progress made. Assumptions made as well as trends of the main modelling outcomes describing the energy system should be clearly and transparently presented.

Contracting Parties should make use of key indicators in the progress reports on the implementation of their national plans, building on the indicators proposed at EU level for the five dimensions of pan-European energy policy, for example on energy prices, competitiveness, the diversification of energy imports, decarbonisation, research and innovation or energy market functioning.

4. Regional cooperation to establish the national plans

A functioning Energy Community requires that Parties coordinate and cooperate among each other in developing their energy policies. National plans should therefore build on regional consultations from the outset.

Parties should identify areas suitable for joint or coordinated planning within their region and should consult respective national governments early on in the preparation process. The various national plans in a region should complement and where possible reinforce each other, using national strengths to address the region's challenges in the most secure and cost-effective way. Particular attention should be paid to ensuring a coordinated approach concerning the development of new energy resources and infrastructures.

Common approaches and joint objectives can increase long-term predictability and investment certainty. Coordination of national policies should therefore also prevent adverse incentives and mitigate possible adverse effects of national policies for other Parties. Plans should therefore contain an assessment of how the envisaged objectives and policies in the plans will affect neighbouring Parties and how regional cooperation across policy areas and sub-sectors should be strengthened.

Existing fora for regional cooperation, including the Energy and Climate Committee of the Energy Community, can be used for this purpose. The Secretariat and the European Commission will actively engage in the process and support the development of appropriate new fora, such as a technical working group.

5. Reports on implementation of the plans and updates

Contracting Parties should provide progress reports every two years on the implementation of national plans starting in 2022. These implementation reports will be an important instrument in helping all Contracting Parties to see what is happening in implementing the Energy Union objectives. The Secretariat will report on progress in its annual report.

Updating of national plans is foreseen once during the period from 2023 to 2030 to take account of changing circumstances and amendments in view of delivering on the agreed objectives, in particular the 2030 targets for climate and energy. As regards specific policy measures of the

national plans, additional updates may be foreseen if necessary.

6. Process and timeline

The preparation of the national plans will be a dynamic process, starting in 2018 so that the plans can be finalised as soon as possible, ideally before 2021.

Existing planning and reporting obligations for policy areas with existing 2020 targets will remain unchanged until the year 2020. Contracting Parties, with the support of the Secretariat and the European Commission, should already be able to consolidate and streamline wherever possible a certain amount of reporting before 2020, where this can be done without legislative changes and without negatively affecting the substantive obligations.

The timeline for developing national energy and climate plans, which shows the relevant activities of Contracting Parties, the Secretariat, is presented in the table at the end of this section.

In 2018, a Recommendation on the preparation of national energy and climate plans was adopted by Contracting Parties and regional discussions under the Energy and Climate Committee should be initiated. In the same year, the national political process on the targets and the plans should be initiated. The Secretariat, with the support of the European Commission and Contracting Parties, will start working on the analytical and technical aspects related to the development of a template for national plans and launch a technical study on the Energy Community Reference Scenario 2018. Furthermore in 2018, a Technical Working Group (TWG) will be set up by the Secretariat in order to assist Contracting Parties in the preparations of their national energy and climate plans. The TWG will meet at least three times in 2018 and at least two times in 2019 and shall be composed of technical experts designated by the Contracting Parties.

In 2019, the analytical and methodological work as well as the template for national plans should be ready. The technical study on the Energy Community Reference Scenario will be finalized. Broader political validation of the main elements of the plans at the national and regional level will be achieved and stakeholder consultations finalised. The Secretariat will support forms of regional cooperation. By October 2019, integrated projections should be provided to the Secretariat, covering both a reference and policy scenarios. These projections will form a key input to Contracting Parties' national plans.

In 2020, draft national plans should be submitted to the Secretariat by March, after which a consultation with other Contracting Parties and Member States will be organised. Subsequently, the Secretariat will issue opinions on draft national plans. Final plans should be submitted to the Secretariat by October 2020, taking into account consultations with other Contracting Parties and Member States, Secretariat opinions and relevant legislation. The Secretariat will subsequently provide a first aggregate assessment of national energy and climate plans.

As regards the future 2030 targets for renewable energy and energy efficiency agreed in the Energy Community, the Secretariat will assess efforts presented in Contracting Parties' national plans in view of delivering on these targets.

Along the process, the Energy Community Secretariat will organise regular meetings, regional consultations and trainings, and engage in dialogue with Contracting Parties to provide technical support, take stock of the preparation of the plans and discuss the way forward.

Table: Indicative timeline for developing national energy and climate plans

	Contracting Parties	Energy Community Secretariat
2018	<ul style="list-style-type: none"> • Start to develop overarching strategy, main objectives and overview of policies of national energy and climate plans • Develop integrated methodological tools to prepare a reference and policy scenarios as the analytical basis of national plans and present first results of reference scenario • Start national stakeholder consultations on national plans • Start regional discussions with other Contracting Parties on the preparation of national plans • Discussion on future 2030 targets 	<ul style="list-style-type: none"> • Launch, in collaboration with Contracting parties, the Energy Community Reference Scenario 2018 • Start the preparation of main variables and parameters for national integrated projections • Set-up a Technical Working Group (TWG) on NECPs under the Energy and Climate Committee to exchange expertise, discuss methodological tools as well as key indicators with at least three meetings in 2018 to assist Contracting Parties in the preparation of national plans
2019	<ul style="list-style-type: none"> • Finalise stakeholder consultations and regional consultations on national plans • Engage in national political process on national plans • Provide integrated projections to the Secretariat and the Commission covering both a reference and policy scenarios • Adaptation of relevant EU legislation and endorsement of 2030 targets 	<ul style="list-style-type: none"> • Finalize the Energy Community Reference Scenario 2018 and templates • Start the preparation of a template for national plans • Provide guidance on regional cooperation • Provide technical support to Contracting Parties on the preparation of national plans • Facilitate and support regional consultations on national plans under the framework of the Energy and Climate Committee, the Technical

		<p>Working Group or other appropriate fora</p> <ul style="list-style-type: none"> • At least two meetings of the Technical Working Group
2020	<ul style="list-style-type: none"> • Submit draft national plans to the Secretariat based on the Guidance on national plans and template • Finalise national plans, taking into account Contracting Parties' peer review as well as Secretariat and Commission recommendations • Submit final national energy and climate plans 	<ul style="list-style-type: none"> • Organise consultation with Contracting Parties on draft national plans • Provide support to Contracting Parties in finalising national plans • Issue a first assessment of national energy and climate plans

Vienna,

Janez Kopač
Director