



Annual Implementation Report

Energy Community Secretariat

1 November 2022

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01 State of Implementation

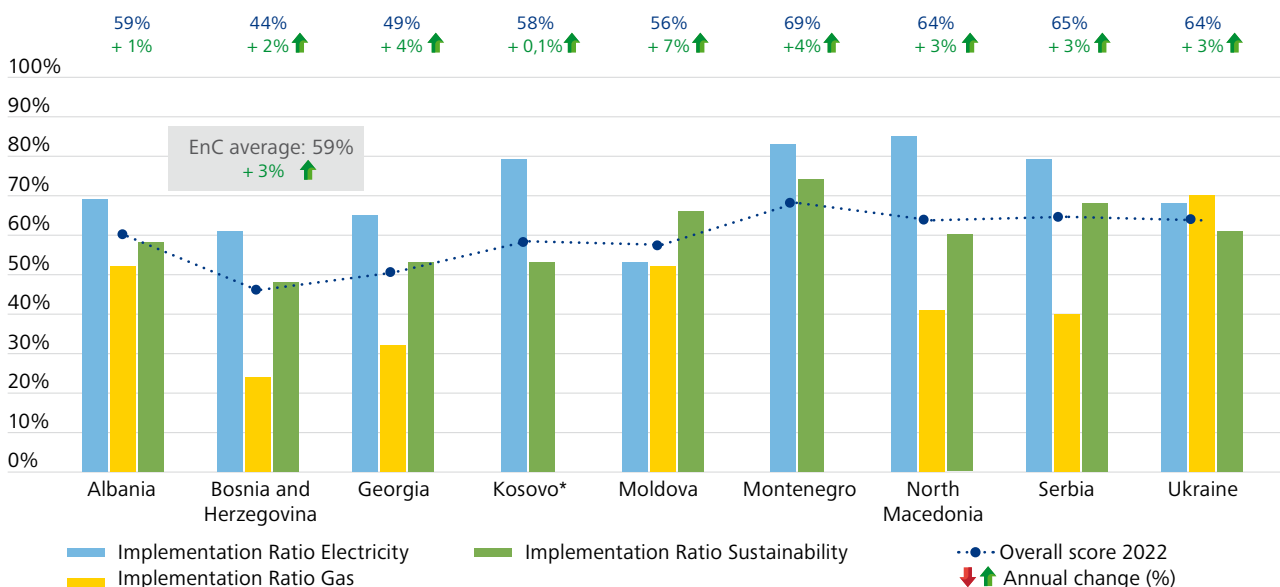
The Implementation Report 2022 covers a period like no other before. The felonious attack by Russia against Ukraine is an attack against the principle and values of the Energy Community, which stands in unwavering solidarity with its Presidency-in-office. The war did not only engage the Ukrainian energy system in a struggle for survival, which our colleagues and friends from Ukraine fight with unparalleled bravery. It also wreaks havoc beyond the borders, most notably in Moldova, and exacerbates the energy crisis which had profoundly affected the Contracting Parties already before 24 February 2022.

Gas and electricity prices skyrocketed to unimaginable levels during the reporting period all over the continent. Less wealthy than Northern and Western Europe and with energy sectors often badly prepared on account of inadequate regulation and underinvestment, war and crisis brutally exposed the specific weaknesses of many Contracting Parties' energy sectors. By consequence, they were forced to concentrate their efforts on crisis management rather than on systemic reforms. Many Contracting Parties operated in a state of emergency and intervened in markets with subsidies and regulatory measures at an unprecedented scale. The Secretariat will continue to ensure that these measures do not turn into obstacles for energy transition and recovery, sustainable sector reforms and the diversification of energy resources so fervently pushed for by all of Europe these

days. In doing so, we will keep its focus on designing specific measures to help the energy poor, an area where Moldova can showcase its energy vulnerability fund established in 2022.

The war has also deeply affected the work of the Secretariat. Supporting Ukraine in these dark times requires new levels of commitment. Quickly after the war started, the Secretariat set up a task force supporting the delivery of in-kind donations by Western companies for the repair of infrastructure devastated by the Russian attacks. Ukraine also established a Ukraine Energy Support Fund which channels financial support to fast-track procurement of equipment which cannot be donated. And the Secretariat is actively engaging in the preparations for reconstructing the country. It has all the potential for a green energy sector fully integrated with Europe to become a pillar of its economy after the war, and for building a global showcase. This will be a great and noble task for an Energy Community, which was conceived and built on the ruins of Balkan wars some twenty years ago. And indeed, even in these darkest moments for Ukraine and Europe, there are signs of hope. The synchronization of Ukraine and Moldova with the electricity network of Continental Europe in March this year will prove to be irreversible and complemented by further pro-European reform and market integration measures. In this respect, Mr Putin has already lost his war.

Overview of Implementation Performance by Contracting Parties



From today's perspective, it is clear that system and market integration proved to be the right choice in the past and will be one of the leitmotifs of the Energy Community's future work. Until now, that work has been very effective in domestic reforms, including important milestones such as unbundling of the infrastructure operators. It is fair to say that the Contracting Parties' energy systems, with few exemptions most notably in the gas sector, share one legal and regulatory DNA with the European Union. And yet, on the eve of establishing organized wholesale markets in those Contracting Parties which until now have failed to do so, it is evident that domestic action is not sufficient. With the possible exception of Ukraine, the domestic markets are too small to allow for liquid trade and continue to be foreclosed by the sheer dominance of the respective utilities as well as the significant underutilization of cross-border infrastructure. The only remedy is speeding up the pace of market and system integration, both regionally and with the European Union.

On 15 December 2022, the Ministerial Council is expected to take a decision on which the Energy Community and all stakeholders involved have been working throughout the year. This package will pave the way for the full integration of the electricity markets of South East Europe and Eastern Europe not only on a regional level but with the rest of Europe. It is based on a novel approach in the Energy Community which complements the one-directional export of the European model as its main mode of operation so far. The 2022 package consisting of the full Clean Energy Package as well as the remaining market and system network codes will transcend the simplistic one-way export pattern. It will allow for true reciprocity in the relations between Contracting Parties and European Member States as well as their market participants and authorities. And it will confer a privilege to the Energy Community countries not yet enjoyed by other non-EU countries: being full members of (re-) powered Europe.

Adopting, transposing and implementing this package will not only constitute a milestone for the sake of market liquidity and increased energy resilience. It will also pave the way for stronger focus on the energy efficiency first principle in the Energy Community and faster deployment of renewable energy. Energy savings and more rapid deployment of renewable energy are key for the fight against climate change which has manifested itself in droughts and worsened hydrology this summer. It is also key for the urgent modernization of power generation in the Contracting Parties which have been relying unilaterally on declining coal and water resources. And again, it will only be successful through an increased level of regional and European integration.

The Contracting Parties in the Western Balkans and their European supporters have rightfully put this in the centre of a declaration on energy security and the energy transition adopted at the Berlin Summit this November and the Western Balkan-EU Summit in Tirana in December. It will be complemented by the further implementation of the seminal Decarbonization Roadmap adopted by the Ministerial Council last year: the

adoption of 2030 targets for energy efficiency, renewables and greenhouse gas emission reduction for 2030 and the upcoming work towards establishing a carbon pricing mechanism later this decade. The latter is of particular importance also to make the Contracting Parties ready for coping with ramifications of a future carbon border adjustment mechanism.

In working down this agenda, the Energy Community effectively joins the European Green Deal. The energy and climate plans to be adopted over the next months by the Contracting Parties under the Governance Regulation are the key strategic planning instruments in the profound transition ahead of us. If done well, they can provide the reference documents for external financial support needed to accomplish this transition in a successful and socially acceptable manner. This will allow the Energy Community to tap into its full green potential, and not only catch up with the rest of Europe but make a significant contribution to the continent's joint goals.

During this reporting period, the Energy Community also proved that it can act faster. An example is the speedy adoption by the Ministerial Council of the Gas Storage Regulation as a matter of urgency. Full underground gas storage facilities are needed to provide additional gas in the event of high demand or supply disruptions this winter and beyond. The invitation to the Contracting Parties to join the gas demand aggregation and joint purchasing mechanism to be set up by the European Union will also not only help diversify their supplies; it is yet another token of the swift and effective integration of the Energy Community in the REPowerEU programme. The gas supply crisis shows how solidarity is manifest between the European Union and the Energy Community.

Our efforts to overcome the crisis, to reconstruct and to eventually win the future will need to rely on what continues to be the backbone of the Energy Community: full implementation of the European *acquis communautaire*. As every year, the present report highlights the successes and failures in the endeavours by Contracting Parties. Those countries most severely affected by the war and energy blackmailing have developed well. Despite the struggle for survival and the Russian atrocities, Ukraine managed to keep its market model in electricity largely intact, and provided assurances that the emergency measures taken in the gas sector will be phased out quickly once the war is over. Moldova in particular developed a new dynamism in taking steps towards market reforms and integration which have been almost unthinkable a year ago.

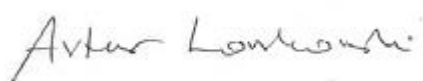
As a response to the surge in electricity import prices, other countries prioritized stabilization measures, and are yet to take the decisive steps which will allow them to yield the full benefits of domestic reforms. In Albania, Georgia, Kosovo¹, Montenegro and North Macedonia further steps towards the establishment of spot markets in electricity have been made but are yet to materialize. Serbia still needs to liberalize its gas sector whereas North Macedonia made progress in the better usage of its interconnector with Bulgaria. The development in Bosnia

¹ Throughout this Implementation Report, this designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

and Herzegovina remains stalled. The implementation of environmental law, both in terms of pollution standards and in the quality of permitting procedures remains a concern as reflected in a number of infringement procedures. At the same time, all Contracting Parties progress in the transposition of the Clean Energy Package, in particular the Renewable Energy and Energy Efficiency Directives. Auctions for market-based renewable energy support progressed in Albania as well as North Macedonia.

The reporting year 2022, the most challenging so far in the history of the Energy Community, turned out to be a true turning point for the energy sectors of its Contracting Parties. The

organization is adapting to this challenge and will have to adapt further. Granting EU candidacy status to Ukraine and Moldova and clear recommendation by the European Commission to grant this status to Bosnia and Herzegovina brings the Energy Community to the heart of the enlargement process. Its values and principles, such as the integration in the European Green Deal, functioning markets as the best available instrument for allocating scarce resources, social fairness as well as enhanced cooperation for the sake of regional and pan-European resilience, remain more relevant than ever. In translating them into tangible results, the Energy Community moves to the next level.



Artur Lorkowski



Dirk Buschle

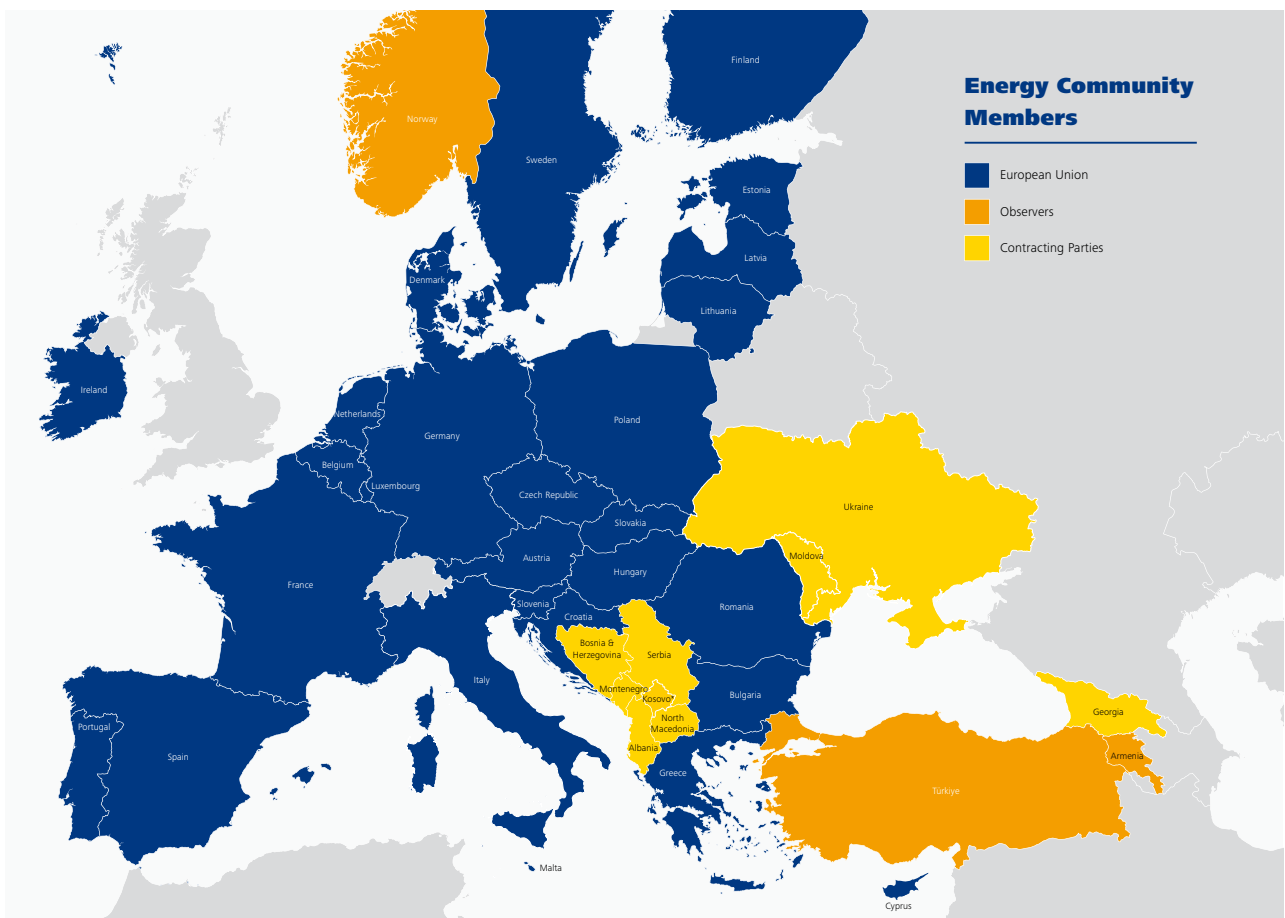


02 Introduction

a. Presenting the Energy Community

The Energy Community extends the European Union (EU) internal energy market to its neighbouring countries. The principle objectives of the Energy Community are to create a regulatory

and market framework which is capable of attracting investments for a stable and continuous energy supply. By signing the Energy Community Treaty, the Contracting Parties committed to implementing key EU energy legislation within a fixed timeframe.



b. Members

The Treaty establishing the Energy Community was signed in October 2005 in Athens. Following ratification by all Parties, the Treaty entered into force on 1 July 2006. As of 1 November 2022, the Parties to the Treaty are the European Union, and nine Contracting Parties, namely Albania, Bosnia and Herzegovina, Georgia, Kosovo*, North Macedonia, Moldova, Montenegro, Serbia and Ukraine. Armenia, Norway and Türkiye are Observers under Article 96 of the Treaty.

c. Institutional setting

The Energy Community has its own institutional framework. The highest decision-making body is the Ministerial Council, which meets once a year to establish key priorities and adopt new legislation.

The Energy Community Secretariat, based in Vienna, is independent and performs the day-to-day work of the Community. The Secretariat is responsible for reviewing the progress made by the countries in transposing and implementing European energy law incorporated by the Energy Community Treaty.

d. Dispute settlement

The Energy Community Treaty provides for a dispute settlement procedure, which is meant to ensure the enforcement of the commitments under the Treaty.

A preliminary procedure precedes the submission of a case of non-compliance to the Ministerial Council under Article 91 of the Treaty. It may be initiated by the Secretariat by way of an Opening Letter to be followed, as the case may be, by a Reasoned Opinion and Reasoned Request to the Ministerial Council. The procedure is closed upon compliance by the Party concerned with its obligations under the Treaty at any time of the preliminary procedure or with a decision of the Ministerial Council. If a breach identified by the Ministerial Council has not been rectified, a procedure for a decision under Article 92 of the Treaty may be initiated. If a Party to the Treaty persistently fails to comply with its obligations, the Ministerial Council may suspend certain rights derived from the application of the Treaty, including voting rights and right to participate in meetings or mechanisms provided for in the Treaty.

The Report includes open cases under both Article 91 and Article 92 of the Treaty, as well as cases where the procedure under Article 91 of the Treaty has been closed with the adoption of a Ministerial Council decision, but the breach has not been rectified yet. Cases in which the Ministerial Council has adopted a decision under Article 91 and have been followed up by opening a procedure under Article 92 of the Treaty, are reflected only in the boxes related to Article 92.


It also includes cases where the breaches are not rectified despite adoption of Ministerial Council decisions establishing a serious and persistent breach or imposing measures under Article 92 of the Treaty.

e. Acquis

Since 2006, the Energy Community acquis has significantly evolved to incorporate new directives and regulations. Presently, the acquis covers legislation on electricity, gas, oil, infrastructure, renewable energy, energy efficiency, competition and State aid, environment, statistics, climate and cybersecurity.

The June 2022 informal Ministerial Council reached a high level of ambition on targets for energy efficiency, putting a cap on the amount of final and primary energy consumption, boosting renewables and reducing greenhouse gas emissions by 2030, in line with the commitment to achieve climate neutrality of their economies by 2050. The targets are expected to be formally adopted at the Energy Community Ministerial Council in December 2022. As regional electricity market integration is one of the most cost-efficient ways to support the achievement of the decarbonization targets, the adoption of the Electricity Regulation, Network Codes and related acts will also be tabled for the 2022 Ministerial Council.

The tables below display the core Energy Community acquis communautaire presently in force². The implementation deadlines have been set by the respective Ministerial Council decisions. Due to their later accession, some of the implementation deadlines differ for Moldova (2010), Ukraine (2011) and Georgia (2017).

 Acquis on Electricity
Directive 2009/72/EC concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC
Directive (EU) 2019/944 on common rules for the internal market for electricity
Regulation (EC) 714/2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) 1228/2003
Regulation (EU) 838/2010 on laying down guidelines relating to the inter-transmission system operator compensation mechanism and a common regulatory approach to transmission charging
Regulation (EU) 543/2013 on submission and publication of data in electricity markets and amending Annex I to Regulation (EC) 714/2009
Regulation (EU) 2016/1388 establishing a network code on demand connection
Regulation (EU) 2016/631 establishing a network code on requirements for grid connection of generators
Regulation (EU) 2016/1447 establishing a network code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules
Regulation (EU) 1227/2011 on wholesale energy market integrity and transparency

² Available on the Energy Community website: <https://www.energy-community.org/legal/acquis.html>.



Acquis on Gas

Directive 2009/73/EC concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC

Regulation (EC) 715/2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) 1775/2005

Regulation (EU) 2015/703 establishing a network code on interoperability and data exchange rules

Regulation (EU) 2017/459 establishing a network code on capacity allocation mechanisms in gas transmission systems

Regulation (EU) 2017/460 establishing a network code on harmonized transmission tariff structures for gas

Regulation (EU) 1227/2011 on wholesale energy market integrity and transparency

Regulation (EU) 312/2014 establishing a network code on gas balancing of transmission networks



Acquis on Security of Supply

Regulation (EU) 2017/1938 concerning measures to safeguard the security of gas supply

Regulation (EU) 2019/941 on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC



Acquis on Governance and Climate Action

Regulation (EU) 2018/1999 on the governance of the energy union and climate action

Commission Regulation (EU) 2020/1044 supplementing Regulation (EU) 2018/1999 with regard to values for global warming potentials and the inventory guidelines and with regard to the Union inventory system

Commission Implementing Regulation (EU) 2020/1208 on structure, format, submission processes and review of information reported by Member States pursuant to Regulation (EU) 2018/1999



Acquis on Environment

Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment, as amended by Directive 2014/52/EU

Directive (EU) 2016/802 relating to a reduction in the sulphur content of certain liquid fuels

Commission Implementing Decision (EU) 2015/253 laying down the rules concerning the sampling and reporting under Council Directive 1999/32/EC as regards the sulphur content of marine fuels

Directive 2001/80/EC on the limitation of emissions of certain pollutants into the air from large combustion plants

Chapter III, Annex V and Articles 72(3)-(4) of Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control)

Article 4(2) of Directive 79/409/EEC on the conservation of wild birds

Directive 2004/35/EC on environmental liability with regard to the prevention and remedying of environmental damage, as amended by Directive 2006/21/EC, Directive 2003/31/EC and Directive 2013/30/EU

Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment



Acquis on Renewable Energy

Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources



Acquis on Energy Efficiency

Directive 2012/27/EU on energy efficiency

Directive 2010/31/EU on the energy performance of buildings

Regulation (EU) 2017/1369 setting a framework for energy labelling



Acquis on Infrastructure

Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructure



Acquis on Oil

Council Directive 2009/119/EC imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products

Recommendation 2018/02/MC-EnC on preparing for the implementation of Directive 98/70/EC relating to the quality of petrol and diesel fuels and amending Council Directive 93/12/EEC



Acquis on Statistics

Regulation (EC) 1099/2008 on energy statistics

Regulation (EU) 2016/1952 on European statistics on natural gas and electricity prices and repealing Directive 2008/92/EC

Implementing Regulation (EU) 2019/803 concerning the technical requirements regarding the content of quality reports on European statistics on natural gas and electricity prices pursuant to Regulation (EU) 2016/1952



Acquis on Competition

The acquis on competition (Articles 18 and 19 of the Energy Community Treaty) rests on three pillars:

1. The prohibition of anticompetitive agreements established by Article 101 of the Treaty on the Functioning of the European Union (TFEU);
2. The prohibition of abuse of a dominant position provided for in Article 102 of the TFEU; and
3. The prohibition of State aid granted in violation of Article 107 of the TFEU.



Cybersecurity

Procedural Act 2018/02/MC-EnC on the establishment of an Energy Community Coordination Group for Cybersecurity and Critical Infrastructure



03 Annual Report

Annual Report on the Activities of the Energy Community 2021-2022

The Annual Report on the activities of the Energy Community outlines key actions and achievements in the period from 1 November 2021 to 1 November 2022 following the requirements of Article 52 of the Energy Community Treaty.

This reporting period was probably the most challenging year for the Energy Community yet. The Russian war of aggression against Ukraine (the Contracting Party holding the 2022 Energy Community Presidency) tested the resilience of the organization's institutions and their ability to adapt to rapidly changing circumstances. With a new Director at its helm, Mr Artur Lorkowski, the Energy Community Secretariat expanded and amplified its efforts to support the Contracting Parties in modernizing and greening their energy sectors as well as making them more resilient. Since the beginning of the war, the Secretariat provides logistical support and acts as fiduciary for international donations to the energy sector in Ukraine to counteract the impact of the Russian invasion.

Clean energy for all Europeans

Despite the extremely difficult circumstances, the Energy Community Contracting Parties and institutions continued to progress with implementation of the Clean Energy for all European Package and contributing to the achievement of the goals of the European Green Deal.

At its meeting in Belgrade on 30 November 2021, the Energy Community Ministerial Council adopted the Clean Energy for all Europeans package under the presidency-in-office of the Republic of Serbia. The package covers legislation in the areas of energy efficiency, renewables, governance, electricity market design and electricity security of supply rules.

The Council also adopted the Decarbonisation Roadmap for the Contracting Parties of the Energy Community, a political document outlining the sequence of adoption, transposition and implementation of decarbonisation-focused rules in order to put the Contracting Parties on a path towards achieving 2030 and mid-century decarbonisation targets.

In 2022, the focus turned to transposition and implementation of the Clean Energy Package supported by the Energy Community Secretariat.

At the Informal Energy Community Ministerial Council on 8 July 2022 in Baden, Austria, Ministers concluded negotiations on the level of 2030 targets for energy efficiency, renewables and greenhouse gas emission under the presidency-in-office of Ukraine. The Contracting Parties reached a high level of ambition on targets for energy efficiency, putting a cap on the amount of final and primary energy consumption, boosting renewables and reducing greenhouse gas emissions by 2030, in line with the commitment to achieve climate neutrality of their economies by 2050. The targets are expected to be formally adopted at the Energy Community Ministerial Council in December 2022.



Informal Ministerial Council, 8 July 2022, Baden, Austria



The Secretariat continued to support the Contracting Parties in the development of National Energy and Climate Plans. Albania and North Macedonia were the first Contracting Parties to adopt this critical guiding instrument for their energy transition paths.

Winter preparedness in times of war

Russia's invasion of Ukraine on 24 February significantly reshuffled existing energy supply chains and marked a point of no return for the energy transition. While Ukraine is most deeply affected, the conflict has strong implications on all other Energy Community Contracting Parties and EU Member States. The Energy Community and its Secretariat immediately set to work to provide practical solutions to help Ukraine and to mitigate the impacts of a potential gas supply disruption by the Russian Federation.

The Secretariat initiated emergency security of supply coordination group meetings for electricity and gas to prepare for a possible gas supply disruption by the Russian Federation and outlined technical and regulatory measures to support the diversification of gas supplies to the Contracting Parties. The Secretariat outlined concrete measures to use existing gas infrastructure more efficiently and take advantage of new supply routes in a report published under the "SEEGAS Initiative".

Less than four months after its adoption in the European Union, the Ministerial Council of the Energy Community adopted by written procedure the Gas Storage Regulation to strengthen security of gas supply. The Contracting Parties are also taking part in the EU's joint gas purchasing initiative.

Tackling rising energy prices

The picking up of global energy demand due to increased economic activity necessary for economic recovery from the COVID-19 pandemic, combined with the direct and indirect consequences of Russia's war against Ukraine, resulted in a surge in energy commodity prices. Rapidly rising energy prices are a growing concern in the Contracting Parties where citizens already suffer from high levels of energy poverty. Addressing the impact of the high energy prices was a key focus of the Energy Community during this reporting period.

The Energy and Climate Committee on 12 April 2022 in Vienna kicked off the discussion on measures to address high energy prices, which continued at the Informal Energy Community Ministerial Council on 8 July 2022 in Baden, where ministers reflected on ways to act in a coordinated way.

Energy Community Contracting Party Ministers and Director Lorkowski discussed the response to high energy prices with EU Energy Ministers at the informal ministerial council meeting on 12 October 2022 in Prague. The importance of the Energy Community as a framework for tackling joint energy challenges and coordinating actions to ensure the stability of the European energy system was underlined.

Against this backdrop, the European Union announced the Energy Rescue Scheme for the Western Balkans, which will

encompass immediate measures in the form of budget support to cushion energy price increases as well as support to boost investment in energy connections, energy efficiency and renewable energy and other measures. The EU support reflects priorities under the Energy Community framework.

The Secretariat and the Energy Community Regulatory Board are monitoring the impact of the price surge and compliance of the measures taken in response in line with their respective competences.

Fast forwarding market integration

All institutions of the Energy Community worked towards advancing the establishment of a truly integrated energy market between the Energy Community Contracting Parties and neighbouring EU Member States as a way to contribute to strengthening energy security.

The synchronization of the electricity networks of Ukraine and Moldova with the Continental European power system was the biggest breakthrough. The gradual opening of electricity trade between European Union and Ukraine and Moldova following the emergency synchronization was a critical milestone for improving energy security.

Preparations to adopt the new electricity market and systems integration package at the December 2022 Ministerial Council continued. The package consists of the new Electricity Regulation, the ACER Regulation, the Network Code on Emergency and Restoration (ER) and four market and system operation Guidelines, accompanied by a Procedural Act on fostering regional energy market integration in the Energy Community.

Advancing the just energy transition

The Energy Community Secretariat continued supporting the Contracting Parties in their decarbonisation pathways, focusing on just transition aspects and assistance to regions dependant on coal mining and coal-fired power generation. The Secretariat assisted 12 municipalities in the Western Balkans that are part of the Energy Community Clean Air Regions Initiative (CARI) in drafting and implementation of local air quality action plans.

Against the backdrop of rapidly rising energy prices and inflation and heightened need to effectively tackle energy poverty, Director of the Energy Community Secretariat, Mr Artur Lorkowski, established a new Centre for Alleviating Energy Poverty in the Energy Community Contracting Parties. The Centre collects data and information on the causes and impact of energy poverty in the Energy Community Contracting Parties and promotes the development of appropriate policies and measures for reducing energy poverty following the *acquis communautaire*.

The Secretariat expanded the scope of the Energy Transition Tracker to cover not just the Western Balkans but also Georgia, Moldova and Ukraine. The tracker takes stock of their progress in reducing emission footprints, improving functioning of the energy markets, scaling up renewables, improving energy efficiency and planning for the decarbonised energy future.

Under the Gender Equality Initiative, the Secretariat continued to develop evidence-based responses, policies and legislation and raise awareness of the importance of collecting gender-disaggregated data in the energy sector to inform energy analysis. To facilitate gender-disaggregated data collection, the Secretariat published policy guidelines explaining why data are essential to evaluate and track the pivotal role of women, also as prosumers, in the energy sector.

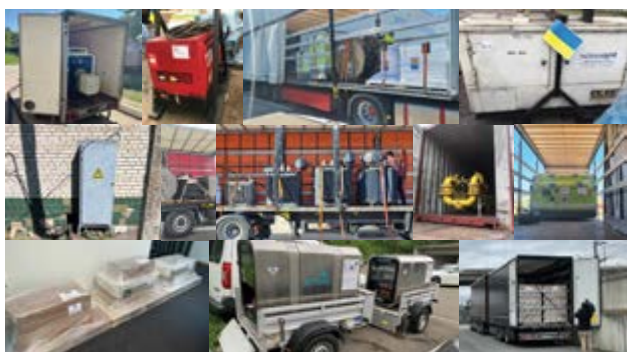
Director Lorkowski joined the International Gender Champions (IGC) leadership network in March 2022.

Apart from hands-on practical support, the Secretariat organized the Energy Community Just Transition Forum in cooperation with the Balkan Green Foundation, CEE Bankwatch Network and Climate Action Network (CAN) Europe. Opened by H.E. Zorana Mihajlović, Deputy Prime Minister and Minister of Mining and Energy of Serbia, the Forum was hosted by the Bosnian public electric utility company Elektroprivreda BiH at its headquarters in Sarajevo. The Forum gathered representatives of national, regional and local governments of the Energy Community Contracting Parties, high-level officials as well as representatives of civil society, academia, international organisations, trade unions and youth.



Energy Community Just Transition Forum, 12 July 2022, Sarajevo, Bosnia and Herzegovina

Energy Community Secretariat Ukraine support activities



In the immediate aftermath of Russia's invasion of Ukraine, the Energy Community Secretariat came to Ukraine's aid by establishing the Ukraine Support Task Force and the Ukraine Energy Support Fund.

The Task Force supports Ukraine by coordinating the donation process and the door-to-door delivery of specialized energy equipment, fuel and materials needed to repair the infrastructure damaged during the war. The Task Force cooperates closely

with the European Commission and particularly the Emergency Response Coordination Centre (ERCC) of the European Commission's Directorate-General for European Civil Protection and Humanitarian Aid Operations.

As of 15 October, the Secretariat engaged in delivering 26 shipments, in total 500 tons of equipment, tools and materials, with an estimated value EUR 2,7 million. 21 more shipments of ca. 2.600 tons were in preparation, with an estimated value of EUR 8,5 million. North Macedonia was the first Energy Community Contracting Party to donate emergency energy equipment to Ukraine.

Upon request of the European Commission and in agreement with the Ministry of Energy of Ukraine, the Energy Community Secretariat set up the legal framework for the Ukraine Energy Support Fund to counteract the impact of the Russian invasion. The Fund enables governments and international financial institutions to provide emergency financial support to the Ukrainian energy sector. The Secretariat acts as fiduciary of the Fund as well as an intermediary between the donors and the Ukrainian authorities. The fund has received first donations from the Government of Denmark and the Energy Regulators Regional Association (ERRA).

Nine electronic registries for guarantees of origin are ready to drive renewables uptake in the Energy Community

Under the regional project launched by the Energy Community Secretariat in January 2022, electronic registries for guarantees of origin were created for Albania, two entities in Bosnia and Herzegovina, Georgia, Kosovo*, North Macedonia, Moldova, Montenegro and Ukraine. All nine registries are ready to go-live following the signing of direct agreements between the Contracting Parties' issuing bodies and the service provider Grexel. Once in place, the system of guarantees of origin will serve as an important instrument to boost renewables investment and drive the energy transition.

EU4Energy Governance (Phase II) "Promoting the clean energy transition"



Co-funded by
the European Union

The Energy Community Secretariat is one of the implementing partners of the EU4Energy (Phase II) "Promoting the clean energy transition" technical assistance project, co-funded by the EU4Energy Programme of the European Union. The objective of the EU4Energy Governance Project Phase II is to achieve the clean energy transition, increase energy security in three Eastern partner countries (Georgia, Moldova and Ukraine) and facilitate access to energy to the distressed population in Ukraine to mitigate the impact of the war.

Throughout the action (between 2020 and 2024), the Secretariat will work with stakeholders in Georgia, Moldova and Ukraine in order to assist them with the drafting, transposition and implementation of energy reforms, including the Clean Energy for all Europeans Package. The targeted sectors are electricity, gas (including hydrogen), energy efficiency and renewable energy. The Project will also facilitate knowledge transfer to the relevant public authorities via various capacity building activities.

EU4Energy has identified the specific activities that will be implemented until the end of 2022 in Georgia, Moldova and Ukraine.



High Level Event on the Security and Stability of the Ukrainian Energy Sector during the War and its Post-War Revitalisation, 10 April 2022, Vienna, Austria

In April 2022, the Energy Community reinforced its engagement in Moldova by opening an office in Chisinau, financed under the EU4Energy project. It is an additional instrument to help Moldova in modernizing its energy sector and making it more secure and resilient to current and future challenges in line with Energy Community rules and principles. The project now has regional offices in all three Eastern partner countries.

Communications and outreach

Communications and outreach is crucial to the work of the Energy Community. The Secretariat continued to strengthen the visibility of the Energy Community to raise awareness and share success stories. The Secretariat used various channels to connect with the Energy Community's target audience.

The Energy Community public website continued to serve as the main stakeholder communication tool. Compared to the 2021 reporting period, both the number of users and page views increased by more than 20%. In 2022, the site underwent a migration, which equipped the site with a faster, more secure server infrastructure. In addition, back-end improvements in the area of event and user management were carried out, resulting in increased automatization and improved mailing tracking.

The Secretariat increased its presence on social media, with LinkedIn followers nearly doubling during the reporting period. Moreover, the Secretariat continued to serve as the focal point for journalists seeking pertinent information on energy and climate sector developments in the Contracting Parties. Statements by Energy Community representatives featured in major media outlets, including the Financial Times, Politico, Reuters and ICIS.

Following the end of the Covid-19 restrictions, the Secretariat transitioned to hosting onsite and hybrid events as well as continued with virtual formats based on the needs of the stakeholders. Apart from organizing its traditional stakeholder fora in the areas of just transition, electricity, gas, oil, law, competition and dispute resolution, the Energy Community organized the High Level Event on the Security and Stability of the Ukrainian Energy Sector during the War and its Post-War Revitalisation to mobilize support for the Ukrainian energy sector shortly after the beginning of the war.



At the 2022 Energy Community Summer School in Sarajevo, nearly 50 students engaged in hands-on learning about the energy transition. The goal of the annual summer school organized by the Secretariat and its partners is to empower a new generation of energy and climate professionals to engage and drive forward the energy transition.

In the course of this reporting period, the Secretariat issued numerous publications and studies to further assist the Contracting Parties in the implementation of the Energy Community acquis. As in previous years, the Secretariat's Annual Implementation Report was the most downloaded document from the Energy Community website.

Communications and outreach in numbers

200,197 Unique website visitors	134 News items	559,869 Page views
10 Publications	3 Studies	9.484 LinkedIn followers

Staff

During the reporting period, the Energy Community Secretariat engaged 35 permanently employed professionals, bringing diverse expertise from all programmatic and support areas covered by the Energy Community. Apart from its permanent staff members, 31 temporary personnel, engaged for a period of 1 to 12 months each, including interns, secondees, research fellows and locally recruited staff, made valuable contributions to the Secretariat's work.

Budget 2021

The Energy Community is funded by contributions from the Parties to the Energy Community Treaty. The ordinary budget amounted to EUR 4.813.608 plus an extraordinary budget amounted to EUR 693.963 (provided by 7 different donors) totalling the annual 2021 budget to EUR 5,507,571.



04 Report of the Energy Community Secretariat on Enforcement and Dispute Resolution Activities

Reporting period 2021 - 2022

Based on Article 67(b) of the Treaty establishing the Energy Community, the Secretariat reviews the proper implementation by the Parties of their obligations under the Treaty and initiates dispute settlement procedures when needed (Article 90 of the Treaty). The Secretariat reports annually on implementation and, in accordance with Article 2(5) of the Energy Community Dispute Settlement Rules as amended in 2015 (the "DSR"), submits to the Ministerial Council an annual report on the application and interpretation of Energy Community law by national authorities of the Contracting Parties within the framework of cooperation between the Secretariat and the national authorities of the Contracting Parties. Finally, the Secretariat's Procedural Act on the Establishment of a Dispute Resolution and Negotiation Centre (the "Centre"), together with Article 19(2) of the Dispute Settlement Rules require the Centre to draft a report on the results of the negotiations and the closure of the cases for submission to the Ministerial Council.

The present report covers these three sets of dispute resolution activities with the involvement of the Secretariat and is divided in three parts: activities based on Articles 90 et seq. of the Treaty related to dispute settlement cases (Part I), activities based on Article 2 of the DSR related to cooperation with national authorities (Part II) and activities of the Dispute Resolution and Negotiation Centre (Part III).

Part I: Dispute settlement cases

By the time of drafting the present report, twenty (20) cases were open in preliminary procedure under Article 91 of the Treaty, of which three (3) have been referred to the Ministerial Council by way of Reasoned Requests under Article 91 of the Treaty. Five (5) cases have been referred to the Ministerial Council under Article 92 of the Treaty.

Reasoned Requests submitted to the Ministerial Council for a Decision under Article 91 of the Treaty

On 14 July 2022, the Secretariat submitted two Reasoned Requests to the Ministerial Council under Article 91 of the Treaty based on Article 11(3) of the Dispute Settlement Rules for non-transposition of *acquis communautaire*. Those cases address the lack of transposition of Regulation (EU) 1227/2011 (REMIT Regulation) in Case **ECS-4/22** against **North Macedonia** and the non-transposition of Directive 2014/52/EU amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment in Case **ECS-5/22** against **Kosovo***. In addition, a Reasoned Request in Case **ECS-5/17** against **Bosnia and Herzegovina** related

to lack of distribution system operator unbundling had already been submitted to the attention of the Ministerial Council of 2021 but not yet decided, and hence will feature on the agenda of the Ministerial Council meeting in December 2022 again.

Requests submitted to the Ministerial Council for a Decision under Article 92 of the Treaty

On 24 September 2021, the Secretariat submitted two Requests inviting the Ministerial Council to establish serious and persistent breaches by individual Parties to the Treaty. The first of those addresses breaches by **Serbia**, namely the lack of unbundling of the gas transmission system operator Yugorosgaz-Transport in Case **ECS-10/17 S**, and the failure to ensure third party access to the Horgos interconnection point between Serbia and Hungary in Case **ECS-13/17 S**. The second Request addresses breaches by **Bosnia and Herzegovina**, namely the lack of implementing the Second Energy Package in gas in Case **ECS-8/11S**, the lack of transposition of the Third Energy Package in Case **ECS-6/16 S** and the lack of implementation of Directive 1999/32/EC on Sulphur in Fuels in Case **ECS-2/13 S**.

Cases where breaches have been established by the Ministerial Council Decision (Article 91 of the Treaty) which have been subsequently rectified by the Party in question

Two cases in which the Ministerial Council adopted a decision establishing a breach under Article 91 of the Treaty have been complied with by the Contracting Parties concerned during the reporting period. With the entry into force of the Law on Surveillance of Electricity and Natural Gas Wholesale Market on 10 January 2022, the REMIT Regulation has been transposed and **Montenegro** ensured compliance with the Ministerial Council Decision in Case **ECS-3/21**. On 29 June 2022, the State Aid Council of **Bosnia and Herzegovina** annulled its previous decision accepting that the guarantee by the Federation of Bosnia and Herzegovina for a loan to finance the Tuzla 7 coal-fired power plant project constitutes illegal State aid which the Federation's Ministry of Finance is obliged to recover. This decision remedies the breach identified by Ministerial Council in Case **ECS-10/18**.

Cases where breaches have been established by the Ministerial Council Decision (Article 91 of the Treaty) which have not been subsequently rectified by the Party in question

Five cases in which the Ministerial Council adopted decisions establishing breaches under Article 91 of the Treaty in 2021 have not been complied with by the Contracting Parties concerned. These are Cases **ECS-4/21** against **Ukraine** concerning the lack of transposition of the REMIT Regulation, **ECS-7/18**

against **Moldova** for non-transposition of Directive 2001/80/EC on the limitation of emissions of certain pollutants into the air from large combustion plants and Chapter III and Annex V of Directive 2010/75/EU on industrial emissions, as well as **ECS-22/21** against **North Macedonia**, **ECS-23/21** against **Serbia**, and **ECS-24/21** against **Moldova** for the non-transposition of Directive 2014/52/EU amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment.

In addition to those cases, the Contracting Parties concerned have not complied with several Decisions by the Ministerial Council establishing breaches under Article 91 of the Treaty adopted at earlier meetings. This concerns Cases **ECS-3/18** against **Bosnia and Herzegovina** and **ECS-4/18** against **Ukraine** for the non-transposition of Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructure, and Case **ECS-1/14** against **Bosnia and Herzegovina** for lack of transposition and implementation of Directive 2006/32/EC on energy end-use efficiency and energy services, as well as Cases **ECS-9/13** and **ECS-9/13** against **Serbia** for unbundling of natural gas transmission systems operators.

Finally, **Bosnia and Herzegovina** and **Serbia** have also not complied with a number of Ministerial Council Decisions adopted already in the past and subject to Requests under Article 92 of the Treaty.

Open preliminary procedures in 2022

Currently, there are seventeen (17) more cases subject to a preliminary procedure that have not been referred to the Ministerial Council by way of Reasoned Requests under Article 91 of the Treaty. Out of those, four (4) cases have been opened after last year's Implementation Report: Cases **ECS-3/20** against **Moldova** concerning failure to adopt the necessary legislative framework in order to enable the operation of virtual reverse flows in breach of Article 32(2) of the CAM Network Code, **ECS-33/21** and **ECS-1/22** against **Bosnia and Herzegovina** concerning State aid in the form of an exemption from the payment of a toll for diesel fuel used by mines and thermal power plants, and the Large Combustion Plants Directive in the case of thermal power plants Tuzla 4 and Kakanj 5, which continue to operate despite the expiry of their limited lifetime derogation period and **ECS-2/21** against **Serbia** for failing to make commercial electricity capacity available at two interconnection lines.

Part II: Report on cooperation with national authorities under Article 2 DSR

Article 2 DSR provides for a cooperation mechanism between national authorities and the Secretariat by which national authorities can ask the Secretariat for assistance regarding questions of interpretation or application of Energy Community law. In the past reporting period, this mechanism has been used once.

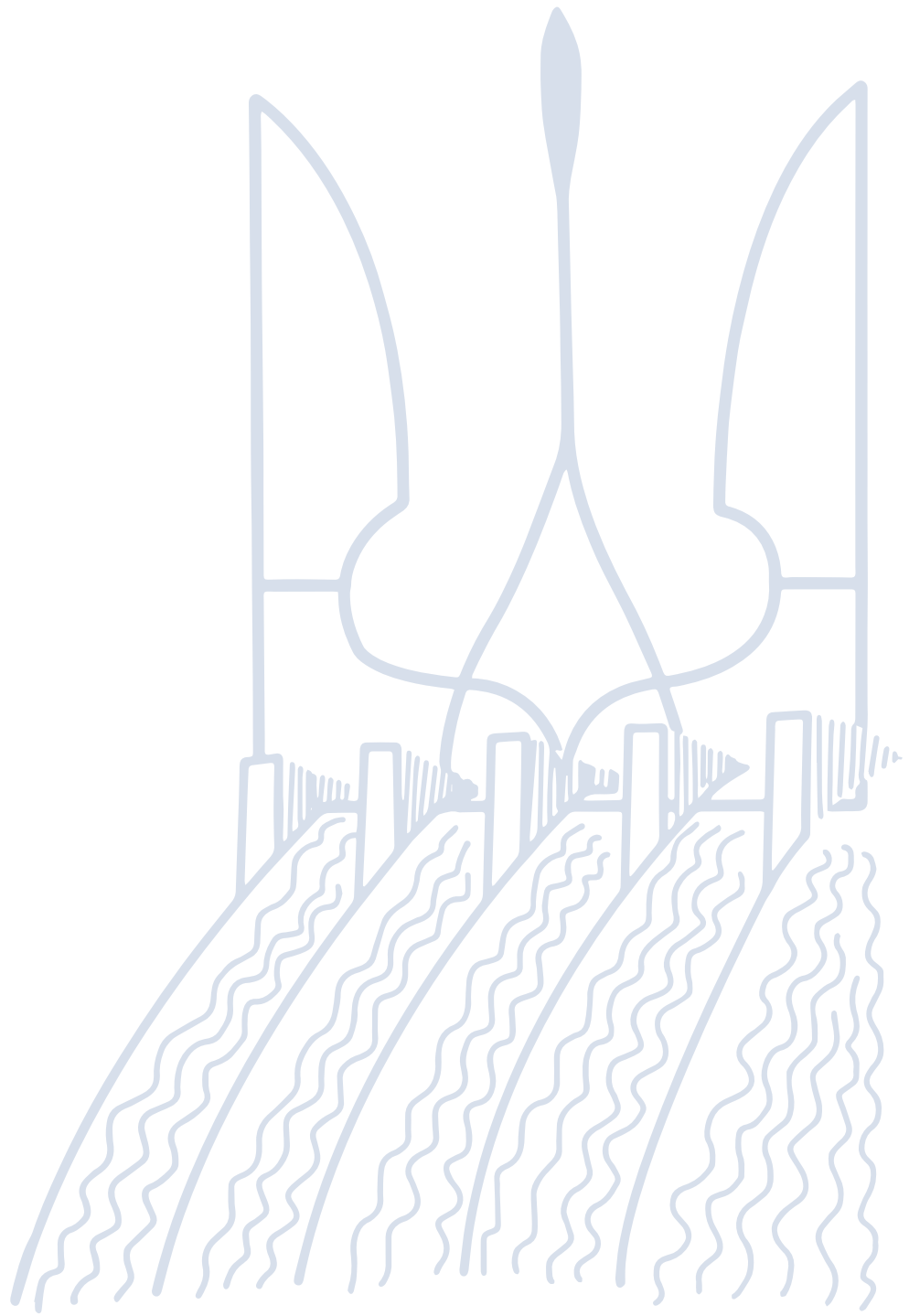
In **Kosovo***, the Secretariat was consulted by the State aid authority regarding the obligation of notification of State support to address the emergency situation on the electricity market.

Part III: Activities of the Energy Community Secretariat's Dispute Resolution and Negotiation Centre

The Energy Community Secretariat's Dispute Resolution and Negotiation Centre has continued to be involved in the settlement of disputes in the Contracting Parties, thus increasing regulatory stability for the benefit of consumers, governments and investors alike. Taking into account the general instability on the energy markets throughout the region, most of the instances in which the Dispute Resolution and Negotiation Centre provided support remained at an informal level.

In Moldova, the biggest private investor in the gas market, Rotalin Gas Trading SRL (**Rotalin**), turned to the Dispute Resolution and Negotiation Centre for mediation of its dispute with the Government of Moldova and the energy regulator ANRE in relation to alleged unrecovered investments and distribution tariffs. A Memorandum of Understanding was signed on 21 December 2021. The initial three-month period agreed between the parties for the mediation expired without an agreement being reached. On 30 June 2022, Rotalin formally initiated arbitration proceedings against Moldova before the International Centre for Settlement of Investment Disputes (ICSID). At the end of September 2022, the parties agreed to a proposal by the mediator to resume mediation proceedings. The proceedings are ongoing.










The Secretariat's Dispute Resolution and Negotiation Centre has also offered its services to the Ukrainian Government and Ukrainian energy companies for the preparation of legal claims against the Russian Federation for its intentional destruction of Ukraine's energy infrastructure and generation facilities. The Centre will coordinate legal and strategic support for Ukraine and Ukrainian energy companies in order to identify the most suitable fora where such claims will be filed.





05 Albania

SUMMARY IMPLEMENTATION

SUMMARY INDICATORS	IMPLEMENTATION STATUS	2022 HIGHLIGHTS
 Electricity	<div style="width: 68%;"><div style="width: 68%;"></div></div> 68%	Activities on the establishment of the organised day-ahead market advanced but the date for the launch of the day-ahead market is still to be defined.
 Gas	<div style="width: 52%;"><div style="width: 52%;"></div></div> 52%	Albania has nearly completed its regulatory framework for the gas market, enabling the country to take advantage of the gas infrastructure running through its territory.
 Oil	<div style="width: 45%;"><div style="width: 45%;"></div></div> 45%	Albania made progress by drafting two Regulations to align the existing industry-related model with the oil acquis.
 Renewable Energy	<div style="width: 62%;"><div style="width: 62%;"></div></div> 62%	Albania is one of the three Contracting Parties which achieved its 2020 renewables target. It continued to be a frontrunner when it comes to implementation of auctions for renewables projects.
 Energy Efficiency	<div style="width: 50%;"><div style="width: 50%;"></div></div> 50%	Albania progressed with the implementation of energy efficiency requirements for buildings, training of experts for energy audits and issuing of building energy performance certificates.
 Environment	<div style="width: 55%;"><div style="width: 55%;"></div></div> 55%	Albania has recorded some progress in the field of nature protection but must pay more attention to the environmental assessments of hydropower projects.
 Climate	<div style="width: 78%;"><div style="width: 78%;"></div></div> 78%	Albania was the first Contracting Party to adopt its NECP. Albania is strongly encouraged to update the plan with the 2030 targets and the Secretariat's Recommendations.
 National Authorities	<div style="width: 61%;"><div style="width: 61%;"></div></div> 61%	ERE executes its legal regulatory obligations and competences on a regular basis. The State aid authority's independence is not guaranteed. More rigorous enforcement of the competition and State aid acquis is required.
 Statistics	<div style="width: 69%;"><div style="width: 69%;"></div></div> 69%	Although not fully compliant yet, Albania made significant steps by clearly assigning the responsibility over energy statistics to the Agency for Natural Resources and improving the completeness of price statistics.

Overall number of cases: **2**

Procedure by Article **91**

ECS-4/17 Electricity

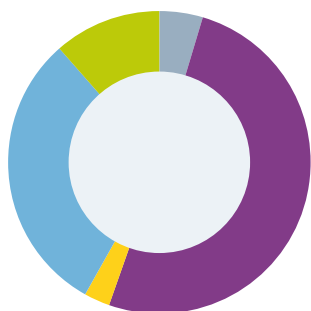
ECS-3/19 Environment

State of Energy Sector Reforms

Albania has achieved moderate progress in terms of electricity and gas market reforms. When it comes to renewables, the country continued to be a frontrunner in the implementation of auctions for renewables projects and achieved its 2020 renewables target. Albania advanced in the implementation of the Energy Performance of Buildings Directive but more progress in the area of energy efficiency is needed especially in the context of the energy crisis. Environmental concerns regarding hydro-power development on the Valbona and Vjosa rivers continued.

Implementation of environmental impact assessment legislation remained insufficient.

Albania has adopted a first version of its National Energy and Climate Plan and the Governance Regulation is partially transposed. The transposition of the 2021 electricity legislation is yet to begin, while the transposition of the new Renewables and Energy Efficiency Directives is at an early stage.

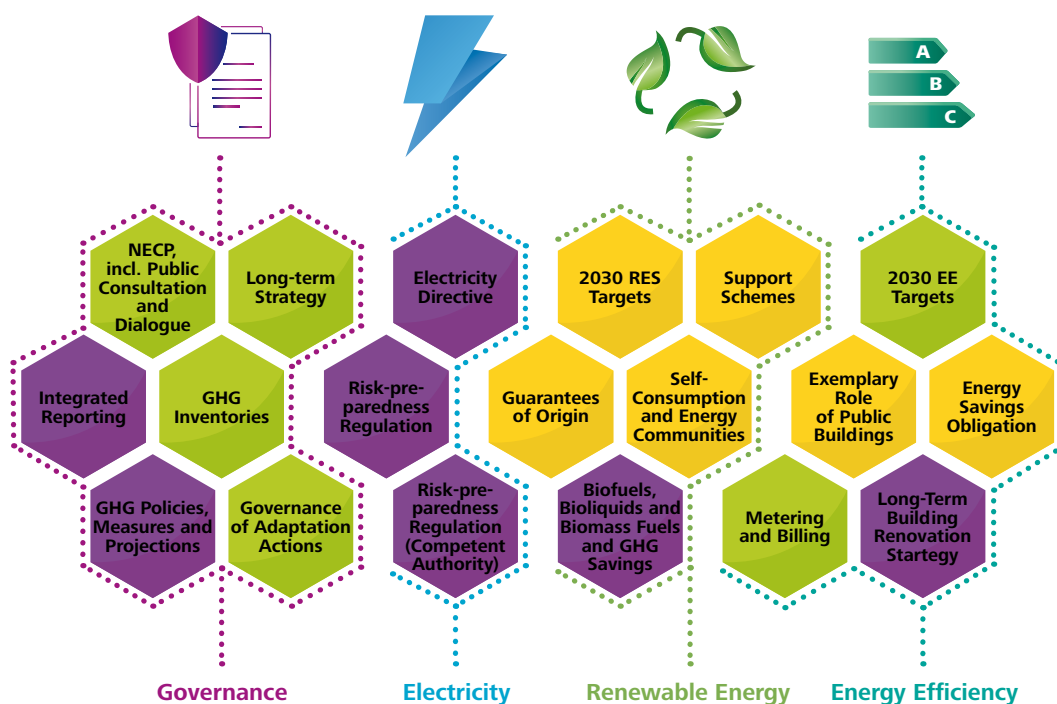


2020 Primary fuel mix in Albania [ktoe]

- Solid fossil fuels
- Oil and petroleum products
- Natural gas
- Hydro
- Other renewables

Source: EUROSTAT

Decarbonisation readiness - 2021 Clean Energy Package transposition



	Regulation (EU) 2018/1999	Directive (EU) 2019/944 and Regulation (EU) 2019/941	Directive (EU) 2018/2001	Directive (EU) 2018/2002
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Transposition status:

- Planning / no steps taken
- Drafting process
- Final draft / approval process
- Approved and published



06 Bosnia and Herzegovina

SUMMARY IMPLEMENTATION

SUMMARY INDICATORS	IMPLEMENTATION STATUS	2022 HIGHLIGHTS
 Electricity	 61%	There was no visible progress to implement due commitments under the Treaty.
 Gas	 24%	No progress was achieved in Bosnia and Herzegovina in this reporting year and the implementation of the gas acquis continues to hover at a low level.
 Oil	 8%	No progress occurred during the reporting period, and implementation remains at a low level.
 Renewable Energy	 55%	Bosnia and Herzegovina came close to reaching its 2020 target. The new Renewables Law adopted in Republika Srpska in February 2022 partially transposed the REDII, while in the Federation a similar law was drafted.
 Energy Efficiency	 49%	Limited progress was achieved in Bosnia and Herzegovina with respect to implementation of last year's recommendations and improvement of compliance with the energy efficiency acquis.
 Environment	 39%	In the area of environment, no progress occurred during the reporting period and implementation remains at a low level.
 Climate	 48%	Apart from the ongoing work on the draft NECP on entity level, there is limited progress visible in the energy and climate field.
 National Authorities	 51%	The energy regulator's institutional framework does not comply with the acquis. Within its limited legal competences, SERC continues to pro-actively design the market. While the competition authority needs to enforce the competition acquis more rigorously, the State aid authority rendered three decisions in the energy sector.
 Statistics	 87%	Bosnia and Herzegovina maintained the achieved level of energy and price statistics by updating and completing the quality reports, but still falls short of improving the completeness of monthly statistics.

ECS-1/22 Environment	Overall number of cases: 9		ECS-8/11S Gas
ECS-5/17 Electricity	Procedure by Article 91	Procedure by Article 92	ECS-2/13S Environment
ECS-33/21 State aid			ECS-6/16S Third Energy Package
ECS-1/14 Energy efficiency			
ECS-3/18 Infrastructure			
ECS-9/21 Environment			

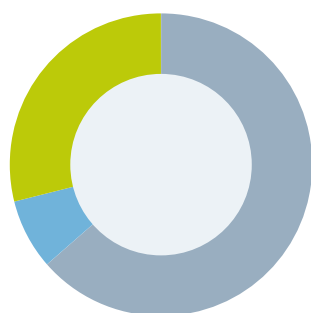
State of Energy Sector Reforms

Bosnia and Herzegovina has achieved limited progress during this reporting period. The energy legal framework remained fragmented along entity lines, thus blocking much needed reforms. The non-compliant gas sector legislation continued to paralyze the country's gas infrastructure ambitions.

The Secretariat had to initiate infringement actions to address the country's breach of the Large Combustion Plants Directive in the case of Tuzla 4 and Kakanj 5, which continued to operate despite the expiry of their limited lifetime derogation period.

Environmental standards remained low with levels of sulphur dioxide, nitrogen oxides and dust from large combustion plants above the ceiling.

Transposition of the Governance Regulation and the 2021 electricity legislation is yet to begin, while the transposition of the new Renewables and Energy Efficiency Directives is moderately advanced.

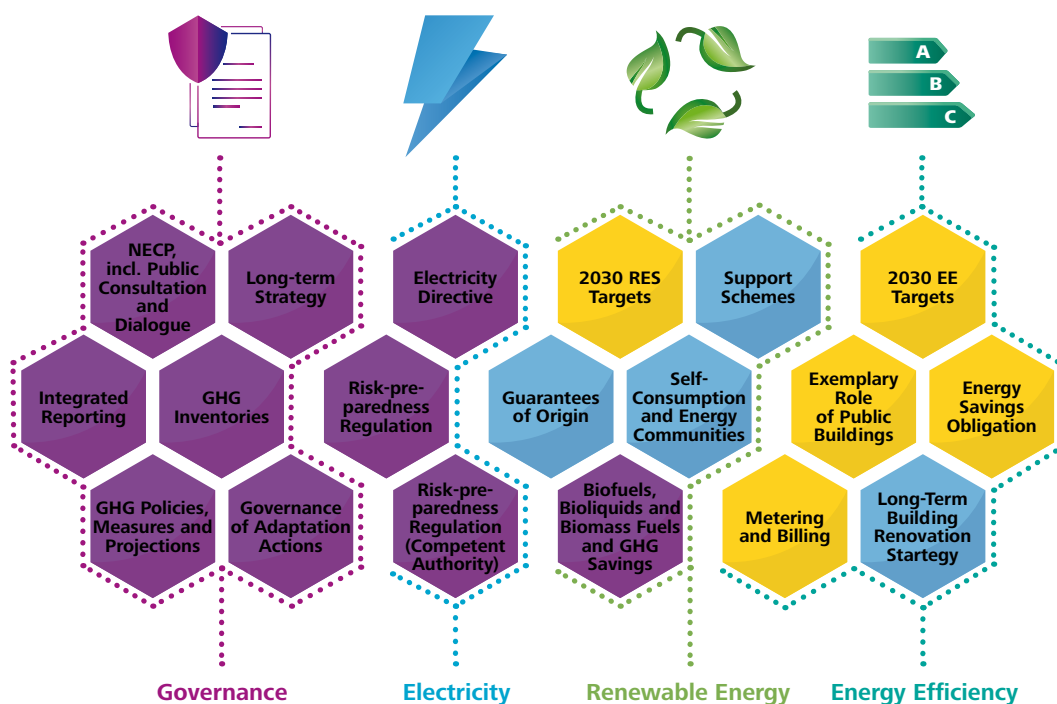


2020 Primary fuel mix in Bosnia and Herzegovina [ktoe]

- Solid fossil fuels
- Hydro
- Other renewables

Source: EUROSTAT

Decarbonisation readiness - 2021 Clean Energy Package transposition



	Regulation (EU) 2018/1999	Directive (EU) 2019/944 and Regulation (EU) 2019/941	Directive (EU) 2018/2001	Directive (EU) 2018/2002
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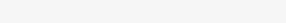
Transposition status:

- Planning / no steps taken
- Drafting process
- Final draft / approval process
- Approved and published



07 Georgia

SUMMARY IMPLEMENTATION

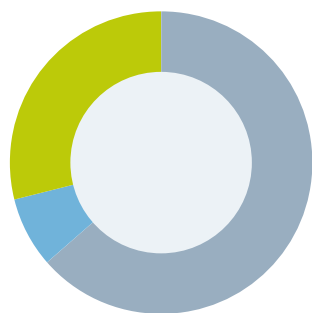
SUMMARY INDICATORS	IMPLEMENTATION STATUS	2022 HIGHLIGHTS
 Electricity	 65%	The opening of the day-ahead, balancing and ancillary services markets has been postponed for the fourth time to 31 March 2023 and the opening of the intraday market to 30 June 2023. After two unsuccessful attempts, the transmission system operator is still not certified.
 Gas	 31%	Georgia made progress in developing a security of supply framework and preparing the foundation for the launch of the natural gas exchange.
 Oil	 13%	No progress occurred during the reporting period, and implementation remains at a low level. Lack of storage facilities is the main open issue.
 Renewable Energy	 39%	No substantial progress has occurred in Georgia in the reporting period, however, amendments to the Renewables Law, which are being drafted, should enable first auctions for renewable energy projects to start.
 Energy Efficiency	 53%	Georgia has achieved the national 2020 energy efficiency target, and during the reporting period submitted the Annual Progress Report and adopted several by-laws to implement the Energy Efficiency Law.
 Environment	 64%	Georgia has a good track record in the area of environment and is a frontrunner in the field of environmental liability.
 Climate	 63%	Georgia continued finalizing its draft NECP and its Long-term Strategy in the reporting period. The development of the draft climate law should continue in order to ensure the transposition of the Governance Regulation.
 National Authorities	 49%	GNERC demonstrates profound technical expertise and independent execution of responsibilities. Any action regarding the enforcement of the competition and State aid acquis in the energy sectors is missing.
 Statistics	 97%	GEOSTAT continues to prove its commitment to the completeness of energy and price statistics in Georgia, responding to the new requirements and improving the efficiency of its work.

State of Energy Sector Reforms

Georgia made some level of progress in the implementation of the electricity and gas acquis but experienced several setbacks, failing to unbundle its electricity and gas transmission system operators and advance the development of competitive organized electricity and gas markets. The country stagnated when it comes to renewables reforms.

Save for nature protection, Georgia continued its good performance in the area of environment. Its energy efficiency track record improved.

Georgia is in the early stages of preparation for the transposition of the 2021 Clean Energy Package. It has transposed the main elements of the Risk-preparedness Regulation.

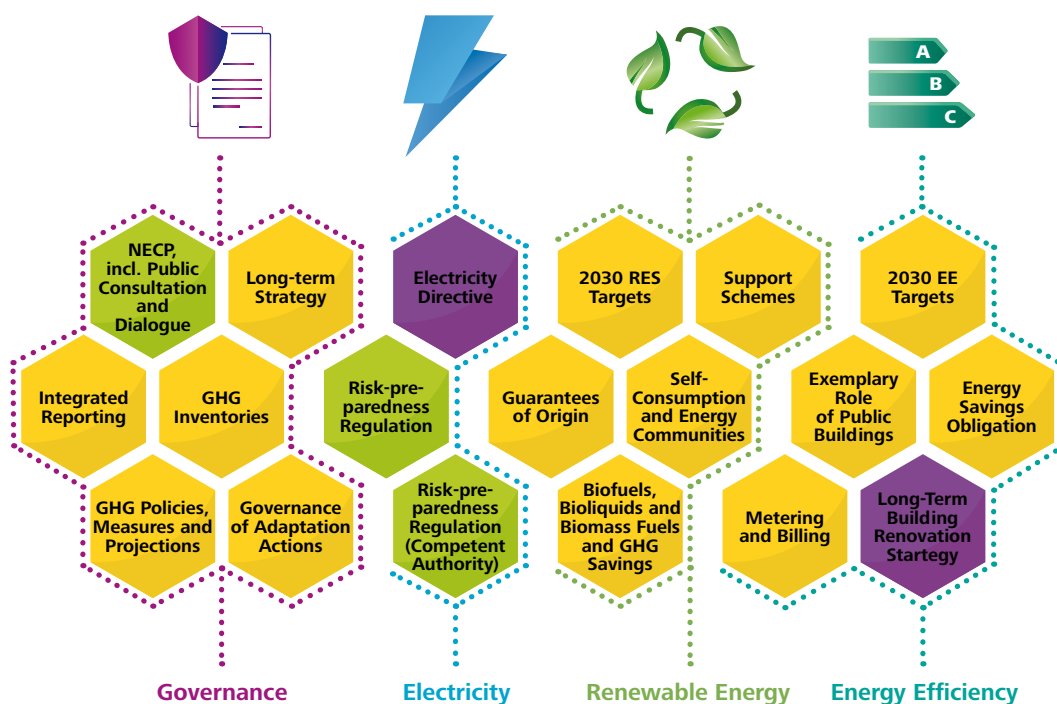


2020 Primary fuel mix in Georgia [ktoe]

- Solid fossil fuels
- Hydro
- Other renewables

Source: EUROSTAT

Decarbonisation readiness - 2021 Clean Energy Package transposition



	Regulation (EU) 2018/1999	Directive (EU) 2019/944 and Regulation (EU) 2019/941	Directive (EU) 2018/2001	Directive (EU) 2018/2002
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Transposition status:

- Planning / no steps taken
- Drafting process
- Final draft / approval process
- Approved and published



08 Kosovo*

SUMMARY IMPLEMENTATION

SUMMARY INDICATORS	IMPLEMENTATION STATUS	2022 HIGHLIGHTS
 Electricity	<div style="width: 79%;"><div style="width: 79%;"></div></div> 79%	With the focus on ensuring regular supply of electricity and preventing load shedding, Kosovo* made modest progress in improving market liquidity and competition.
 Gas	<div style="width: 34%;"><div style="width: 34%;"></div></div> 34%	Kosovo* is reconsidering the role of natural gas in its energy mix.
 Oil	<div style="width: 19%;"><div style="width: 19%;"></div></div> 19%	No progress occurred during the reporting period, and implementation remains at a low level. The draft Law on Compulsory Oil Stocks has been revised many times and should be adopted as soon as possible.
 Renewable Energy	<div style="width: 51%;"><div style="width: 51%;"></div></div> 51%	Kosovo* came close to reaching its 2020 target. No substantial progress was achieved, however, the country's first renewables law is in consultation and should be adopted soon.
 Energy Efficiency	<div style="width: 64%;"><div style="width: 64%;"></div></div> 64%	Kosovo* achieved its 2020 target, and increased expertise and tools for certification of buildings. A number of drafted by-laws remain to be adopted.
 Environment	<div style="width: 44%;"><div style="width: 44%;"></div></div> 44%	In the area of environment, some progress occurred during the reporting period but implementation still remains at a low level.
 Climate	<div style="width: 52%;"><div style="width: 52%;"></div></div> 52%	There was no progress related to the NECP of Kosovo*. The draft law on climate change should be finalized by the end of 2022.
 National Authorities	<div style="width: 65%;"><div style="width: 65%;"></div></div> 65%	ERO's independent tariff setting competences were safeguarded by a final decision of the Supreme Court and its decision-making quorum was re-installed. ERO continues to lack proactiveness on retail market opening. The competition and State aid authorities have started investigating abusive behaviour and State support in order to ensure compliance with the acquis.
 Statistics	<div style="width: 84%;"><div style="width: 84%;"></div></div> 84%	This year, the Kosovo Agency for Statistics produced monthly data collections for the first time and published them on its website, working with EUROSTAT to start transmission in accordance with the acquis.

Overall number of cases: **3**

Procedure by Article **91**

ECS-4/19 State aid

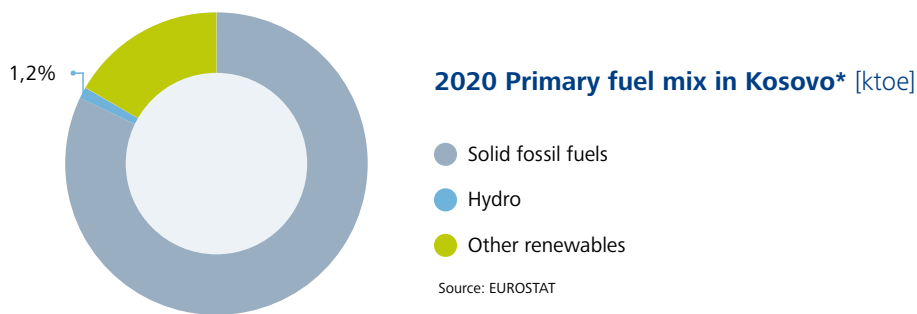
ECS-8/21 Environment

ECS-5/22 Environment

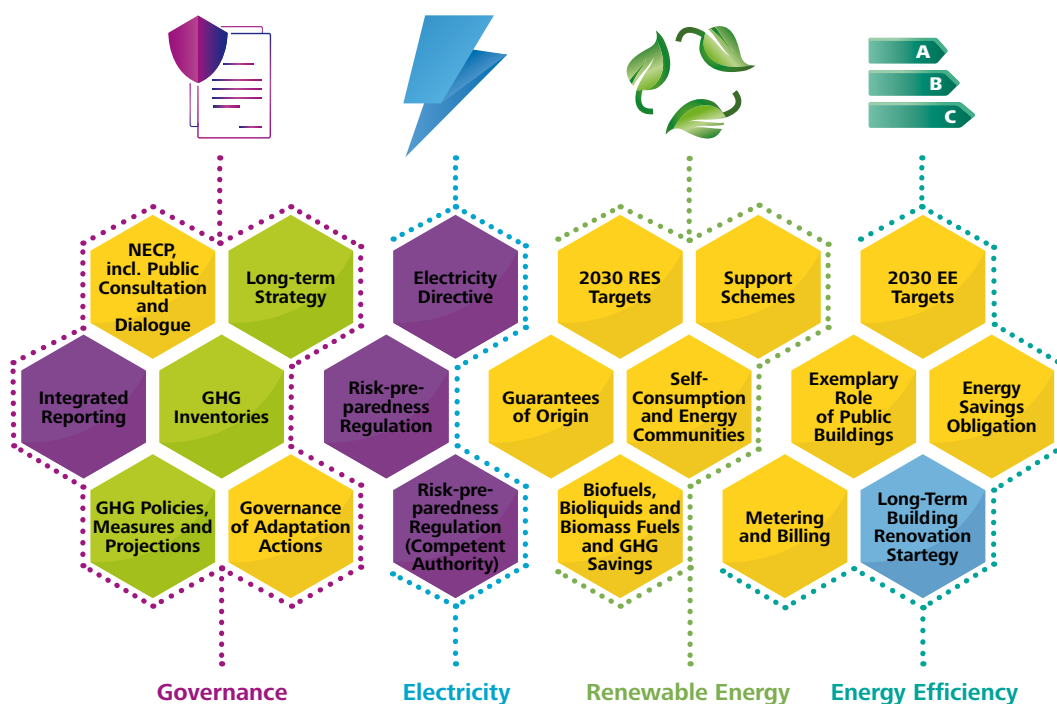
State of Energy Sector Reforms

Electricity market reforms were overshadowed by concerns over security of electricity supply. Nevertheless, modest progress in improving market liquidity and competition was achieved. Kosovo*’s track record when it comes to its environmental performance has deteriorated. Infringement cases for lack of environmental impact assessment legislation and breaching emission limits for large combustion plants initiated by the Energy Community Secretariat are ongoing.

When it comes to advancing on the green agenda, progress hinges on the adoption of the national energy strategy. Kosovo* is in the early stages of transposing the 2021 Clean Energy Package, with the exception of electricity legislation where drafting is yet to begin.



Decarbonisation readiness - 2021 Clean Energy Package transposition



	Regulation (EU) 2018/1999	Directive (EU) 2019/944 and Regulation (EU) 2019/941	Directive (EU) 2018/2001	Directive (EU) 2018/2002
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Transposition status:

- Planning / no steps taken
- Drafting process
- Final draft / approval process
- Approved and published



09 Moldova

SUMMARY IMPLEMENTATION

SUMMARY INDICATORS	IMPLEMENTATION STATUS	2022 HIGHLIGHTS
 Electricity	<div style="width: 53%;"><div style="width: 53%;"></div></div> 53%	The emergency synchronization and the energy crisis shifted the focus to diversification and security of supply. The new Market Rules were implemented, but electricity market reforms are still to be sped up, including the long-standing issue of the transmission system operator's certification which is in the final stage.
 Gas	<div style="width: 52%;"><div style="width: 52%;"></div></div> 52%	In the face of severe energy supply threats, Moldova made significant progress in implementing the gas acquis and started with the diversification of its gas supplies.
 Oil	<div style="width: 13%;"><div style="width: 13%;"></div></div> 13%	No progress occurred during the reporting period, and implementation remains at a low level.
 Renewable Energy	<div style="width: 59%;"><div style="width: 59%;"></div></div> 59%	Moldova is one of the three Contracting Parties which achieved its 2020 renewables target. No substantial progress was achieved, however, amendments to the Renewables Law, which are being drafted, should enable first auctions for renewable energy projects.
 Energy Efficiency	<div style="width: 79%;"><div style="width: 79%;"></div></div> 79%	Moldova is the second best performer in terms of energy efficiency. The country achieved the 2020 target and progressed with finalization of amendments to transpose the latest amendments of the Energy Efficiency Directive.
 Environment	<div style="width: 62%;"><div style="width: 62%;"></div></div> 62%	Moldova has recorded progress in the field of environmental assessments during the last reporting period.
 Climate	<div style="width: 56%;"><div style="width: 56%;"></div></div> 56%	Moldova progressed with its draft regulation for monitoring GHG emissions from stationary installations. Unfortunately, the development of the draft NECP is still at an early stage.
 National Authorities	<div style="width: 73%;"><div style="width: 73%;"></div></div> 73%	The energy regulator lacks sufficient penalty rights and competences on REMIT in the electricity sector. The de facto performance of ANRE proves technical expertise. While the Competition Council has investigated allegedly abusive behavior in the electricity market, it has not rendered any decision or recommendation regarding State aid in the energy sectors.
 Statistics	<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%	With an excellent compliance record, the Moldovan National Bureau of Statistics is continuously improving the quality of its statistics. It is the only Contracting Party that has conducted the second survey of energy consumption in households.

Overall number of cases: 7

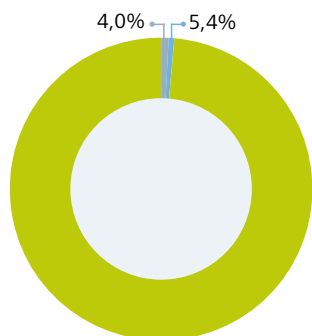
Procedure by Article **91**

- ECS-14/16 Energy efficiency
- ECS-9/17 Electricity
- ECS-7/18 Environment
- ECS-3/20 Gas
- ECS-18/21 Electricity
- ECS-24/21 Environment
- ECS-31/21 Gas

State of Energy Sector Reforms

Moldova accelerated energy sector reforms under difficult circumstances. The country has embarked on a reform path to enable security of supply and energy diversification. A number of key reforms such as electricity and gas transmission system operator unbundling are to be completed. In the face of the energy crisis and energy affordability challenges, Moldova continued making progress in the field of energy efficiency. The Contracting Party achieved its 2020 renewables target.

Moldova's National Energy and Climate Plan remained in the drafting phase but the country has managed to transpose a number of key elements of the Governance Regulation. The drafting of the new Renewables and Energy Efficiency Directives is moderately advanced, while work to transpose the 2021 electricity legislation is yet to start.

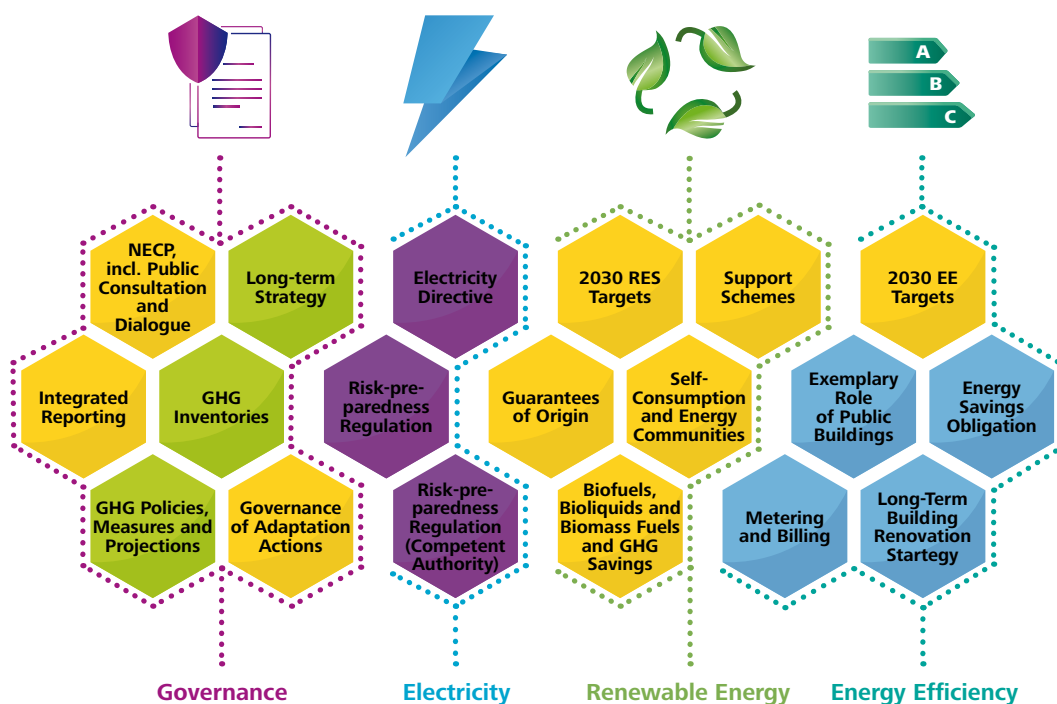


2020 Primary fuel mix in Moldova [ktoe]

- Oil and petroleum products
- Hydro
- Other renewables

Source: EUROSTAT

Decarbonisation readiness - 2021 Clean Energy Package transposition



	Regulation (EU) 2018/1999	Directive (EU) 2019/944 and Regulation (EU) 2019/941	Directive (EU) 2018/2001	Directive (EU) 2018/2002
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Transposition status:

- Planning / no steps taken
- Drafting process
- Final draft / approval process
- Approved and published



10 Montenegro

SUMMARY IMPLEMENTATION

SUMMARY INDICATORS	IMPLEMENTATION STATUS	2022 HIGHLIGHTS
 Electricity	 82%	The REMIT Regulation was implemented. The day-ahead market MEPX is yet to be launched.
 Gas	 34%	Montenegro has ambitious policies to kick off gas penetration in its territory.
 Oil	 33%	No significant progress occurred during the reporting period apart from drafting of the Law on the supply of petroleum products in the event of a supply disruption.
 Renewable Energy	 69%	Montenegro is one of the three Contracting Parties which achieved its 2020 renewables target. Besides the country's first Renewables Law being drafted, no substantial progress took place.
 Energy Efficiency	 82%	As a top performer, Montenegro achieved the national 2020 energy efficiency target, and progressed with adoption of new labelling regulations, finalization of amendments to the Law and tools for certification of buildings.
 Environment	 70%	Montenegro is the top performer in the area of environment, yet implementation of the Large Combustion Plants Directive was interrupted by the delayed refurbishment of TPP Pljevlja.
 Climate	 74%	Montenegro's finalization of the third Biennial Update Report and its National Inventory Report represents progress in the climate field. Unfortunately, there was no progress achieved in the development of the draft NECP.
 National Authorities	 57%	REGAGEN continued to pro-actively and independently design the electricity market. Network tariff reforms in the context of the energy price surge put its independent tariff setting competences under political pressure. The Agency for Competition Protection has started an investigation into anti-competitive behavior in the liquefied petroleum gas market, but has so far not rendered any decisions or recommendations regarding State aid in the energy sectors.
 Statistics	 84%	As Monstat finally solved the pressing issue of being understaffed by assigning an expert to energy statistics in 2022, the collection and dissemination of monthly data for 2022 has started.

Overall number of cases: **1**

Procedure
by Article **91**

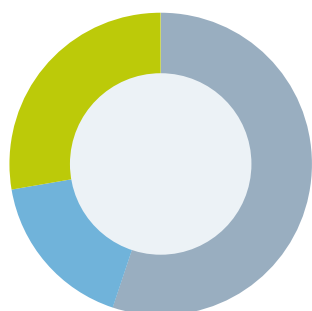
ECS-15/21 Environment

State of Energy Sector Reforms

Montenegro continued improving its good track record in electricity, energy efficiency and climate acquis implementation. Last report's recommendations on advancing the establishment of the day-ahead market and launching a competitive process for renewable project support were not taken up.

No progress was made with respect to the environmental acquis. The infringement case for the non-compliance of its only coal-fired power plant Pljevlja with the Large Combustion Plants Directive is ongoing.

Transposition of the Governance Regulation is well advanced but the lack of a policy decision on the future operation of Pljevlja effectively blocked the finalization of the country's National Energy and Climate Plan. Transposition of the new Renewables and Energy Efficiency Directives is at an early stage, while work to transpose the 2021 electricity legislation is yet to begin.

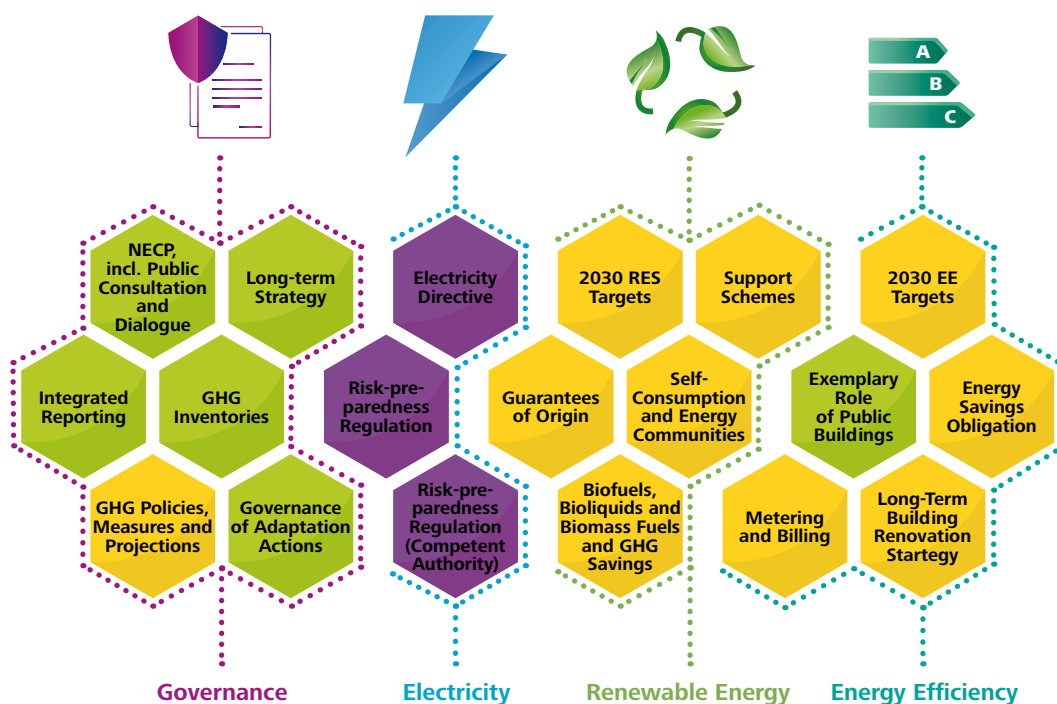


2020 Primary fuel mix in Montenegro [ktoe]

- Solid fossil fuels
- Hydro
- Other renewables

Source: EUROSTAT

Decarbonisation readiness - 2021 Clean Energy Package transposition



	Regulation (EU) 2018/1999	Directive (EU) 2019/944 and Regulation (EU) 2019/941	Directive (EU) 2018/2001	Directive (EU) 2018/2002
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
Transposition status:

- Planning / no steps taken
- Drafting process
- Final draft / approval process
- Approved and published



11 North Macedonia

SUMMARY IMPLEMENTATION

SUMMARY INDICATORS	IMPLEMENTATION STATUS	2022 HIGHLIGHTS
 Electricity	<div style="width: 85%;"><div style="width: 85%;"></div></div> 85%	Amendments to the Energy Law were adopted, transposing REMIT and TEN-E Regulation. Day-ahead market establishment has advanced.
 Gas	<div style="width: 41%;"><div style="width: 41%;"></div></div> 41%	North Macedonia made progress by enabling proper interconnection arrangements and is laying down the foundation for long delayed unbundling of its gas transmission system operator.
 Oil	<div style="width: 71%;"><div style="width: 71%;"></div></div> 71%	Draft by-laws, including on Annexes I - IV of Directive 2009/119/EC, were finalised and adopted. The current average daily net imports are 55 but not enough for the 90 days obligation by 1 January 2023.
 Renewable Energy	<div style="width: 56%;"><div style="width: 56%;"></div></div> 56%	North Macedonia is far from achieving its 2020 renewables target, but it keeps being a frontrunner in implementation of auctions for renewables projects.
 Energy Efficiency	<div style="width: 67%;"><div style="width: 67%;"></div></div> 67%	North Macedonia's progress was limited to drafting of rulebooks for energy efficiency in buildings and assessment of building renovation and heating and cooling potential.
 Environment	<div style="width: 48%;"><div style="width: 48%;"></div></div> 48%	North Macedonia managed to reduce its emissions from large combustion plants in the last reporting year, a trend that shall be maintained.
 Climate	<div style="width: 86%;"><div style="width: 86%;"></div></div> 86%	North Macedonia improved both in the climate area by having adopted its Long-term Strategy and in the governance dimension by adopting its NECP and actively developing its draft Law on Climate Action.
 National Authorities	<div style="width: 63%;"><div style="width: 63%;"></div></div> 63%	ERC continued to demonstrate its high technical expertise and regulatory independence. Interference to regulatory tariff decision-making by the national ombudsman is of concern. The Commission for Protection of Competition has investigated an alleged abuse of dominance in the electricity market, but has so far not rendered any decisions or recommendations regarding State aid in the energy sectors.
 Statistics	<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%	After a break in 2021 when all resources focused on the population and housing census, the State Statistics Service returned to its previous high level of compliance by providing timely and quality energy and price statistics.

Overall number of cases: **3**

Procedure by Article **91**

ECS-4/22 Electricity

ECS-7/21 Environment

ECS-22/21 Environment

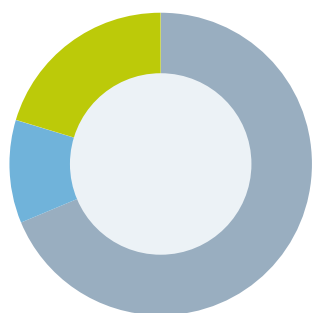
State of Energy Sector Reforms

North Macedonia made some level of progress in the implementation of the electricity, gas, oil, energy efficiency and climate acquis. It made progress in the better usage of its gas interconnector with Bulgaria. The country is one of the best performers when it comes to the implementation of the Oil Stocks Directive.

North Macedonia failed to improve the legal and regulatory framework for the uptake of renewables and continued to punch below its weight when it comes to reaching its renewables potential. Its environmental track record remains low,

with lack of environmental impact assessment legislation and non-compliance with emission ceilings under the National Emission Reduction Plan.

The country adopted its National Energy and Climate Plan and continued to make progress in the drafting of the Law of Climate Action. North Macedonia is in the early stages of transposing the 2021 Clean Energy Package, with the exception of the electricity legislation where work is yet to begin.

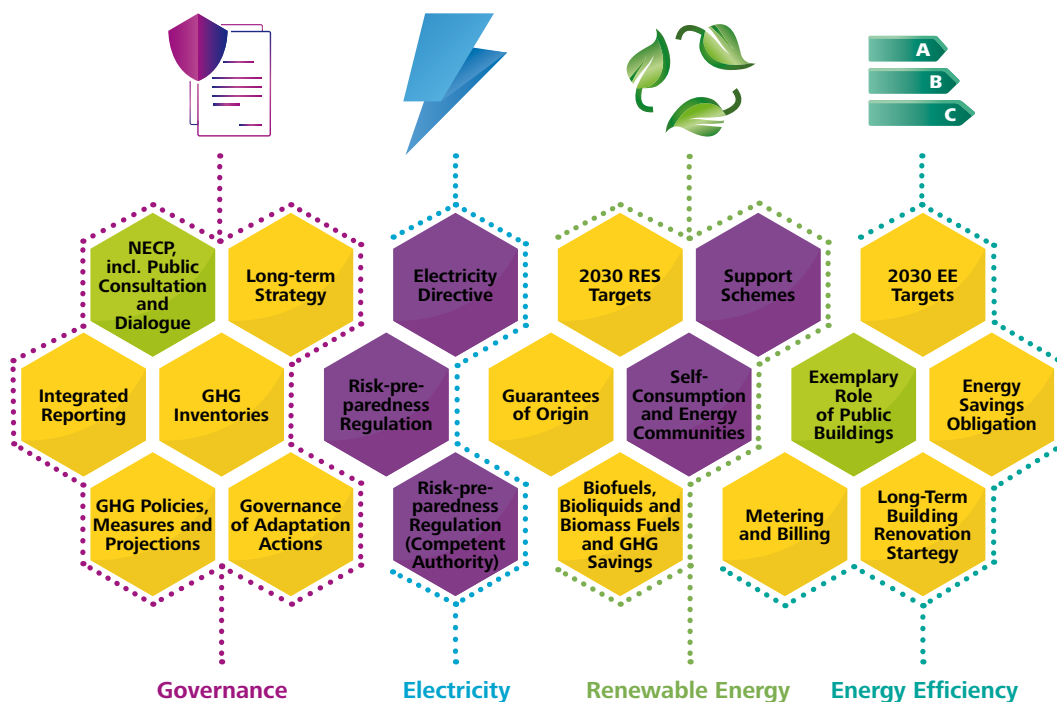


2020 Primary fuel mix in North Macedonia [ktoe]

- Solid fossil fuels
- Hydro
- Other renewables

Source: EUROSTAT

Decarbonisation readiness - 2021 Clean Energy Package transposition



	Regulation (EU) 2018/1999	Directive (EU) 2019/944 and Regulation (EU) 2019/941	Directive (EU) 2018/2001	Directive (EU) 2018/2002
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Transposition status:

- Planning / no steps taken
- Drafting process
- Final draft / approval process
- Approved and published



12 Serbia

SUMMARY IMPLEMENTATION

SUMMARY INDICATORS	IMPLEMENTATION STATUS	2022 HIGHLIGHTS
 Electricity	 79%	Serbia implemented the REMIT Regulation and transposed Connection Codes. The transmission system operator became an operational member of the European platform for imbalance netting (IGCC). Yet, the allocation of capacity on the interconnector with Kosovo* is not performed.
 Gas	 40%	Serbia has adopted the gas network codes and implemented the energy units, but the needed reform of the gas market is still pending.
 Oil	 74%	The current number of days calculated on the basis of inland consumption increased to 36 but falls short of meeting the mandatory 61 days target. The Ministry of Mining and Energy continued to make efforts to ensure Serbia meets its emergency oil stocks obligation.
 Renewable Energy	 70%	Serbia came close to reaching its 2020 target. While implementation of self-consumption schemes is booming, long-awaited auctions for renewable energy projects have not been implemented yet.
 Energy Efficiency	 76%	Serbia achieved its 2020 energy efficiency target and made progress with adoption of the Long-term Building Renovation Strategy, implementation of the Energy Efficiency Law and creation of a sustainable financing framework.
 Environment	 55%	Serbia managed to reduce its emissions from large combustion plants in the last reporting year, a trend that shall be maintained.
 Climate	 76%	Serbia progressed with transposing parts of the Governance Regulation related to NECPs, and with the development of the draft NECP.
 National Authorities	 74%	Failing to enforce unbundling and upholding regulated household prices below the market price question the de facto independence of AERS and contrast with its high level of expert knowledge. The competition authority has closed an investigation in the district heating market which was addressed by voluntary commitments of the relevant company. The State aid authority reviewed two support schemes and provided substantive comments regarding their compliance.
 Statistics	 100%	By adding monthly oil statistics in 2022, Serbia achieved full compliance with the acquis.

Overall number of cases: **7**

ECS-9/18 Environment

ECS-2/21 Electricity

ECS-10/21 Environment

ECS-23/21 Environment

Procedure
by Article **91**

Procedure
by Article **92**

ECS-9/13S Gas

ECS-10/17S Gas

ECS-13/17 Gas

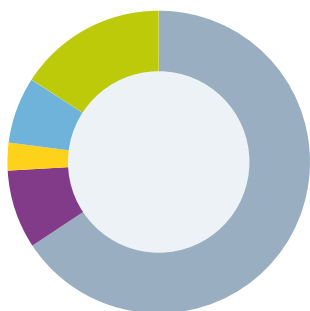
State of Energy Sector Reforms

Serbia's otherwise good track record when it comes to acquis implementation was once again overshadowed by lack of progress on several crucial issues such as the lack of unbundling of the gas transmission system operator and refusal to grant third party access to the Horgos gas interconnection pipeline. Serbia implemented the REMIT Regulation and transposed electricity Connection Codes. The country is the best performer when it comes to the implementation of the oil stocks acquis.

Serbia made progress in most areas of the energy efficiency acquis. Minor progress was achieved in completing the regulatory

and legal framework for renewables and the country is yet to tap into its renewables potential.

With respect to the transposition of the 2021 Clean Energy Package, Serbia is by far the most advanced of all Contracting Parties with many elements of the Governance Regulation, Renewables Directive and Energy Efficiency already transposed. The only exception is electricity where work is yet to begin.

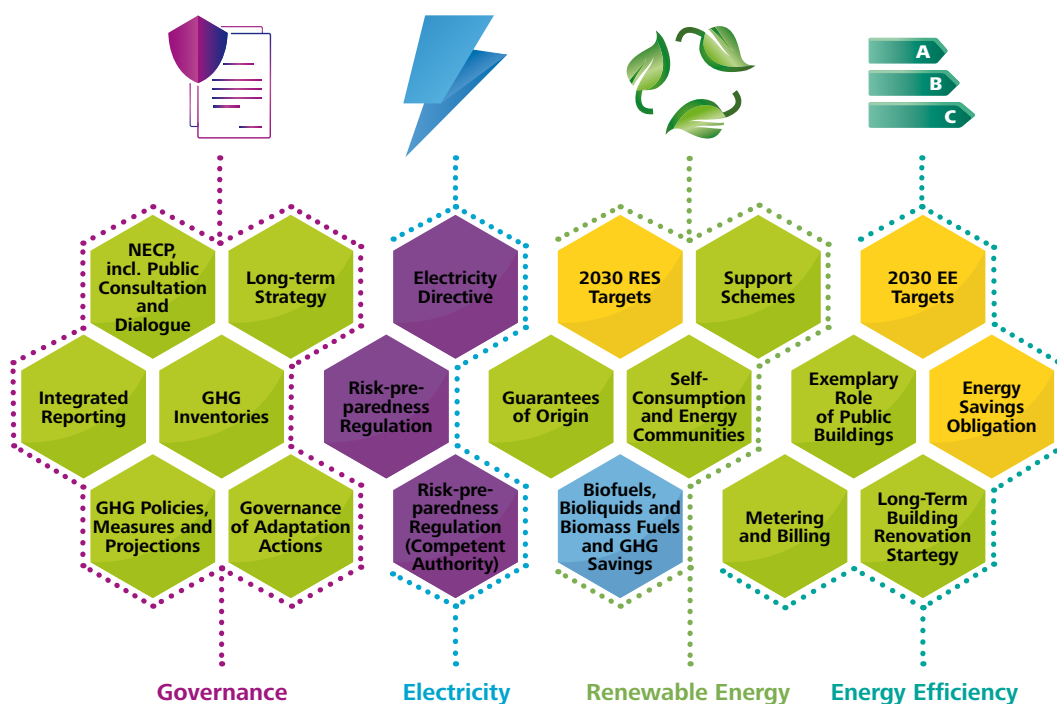


2020 Primary fuel mix in Serbia [ktoe]

- Solid fossil fuels
- Hydro
- Oil and petroleum products
- Natural gas
- Other renewables

Source: EUROSTAT

Decarbonisation readiness - 2021 Clean Energy Package transposition



	Regulation (EU) 2018/1999	Directive (EU) 2019/944 and Regulation (EU) 2019/941	Directive (EU) 2018/2001	Directive (EU) 2018/2002
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Transposition status:

- Planning / no steps taken
- Drafting process
- Final draft / approval process
- Approved and published



13 Ukraine

SUMMARY IMPLEMENTATION

SUMMARY INDICATORS	IMPLEMENTATION STATUS	2022 HIGHLIGHTS
 Electricity	 68%	Transmission system operator Ukrenergo was certified and obtained the status of Observer at ENTSO-E. Following emergency synchronization, Ukraine/Moldova control block was included into the FSkar mechanism. The REMIT Regulation and compliant cross-border capacity allocation procedure are yet to be implemented.
 Gas	 70%	In spite of the war, Ukraine remained a reliable transit country, whereas the gas market achievements from the previous years have come to a stop.
 Oil	 19%	No progress occurred during the reporting period. The draft Law on Minimum Stocks of Crude Oil and Petroleum Products remains to be adopted.
 Renewable Energy	 58%	Ukraine kept the implementation of the renewable energy acquis as a priority, an effort that should be highly commended.
 Energy Efficiency	 78%	Ukraine made progress by adopting or drafting energy efficiency legislation and policy documents. The adoption of the Energy Efficiency Law removed a long-standing issue of non-compliance with the Energy Efficiency Directive.
 Environment	 46%	Ukraine still keeps the implementation of the environmental acquis as a priority, an effort that should be highly commended.
 Climate	 66%	Work on the draft climate law progressed in 2022. The Ukrainian NECP should be significantly overhauled and serve as the central document for planning the sustainable rebuilding of the country.
 National Authorities	 69%	The energy regulator is set up as a 'central executive body' established by the Cabinet of Ministers which is a breach of the requirement of the acquis for independent operation of the regulator from other public bodies. The independence of NEURC, including financial, has to be reinstated. The Antimonopoly Committee of Ukraine started investigating alleged abuse of dominance by Naf-togaz Trading. Currently, State aid is permitted and the obligation to notify suspended.
 Statistics	 91%	As of February 2022, the State Statistics Service of Ukraine is prevented from performing its otherwise excellent work in collecting and compiling energy statistics. Instead, the experts are engaged in analysing and improving the methodologies and procedures for statistics in order to be ready to pick up work when conditions allow.

Overall number of cases: **3**

Procedure by Article **91**

ECS-1/18 Energy efficiency

ECS-4/18 Infrastructure

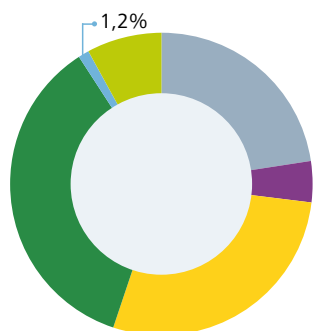
ECS-4/21 Electricity

State of Energy Sector Reforms

Even during the Russian war, Ukraine managed to advance acquis implementation in several areas including electricity, energy efficiency, environment and renewables. The biggest breakthrough was the synchronization of the electricity network of Ukraine with the Continental European power system, partially made possible by the country's progress in electricity acquis implementation before the start of the war. In the gas sector, Ukraine fulfilled its transit obligations in spite of severe limitations placed on its transmission system operator, which cannot control all of its interconnection points with Russia.

The country's reconstruction will have to go hand-in-hand with the green agenda, including the implementation of renewable energy and energy efficiency measures on a massive scale.

Ukraine is moderately advanced when it comes to the drafting of the Clean Energy Package with the exception of electricity where drafting is yet to begin.

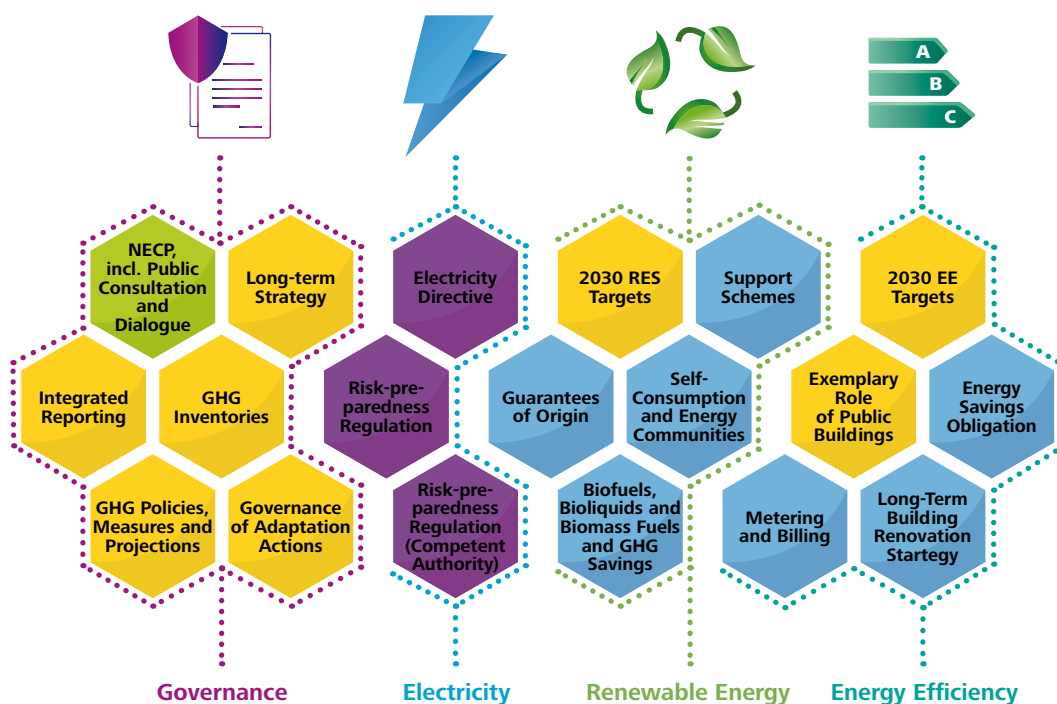


2020 Primary fuel mix in Ukraine [ktoe]

- Solid fossil fuels
- Oil and petroleum products
- Natural gas
- Nuclear heat
- Hydro
- Other renewables

Source: EUROSTAT

Decarbonisation readiness - 2021 Clean Energy Package transposition



	Regulation (EU) 2018/1999	Directive (EU) 2019/944 and Regulation (EU) 2019/941	Directive (EU) 2018/2001	Directive (EU) 2018/2002
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Transposition status:

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