

Annual Implementation Report

Energy Community Secretariat

1 November 2019

Annual Implementation Report 2018/2019

Energy Community Secretariat
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01 State of Implementation

Deeper, but not yet further – 2019 in the rear mirror

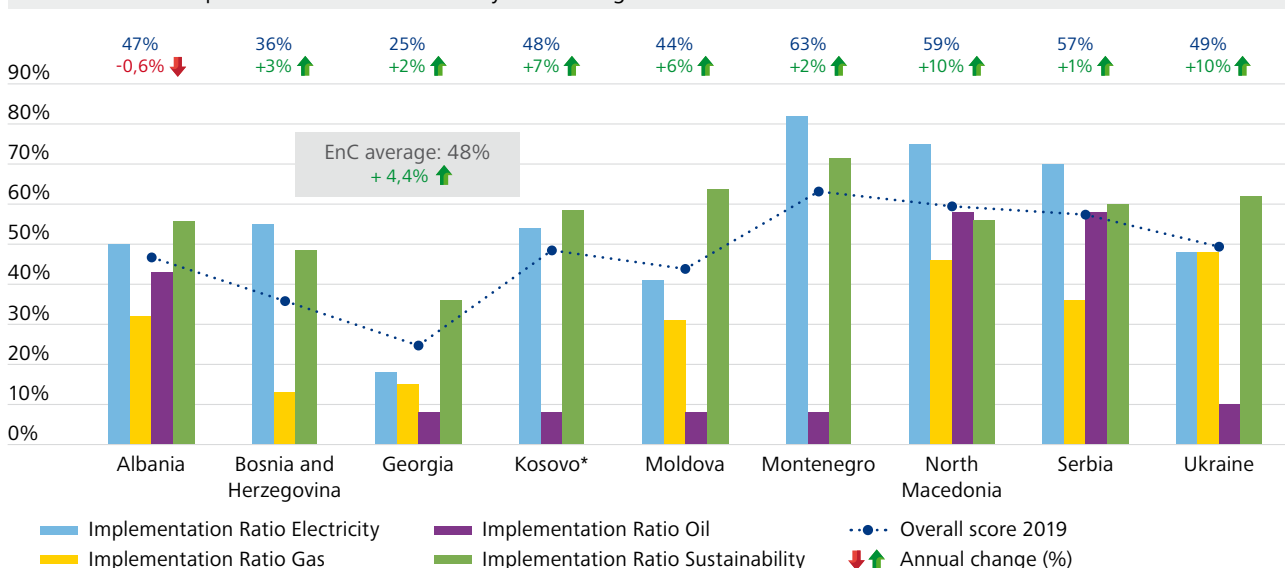
An ambivalent year comes to a close. On the one hand, 2019 felt like a gap year for bigger things to happen. The clean energy transition, which occupies the rest of Europe and most of the world, has not been initiated by and for the Energy Community. The planned adoption of 2030 targets on energy efficiency, renewable energy and greenhouse gas emission reduction and the incorporation of the Clean Energy Package did not materialize, and not even a serious debate among decision-makers has taken place. Contracting Parties are still waiting for European leadership and direction for the evolution of their energy sectors. The decarbonization commitments under the Paris Agreement notwithstanding - without common targets, the level of ambition is left to each Contracting Party and in most cases is below the European mainstream. The absence of Energy Community targets also affects integrated energy and climate planning which should have been much more advanced at this point than it actually is.

In this situation, the Energy Community struggled not to lose touch with the European Union, its largest Party and pacemaker. Studies conducted or initiated during 2019 completed the necessary analytical work for target-setting, revealed the true price of heavily subsidized coal-fired power generation and will support the design of carbon pricing schemes in the Contracting Parties, which do not take part in the EU emission trading scheme, whilst

assessing its impact on generation adequacy and security of supply. An initiative for supporting Energy Community coal regions in transition was launched together with the European Commission and international financial institutions, the negotiations for Treaty amendments continued, and together with the EBRD the Secretariat followed up on last year's guidelines on auctions for renewable support schemes in several Contracting Parties.

While all these measures remain piecemeal without the overarching guidance of EU-style targets, they serve the Energy Community countries by making the energy transition less abstract and uncertain as many still perceive it. Yet, it becomes increasingly clear that the European energy policy's decarbonization imperative does not stop at the European Union's borders. The announcement to impose a carbon border tax for instance is an indication that the Union is not willing to tolerate the freeriding of countries which benefit from access to the internal energy market without commitment to a similar level of ambition. Not catching up with an increasingly ambitious EU creates a real risk for the economies of the Contracting Parties, and threatens the strive for homogenous conditions pursued by the Energy Community. 2019, the year when we heard the climate clock ticking louder than ever before, will not go down in history as the year where this catching up started. The coming years will tell whether, how and at which additional price the delay can be made up for.

Overview of Implementation Performance by Contracting Parties



A detailed description of the methodology used for calculating the implementation indicators is available on page 204 of this Report.
Source: compiled by the Energy Community Secretariat

On the other hand, 2019 will be remembered, in Vienna and other capitals, as an extremely busy year yielding progress with reforms long overdue. The diagnosis is well known, and it is visible also from this year's Implementation Report: The Energy Community's first energy transition, from post-socialist, inefficient and non-transparent energy systems to functioning and integrated energy markets, has not yet been accomplished, and that hampers the second, the clean energy transition. The electricity markets, for instance, are still widely not served by a power exchange nor are they coupled. Integrated generation and supply companies, often state-owned and under excessive public service obligations, reserve the bulk of electricity for their own domestic customers, not because they would produce it cheaper (all externalities factored in) but because they can be easily subsidized, directly or indirectly through foregone profit. Under these conditions, regional trade is the exemption, not the rule, and markets remain illiquid. The situation is exacerbated by the lack of proactivity of regulators and systemic conflicts of interest of still bundled grid operators.



The European and in particular the Energy Community experience suggests that simple changes made to domestic legislation in order to align with EU rules do not suffice to achieve the desired results. A more robust governance must be put in place. If Max Weber's dictum that "politics means strong and slow drilling through hard boards" is correct also in the context of energy reforms, the Energy Community needs to improve its drill, or in other words: its governance. That not only holds true for the Treaty amendments taking place at the Community level. It also means that the national and regional structures,

procedures and institutions need to be upgraded to achieve deep implementation results.

Such results are possible, and the 2019 Implementation Report provides several good case studies. In the East, the Energy Community's largest electricity market in Ukraine made a quantum leap in moving from a non-transparent single-buyer model to a governance corresponding broadly to the European target model. Acting with the prospect of an expiring gas transit agreement, the new Government and the incumbent Naftogaz after years of inertia and infights took serious steps towards unbundling Europe's largest transmission system. By the time of editing this Report, that process was not over yet. Ukraine's neighbour Moldova seems committed to follow suit with unbundling. And even Georgia, the youngest member of the Energy Community and furthest away from its geographical core, is currently engaged in implementing the *acquis communautaire*. That many of these reforms may be implemented with a safety brake on, and not every measure has imminent success, is bearable when considering the Communist legacy and the huge social-economic as well as geopolitical challenges of these countries.

In the Western Balkans, several power exchanges are finally expected to go live in the near future, and 2020 may indeed see the first cases of market coupling. The normative power of the factual can no longer be ignored. The undersea cable connecting the region with Italy, for instance, will push the integration process more than any of the many memoranda signed over the last years and decades. Montenegro seems well prepared for that. In 2019, the country again made it to the top of the performance

Overview of Transposition Performance by Contracting Parties

			
Albania	46%	49%	5%
Bosnia and Herzegovina	16%	49%	35%
Georgia	16%	46%	38%
Kosovo*	57%	38%	5%
Moldova	54%	38%	8%
Montenegro	68%	32%	0%
North Macedonia	54%	41%	5%
Serbia	57%	41%	3%
Ukraine	35%	46%	19%

Source: compiled by the Energy Community Secretariat

list. North Macedonia, which had fallen behind under the previous Government, made an impressive return and established itself as reform champion in all energy sectors, a performance which unfortunately was not recognized by everybody. Against these efforts, the slower pace or even stagnation in other Contracting Parties in the region stands out. In the electricity sector, we may see a regional tipping point coming rather soon, which hopefully will drag the latecomers along. That, after all, is the spirit of a Community. However, in the gas sector, which is not as dynamic and interdependent as the electricity sector, it is still common to protect the national market against competition as if it were a contagious disease. The exemption granted for the Serbian section of the TurkStream II pipeline this year showed that building new infrastructure in itself does not suffice to open and

integrate markets if not accompanied by regulatory measures preventing the fostering of monopolies. Finally, the arguably most overlooked event in the Energy Community - the entry into force of the Large Combustion Plants Directive on 1 January 2018 – starts to show results, at least in terms of transparency. This year's Implementation Report for the first time provides a tracker to monitor for how long so-called opted-out coal-fired power plants can still be legally operated. That Directive, from the toolbox of environmental law which many considered as ancillary at best when the Energy Community was founded, gives a strong impulse for the further reform of the energy systems and prepares the ground for a decarbonisation perspective for 2030 and beyond which the Energy Community is yet to develop.



Janez Kopač



Dirk Buschle

European Commission, which take stock of the situation in EU candidate and potential candidate countries.

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 to the case with its obligations under the Treaty at any time of the preliminary procedure or, with or without compliance, with a decision of the Ministerial Council. If a breach identified by the Ministerial Council has not been rectified, a procedure for a decision of the Ministerial Council under Article 92 of the Treaty may be initiated. If a Party to the Treaty persistently fails to comply with its obligations under this provision, 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.

In the Annex of this Report, the Secretariat reports comprehensively about the open cases under both Article 91 and Article 92 of the Treaty, including dispute resolution activities during the reporting period.

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, cybersecurity and climate.

In addition, the Energy Community is in the process of adopting network codes and guidelines for electricity and gas. Three of the total five gas and four out of the eight electricity codes have already been incorporated into the *acquis*.

The tables below display the core Energy Community *acquis communautaire* presently in force¹. 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). Also this year, the assessment of Georgia's compliance against the *acquis* remains incomplete as the the majority of the implementation deadlines set by the country's Accession Protocol are yet to expire.



Acquis on Electricity

Directive 2009/72/EC concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC

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 transparency²

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

2 Regulation (EU) 1227/2011 (REMIT) regulates insider trading and market manipulation for both electricity and gas wholesale markets.



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 and repealing Regulation (EU) 984/2013

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



Acquis on Security of Supply

Directive 2005/89/EC concerning measures to safeguard security of electricity supply and infrastructure investment

Directive 2004/67/EC concerning measures to safeguard security of natural gas supply



Acquis on Infrastructure

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



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 2009/28/EC on the promotion of the use of energy from renewable sources



Acquis on Energy Efficiency

Directive 2012/27/EU on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC

Directive 2010/30/EU on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products

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

Regulation (EU) 2017/1369 setting a framework for energy labelling and repealing Directive 2010/30/EU



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



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



Acquis on Climate

Recommendation on preparing for the development of integrated national energy and climate plans by the Contracting Parties of the Energy Community

Recommendation on preparing for the implementation of Regulation (EU) 525/2013 on a mechanism for monitoring and reporting greenhouse gas emissions

General Policy Guidelines on the 2030 targets for the Contracting Parties of the Energy Community³



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.



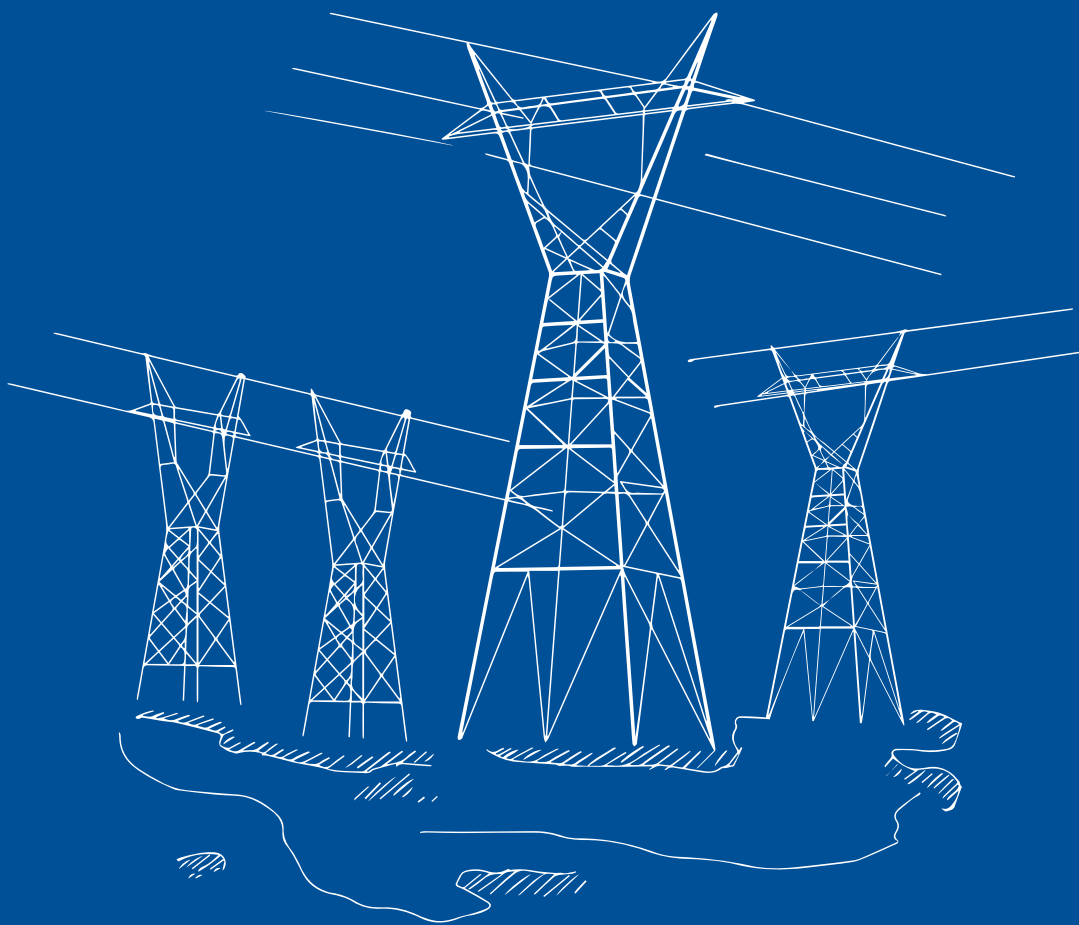
Cybersecurity

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

³ The General Policy Guidelines represent the political consensus reached in the 16th Ministerial Council on the 2030 targets for the Contracting Parties of the Energy Community in November 2018.

03

Albania











Albania

Summary Implementation

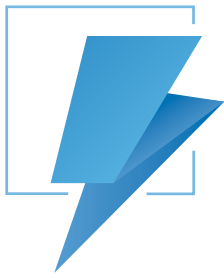
Summary Indicators	Transposition Assessment	Implementation Status	Descriptions
 Electricity		 50%	Implementation in the electricity sector of Albania is moderately advanced.
 Gas		 32%	Implementation in the gas sector of Albania is still at an early stage.
 Oil		 43%	Implementation in the oil sector of Albania is moderately advanced.
 Renewable Energy		 70%	Implementation in the renewable energy sector of Albania is well advanced.
 Energy Efficiency		 45%	Implementation in the energy efficiency sector of Albania is moderately advanced.
 Environment		 72%	Implementation in the environment sector of Albania is well advanced.
 Climate		 30%	Implementation in the climate sector of Albania is still at an early stage.
 Infrastructure		 37%	Implementation in the infrastructure sector of Albania is still at an early stage.
 Statistics		 68%	Implementation in the statistics sector of Albania is well advanced.

Overall number of cases: **2**

Procedure by Article **91**

ECS-4/17 Electricity

ECS-10/13 Energy efficiency



Albania Electricity

Electricity Implementation

Electricity Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			The transmission system operator's unbundling needs to be completed. Distribution system operator unbundling is further delayed.
Access to the networks			The 2019 tariffs are approved and published. Cross-border capacities are allocated through SEE CAO except on the border with Kosovo*. The new interconnection to Kosovo* is still not allocated.
Wholesale market			Public service is still used as a justification for non-compliant regulation of wholesale prices. The Government adopted decisions governing the establishment of the power exchange, yet it has not been adopted as previously envisaged. The balancing market is still to be developed.
Retail market			Retail market opening and the eligibility right are effectively postponed. Regulated supply of last resort is available to large customers through excessive use of public service obligation provisions.
Regional integration			Regional initiatives are still to be implemented. Market coupling is pending the establishment of a power exchange. The Connection Network Codes are transposed.

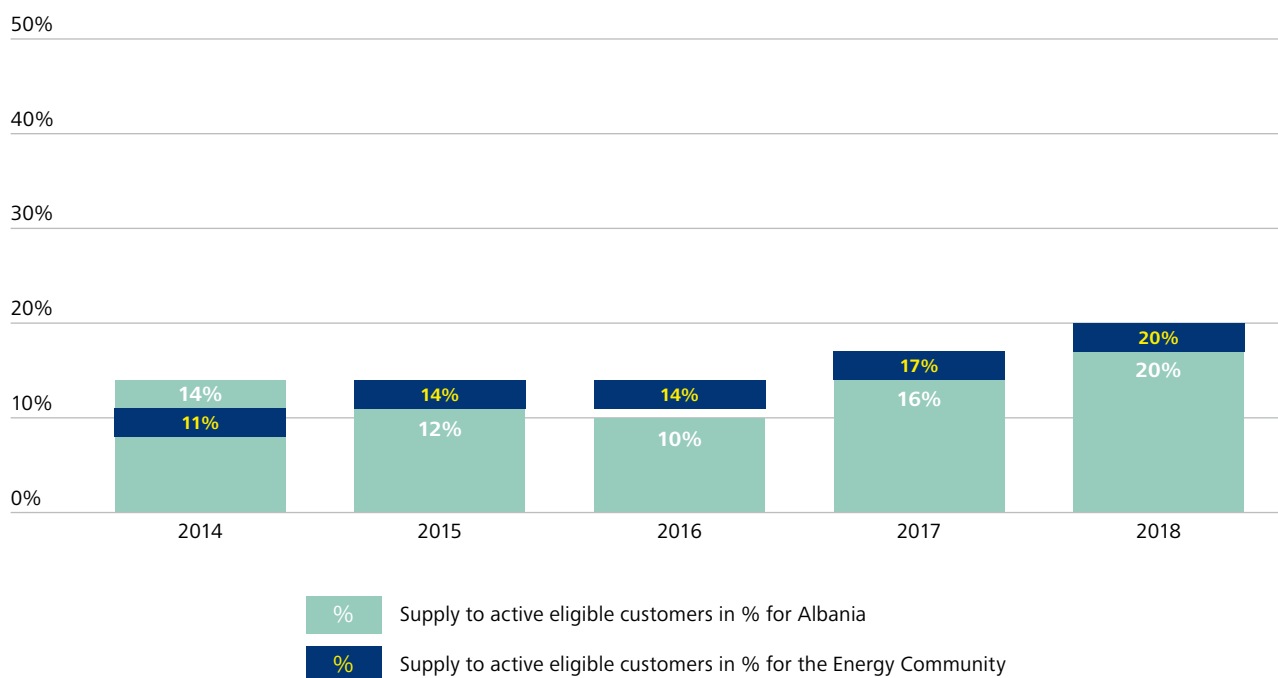
Progress in the structural reforms of Albania's electricity sector was only on paper this year. The transmission system operator, OST, can only be considered fully unbundled after the transfer of competences away from the Ministry of Infrastructure and Energy. Functional unbundling between distribution and supply is also delayed. The three new legally unbundled subsidiaries for distribution, universal service and electricity supply have no capacity to perform independently, with the actual owner of the assets and licensed provider of all services still being the vertically integrated company OSHEE. The infringement case for non-compliance with the unbundling requirements was stepped up by the Secretariat. In a letter to the Prime Minister, Albania's international partners requested that the option to integrate OSHEE and the state-owned generation company KESH in one holding structure is abandoned because of detrimental impact on competition and liquidity.

The tariffs for access to the transmission and distribution networks for 2019 were approved and published by the regulator ERE. Existing interconnection capacities are allocated through the Coordinated Auction Office in South East Europe (SEE CAO)

on all borders except on the border with Kosovo*. The new 440 kV interconnection line on this border is still not commercially utilized, pending resolution of the dispute and implementation of agreements between the transmission system operators of Kosovo* and Serbia.

Wholesale prices are still regulated through an excessive public service obligation. A wholesale power purchase agreement between OSHEE and the state-owned generation company KESH covers the entire volumes of electricity for supply under universal service and for losses in the distribution. Rules for operation of the electricity market are in place since 2017, yet conditioned on the establishment and operation of a power exchange. In 2019, the Council of Ministers tasked OST to establish the power exchange of Albania and defined its possible shareholding structure. No deadline was set for the procedure for the selection of interested shareholders. Transitional balancing rules are still applied. Although the rules allow for competitive balancing and potential providers are available, KESH is still the sole provider of balancing services.

Retail Market Opening



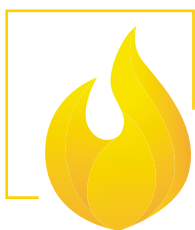
Source: Ministry of Infrastructure and Energy

On the retail level, all eligible customers, except those connected to high voltage, can be supplied at regulated prices by OSHEE as the last resort supplier for a period of two years. As a result, all distribution customers, except part of those connected to 35 kV, effectively remain under regulated supply.

Coupling of the day-ahead markets between Albania and Kosovo* is subject to memoranda for cooperation between the governments, and between the regulators and transmission system operators. The project is in delay, and depends on the establishment of the Albanian power exchange and utilization of the interconnection line between the two systems. The same obstacle prevents cross-border exchange of balancing services between the two operators. Albania is participating in the project for market coupling with Italy, Montenegro and Serbia. Prerequisites in any case are functional power exchanges on national level

and a coherent legal, regulatory and contractual framework. No concrete roadmaps are adopted for these projects yet. In March 2019, the transmission system operator, OST, signed a memorandum of understanding with the transmission system operators of North Macedonia, MEPSO, and Bulgaria, ESO, on the development of the electricity market and strengthening regional cooperation, the implementation of which depends on the completion of the 400 kV interconnection between Bitola and Elbasan.

ERE adopted decisions for transposition of the Network Codes on demand connection, requirements for generators and high voltage direct current (HVDC) connection in June 2018, and informed the Secretariat in February 2019. Derogation criteria are not published yet.



Albania

Gas

Gas Implementation

Gas Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			Two transmission system operators were unbundled and certified in Albania, of which one, Albgaz, has not yet fulfilled the certification conditions.
Access to the networks			An entry/exit methodology was introduced and fees according to the entry/exit model were established by ERE in November 2017. Non-discriminatory access to the transmission and distribution networks as well as to LNG and storage facilities is guaranteed in line with the Third Energy Package.
Wholesale market			Albania has no natural gas wholesale market at the moment but a Natural Gas Market Model was introduced in 2018.
Retail market			All customers are eligible and therefore allowed to freely choose and switch their gas supplier.
Interconnectivity			Albania is not connected to international gas networks. An Instruction for designation of service areas for transmission and distribution of natural gas was adopted in December 2018. The Trans Adriatic Pipeline is currently under construction and is planned to be operational in 2020.

The initiation of work on the draft Trans Adriatic Pipeline's (TAP) network code and the establishment of a gas market model in Albania are the most significant developments during the past year. Nevertheless, Albania has not done enough to make sure that the remaining secondary legal acts are in place and the process of implementation of the Gas Master Plan and the country's gasification can be kicked off. Albania should initiate this process as soon as possible.

Albania adopted the Natural Gas Market Model setting general rules on the setup of the future natural gas market: bilateral trading on the natural gas retail and wholesale markets, the day-ahead natural gas market and the natural gas balancing market.

The Ministry of Infrastructure and Energy adopted an act for designation of service areas for transmission and distribution of natural gas to ensure development of interconnectors with neighbouring natural gas systems.

Albgaz received technical assistance for capacity building and prepared a network code. However, while the appointment of an independent compliance officer in Albgaz was a step in the right direction, non-compliance with the conditions set in Albgaz's certification decision constitute the main drawback in 2018/2019. The main problem appears to be the proper separation within the State.

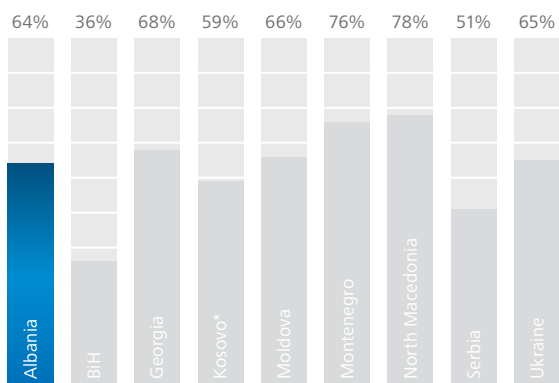


Albania

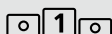
National Authorities



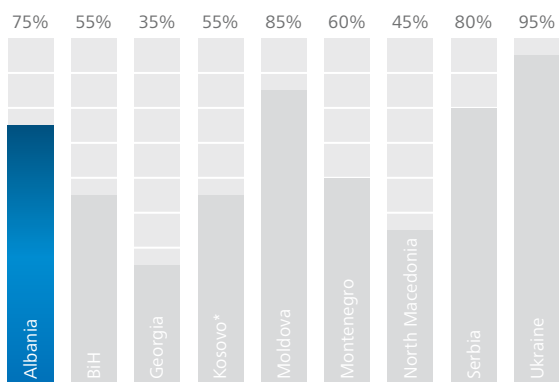
Regulatory Authority



The Energy Regulatory Entity (ERE) has completed certification of the national gas and electricity transmission system operators and ranks among those regulators that have transposed the Network Code Regulations. However, ERE fails to enforce unbundling of the electricity distributor OShEE since 2015. The regulator via a formal decision accepted a further delay until the end of 2019. This is not the only decision that gives the impression of alignment with a related position of the Ministry. This is a critical development for the independence of ERE. On the positive side, ERE showed regional commitment by refreshing its involvement in ECRB.



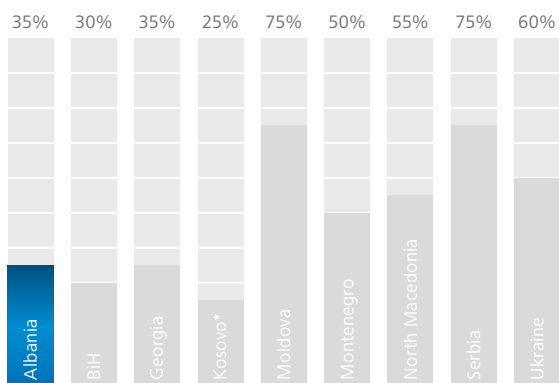
Competition Authority



The activities of the Albanian Competition Authority (ACA) in the energy sector mainly focus on recommendations. Based on a complaint transmitted by the Secretariat, ACA investigated potential infringements on the market of storage and supply of electricity. In its decision, ACA found that the national generation incumbent KESH abused its dominant position through the implementation of two contracts with the traders GSA and EFT, and obliged KESH to discontinue these contracts.



State Aid Authority



The State aid authority in Albania consists of the State Aid Commission (SAC), responsible for decision-making, and the State Aid Control Unit (SACU), which provides technical and administrative support to SAC. Due to the merger of the Ministry of Economy and the Ministry of Finance, staff originally assigned to the SACU was transferred to other departments. Therefore, SACU is effectively not operational, with staff being appointed to complete tasks on an ad hoc basis. Furthermore, the independence of the members of SAC from the Ministry of Economy and Finance is questionable. In the reporting period, SAC did not render any decisions in the energy sectors.



Albania Oil

Oil Implementation

Oil Indicators	Transposition Assessment	Implementation Status	Descriptions
Stockholding obligation			Oil refineries and wholesale oil companies are obliged to maintain minimum stocks equal to 90 days of average sales. However, the current system is not compliant with Directive 2009/119/EC.
Availability and accessibility			The new draft Law foresees that compulsory stocks maintenance is a priority, and compulsory stocks must be available and physically accessible at all times.
Reporting			Albania submits the Joint Organisations Data Initiative - Oil (JODI) Questionnaire regularly. The draft Law foresees that the Minimum Oil Stocks Agency will keep and continually update detailed records of all stocks that it holds, as well as all others that are maintained in the territory of Albania and countries under the bilateral agreements.
Emergency procedures			The new draft Law establishes the necessary procedures for intervention in case of a serious shortage of petroleum products in the market. In the event of difficulties in supply, the release of the stocks is decided by the Government, upon the proposal of the minister in charge of energy and approval of the crisis management committee of the Government.

Albania's current emergency oil stockholding system is assigned to the oil industry. The system is not compliant with Directive 2009/119/EC and, for this purpose, a draft Law on the establishment, maintenance and management of security minimum stocks of crude oil and petroleum products has been forwarded to the Government for approval in July 2018. The revised draft

Law was redistributed to the institutions concerned. Currently, the representatives of different institutions are discussing the Law in order to reach a final draft, which should then be approved by the Government and afterwards adopted by Parliament.



Albania

Renewable Energy

Renewable Energy Implementation

Renewable Energy Indicators	Transposition Assessment	Implementation Status	Descriptions
National Renewable Energy Action Plan			Albania amended its National Renewable Energy Action Plan incorporating a revised target of 490 MW for solar PV and 150 MW for wind to contribute to the 38% target in 2020. High dependence on hydropower has taken its toll on the renewable energy share, which has decreased to 34,6% due to low hydrology in 2017.
Quality of support schemes			The first renewable energy auction for 50 MW of solar PV conducted at the end of 2018 needs to be concluded and the contractual package adopted. Albania must improve the framework for the next rounds of auctions.
Grid integration			Secondary legislation to implement access to and operation of the networks has to be finalized and made available to all applicants. Transitional balancing rules are in place. The adopted rules for self-consumption remain to be implemented in practice.
Administrative procedures			The administrative procedures for authorization, permitting and licensing are not streamlined and require simplification, including the designation of a one-stop shop for small projects.
Renewable energy in transport			A sustainability regime for biofuels is still not in place.

The implementation of the 2017 Law on Promotion of the Use of Energy from Renewable Sources received a boost with the first-ever renewable energy support auction in the Energy Community. However, Albania has to step up its efforts to adopt the missing secondary legislation to enable a conducive investment framework for investors in renewable energy. In particular, the stability and predictability of the renewable energy framework as well as its transparency and non-discrimination towards investors shall be ensured. What is worrying is that the contracts awarded have not been signed yet.

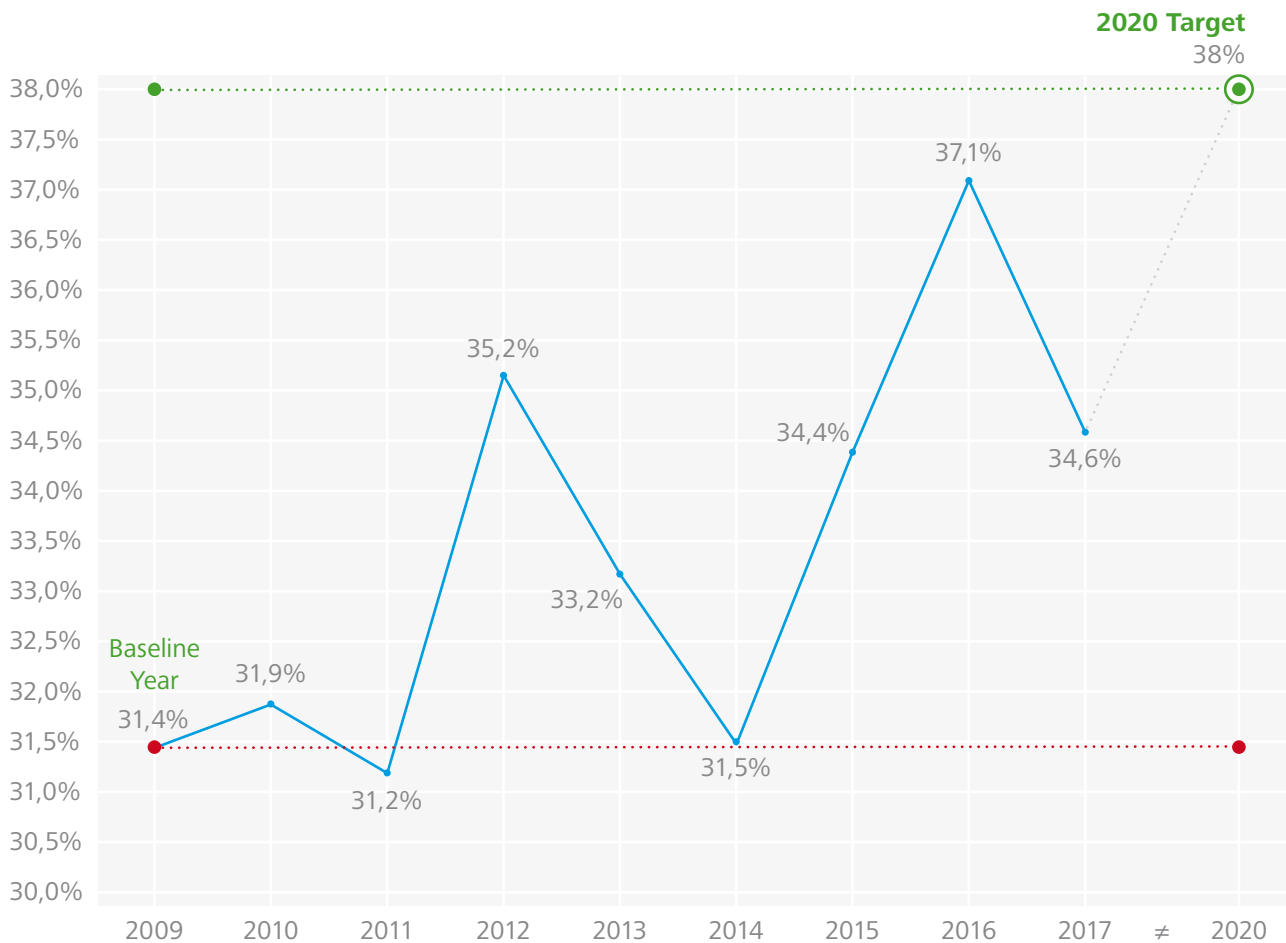
Secondary legislation on the methodology used for calculating the renewable energy obligation remains to be finalised and adopted to remove the discriminatory approach towards final customers. Currently, only final customers connected to the distribution network are charged to compensate the energy from

renewable sources from priority producers. This will create a viable framework for the compensation of the existing and future priority producers. The adopted rules on net-metering schemes for consumers with renewable energy generation facilities up to 500 kW have to be implemented in practice.

Updated grid development plans for transmission and distribution networks shall be adopted swiftly to cope with the increased contribution of volatile electricity generation and facilitate the integration of renewable energy.

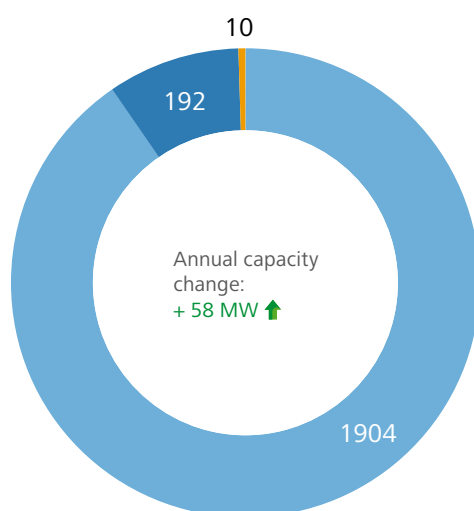
For the third year in a row, the increased production and consumption of biofuels in the country cannot be counted towards the transport target due to lack of legislation on a sustainability regime for biofuels and bioliquids and the establishment of a certification scheme.

Shares of Energy from Renewable Sources



Source: EUROSTAT and National Agency of Natural Resources (AKBN)

Total Capacities of Renewable Energy 2018 (MW)



- Large hydropower
- Small hydropower <10 MW
- Solar

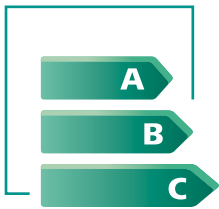
Source: Ministry of Infrastructure and Energy

A less favourable hydrological year in 2017 brought Albania only to a 34,6% renewable energy share, one percentage point below the indicative trajectory of 35,6%. By the end of 2018, there were 2.106 MW of renewables installed, notably an additional 10 MW of solar PV. A second round of auctions is expected during 2020. The environmental impacts of planned hydropower development and the assessment process of these need to be significantly improved.

Albania started to plan adequate measures to increase investments in renewable energy projects other than hydropower. This approach coupled with energy efficiency measures that is keeping gross final energy consumption under control should put the country on the trajectory to 2020. Due to the fall in technology costs and significant renewable energy potential that the country has, wind and solar PV can be deployed cost-effectively to mitigate the impact on the end-consumer electricity price.

Total capacities of renewable energy (MW):

2106



Albania

Energy Efficiency

Energy Efficiency Implementation

Energy Efficiency Indicators	Transposition Assessment	Implementation Status	Descriptions
National Energy Efficiency Action Plans and Targets			Albania missed the 30 April 2019 deadline for submission of the new National Energy Efficiency Action Plan (NEEAP), as required by the Energy Efficiency Directive. The 2020 target was set, but specific targets required by the Directive are still missing.
Energy efficiency in buildings			The Law on the Energy Performance of Buildings was adopted in 2016, but there was little progress with respect to the adoption of secondary legislation. Only a limited number of renovation projects has been carried out to date.
ESCO market development and financing			Delays in the adoption of the by-laws and model contracts and establishment of the Energy Efficiency Fund have led to no developments on the ESCO market to date. In May 2019, amendments to the Energy Efficiency Law were prepared to stimulate the development of the ESCO market. This work included a standardized contract to be used by qualified and registered energy service providers in the public and private sectors.
Energy efficient products - labelling			After the adoption of the first labelling regulation in 2012, there was no further progress with respect to updating the existing or adopting new regulations required by the Ministerial Council decisions adopted in September 2014 and November 2018.
Institutional capacities			The current institutional capacities are weak and the majority of activities are performed solely by the Ministry of Infrastructure and Energy. The new Energy Efficiency Agency is operational though only partially staffed. The Energy Efficiency Fund is still to be established.

Despite the formal strengthening of the legal and institutional framework for energy efficiency, little was achieved by Albania to adopt the missing by-laws implementing the Energy Performance of Buildings Directive and update legislation to transpose Directive 2012/27/EU on energy efficiency. Albania thus remains non-compliant in too many areas.

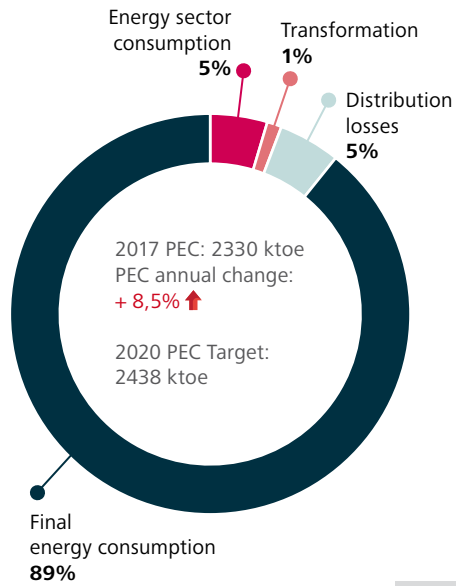
The revised Energy Efficiency Law should be adopted to fully transpose the Energy Efficiency Directive. The removal of the director of the Energy Efficiency Agency in June 2019 negatively impacted ongoing support by an EU funded project developed

in cooperation with the Energy Community Secretariat intended to strengthen the capacities of the Agency and support its activities. The Agency needs to be fully staffed and engaged as the key implementing body, and make use of available international technical assistance.

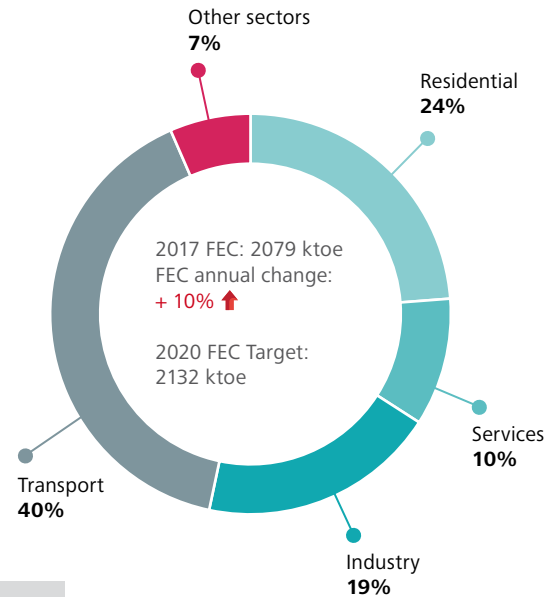
The engagement of the private sector through the development of Energy Services Company (ESCO) markets and establishment of the Energy Efficiency Fund is a prerequisite for additional expertise and financing opportunities for measures and projects in the field of energy efficiency in Albania.

Energy Efficiency Indicators

Primary Energy Consumption (PEC) in 2017 and trends



Final Energy Consumption (FEC) in 2017 and trends



Energy intensity, 2017 value and trends: 0,23 ktoe/mil EUR, +1,4% ↑

Source: EUROSTAT 2019 data and the Contracting Party's Annual Reports under Directive 2012/27/EU

Implementation of Energy Efficiency Product Regulation Overview

FRAMEWORK DIRECTIVE											
Household dishwashers	●										
Fridges and freezers		●									
Household washing machines			●								
Televisions				●							
Air conditioners and fans					●						
Household tumble driers						●					
Electrical lamps and luminaires							●				
Vacuum cleaners								●			
Space heaters									●		
Water heaters & storage tanks										●	
Domestic ovens and range hoods											●

● Adopted and implemented ● Adopted, implementation issues detected ● No progress with adoption/implementation

The new labelling package adopted by the Ministerial Council in November 2018 was not assessed, as the transposition deadline expires in January 2020.

Source: multiple sources of data (EECG reports, NEEAPs etc.), compiled by the Energy Community Secretariat



Albania

Environment

Environment Implementation

Environment Indicators	Transposition Assessment	Implementation Status	Descriptions
Environmental impact assessment (EIA) and strategic environmental assessment (SEA)			The implementation of legislation related to environmental assessments is still not sufficient, as the multitude of complaints show. Effective opportunities for the public to participate in decision-making are not ensured in practice.
Sulphur in fuels			Albania has taken further steps on quality control of sampling and analysis of the fuels covered, however, full compliance was still not achieved due to the lack of adoption of the rules on the collection, storage and reporting of data for LPG quality, gas oil, heavy fuel oil, marine fuel and on the local suppliers of these fuels.
Large combustions plants and industrial emissions			The only large combustion plant in Albania (currently not in operation) is able to comply with the environmental <i>acquis communautaire</i> .
Nature protection			Effective measures for the protection of wild birds (e.g. by restrictions on hunting accompanied by enforcement) as well as their habitats in the protected areas (e.g. re-establishment of destroyed biotopes and creation of new biotopes) have to be established.

The quality of environmental reports and procedures in Albania is still in need of significant reinforcement and no positive developments were registered in the past year. During the last reporting period, two complaints were submitted to the Secretariat about the environmental impact assessments (EIA) of new hydropower plants in a protected area. The implementation of the provisions on public participation of both directives still remains weak and needs significant improvement. Furthermore, the EIA studies in Albania tend not to take into account the potential cumulative and transboundary environmental impacts of projects.

With regard to strategic environmental assessment, it has to be ensured that plans and programmes from all sectors covered by the Directive (e.g. agriculture, energy, industry, transport, waste and water management, town and country planning or land use), with particular regard to their network energy dimension, undergo a strategic environmental assessment, which is still not happening in Albania.

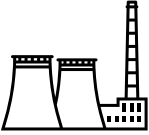
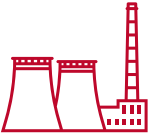
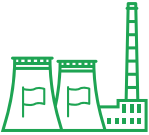
As regards the sulphur content of liquid fuels, Albania has completed the transposition of the Directive, a priority from last year's Implementation Report. The Decision of the Council of Ministers on the quality of certain liquid fuels used for thermal, civil, industrial use and sea transport, was adopted in June 2019. The Decision ensures compliance with the provisions of the Directive, however, a Joint Instruction on the collection, storage and reporting of data for LPG quality, gas oil, heavy fuel oil, marine fuel and local suppliers of these fuels is not yet adopted. Therefore, the implementation of the Directive's provisions on sampling and analysis of fuels (including that of marine fuels) has not started yet.

Albania has only one large combustion plant (TPP Vlora), which is currently not in operation. The plant is capable of complying with the emission limit values of the Industrial Emissions Directive. Should the plant start operating, the Albanian authorities must ensure the continuous monitoring of the plant's emissions.

As regards the Wild Birds Directive, a system of protected areas has been established, including two strict natural reserves. Albania, together with North Macedonia and two EU Member States (Bulgaria and Greece), participates since 2017 in a project the aim of which is to strengthen the Balkan population of the Egyptian vulture and to secure its flyway. While participation in such individual projects is important and highly useful, effective protection measures at systemic level against the destruction

and pollution of habitats and against the capture and killing of birds by humans and the trade resulting from such practices (e.g. by establishing management of habitats in accordance with their ecological needs inside and outside the protected zones, by the re-establishment of destroyed biotopes and by the creation of new biotopes) for designated nature protection areas are still lacking. In particular, hydropower projects can significantly jeopardize the ecological balance of protected areas.

Installations under the Large Combustion Plants Directive

 <p># of plants falling under the LCPD</p>	<p>1 (not in operation)</p>
 <p>of which opted out plants</p>	<p>0</p>
 <p>of which plants falling under the NERP</p>	<p>0</p>

Source: compiled by the Energy Community Secretariat



Albania Climate

Climate Indicators	Transposition Assessment	Implementation Status	Descriptions
National greenhouse gas emissions monitoring and reporting systems			The draft Law on Climate Change and the draft Decision on a mechanism for monitoring and reporting of GHG emissions allow for transposition of the provisions of Regulation (EU) 525/2013 related to the national greenhouse gas inventory and the development of a national climate change strategy. On 2 July 2019, the Government adopted the National Climate Change Strategy and its two annexes, the National Action Plan on Mitigation (NAPM) and the National Adaptation Plan (NAP). The draft Law on Climate Change was approved by the Government on 17 July 2019. Its adoption by Parliament is pending.
National Energy and Climate Plans (NECPs)			Albania has set up a national working group to work on its NECP by Order of the Prime Minister of 7 March 2019, indicating the governance structure and timeframe of action. The Ministry of Infrastructure and Energy is leading the process. The working group has since convened to discuss key priorities and responsibilities. Its work is focusing on the elaboration of a detailed draft process map and an action plan for the development of the Albanian NECP. This process should be finalized by 2019.

Albania is a non-Annex-I party to the United Nations Framework Convention on Climate Change (UNFCCC) and ratified the Paris Agreement in November 2016.

It submitted its third National Communication on climate change to the UNFCCC in October 2016 and is currently developing its fourth National Communication. Work on the first Biennial Update Report is also ongoing. Within its Nationally Determined Contribution (NDC), Albania committed to reduce CO₂ emissions by 11,5% compared to a baseline scenario in the period 2016 - 2030 (708 kt CO₂ reduction in 2030). Its NDC is currently under revision in order to include data on land use, land-use change and forestry (LULUCF).

Albania has achieved some level of preparation for addressing climate change, with the adoption on 2 July 2019 of a National Climate Change Strategy and its two annexes, the National Action Plan on Mitigation (NAPM) and the National Adaptation Plan (NAP). Implementation of the Paris Agreement and the

NDC target are at the core of the strategy. The Decision of the Council of Ministers on the proposal of the draft Law on Climate Change was adopted on 17 July 2019.

Albania has officially set up a national working group to work on its National Energy and Climate Plan (NECP) by an Order of the Prime Minister of 7 March 2019, indicating the governance structure and timeframe of action. The Ministry of Infrastructure and Energy is leading the process. Limited human and technical capacity as well as the lack of mainstreaming of climate policy across sectors continue to be the main barriers to further progress in Albania.

Although Albania launched preparatory work on the NECP, it needs to further strengthen the coordination and cooperation between the Ministry of Infrastructure and Energy and the Ministry of Tourism and Environment to fully integrate energy and climate policies.



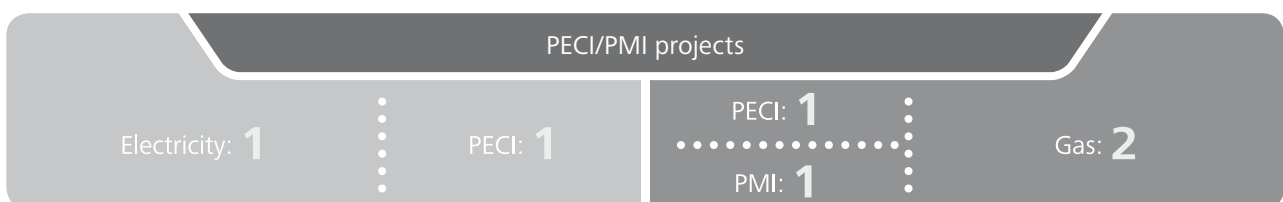
Albania Infrastructure

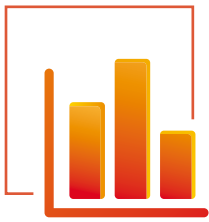
Infrastructure Implementation

Infrastructure Indicators	Transposition Assessment	Implementation Status	Descriptions
National competent authority			The national competent authority exists and should start reporting on the projects to the PECE Groups and the Secretariat. It should also prepare and publish the manual of procedures as defined by Regulation (EU) 347/2013.
Manual of procedures			The manual of procedures was not issued.
National regulatory authority involvement			The regulator has not published the required methodology and evaluation criteria.

In November 2018, the Council of Ministers approved a decision on the adoption of practices for promoting joint regional investments in energy sector infrastructure, which transposed Regulation (EU) 347/2013. Further actions are necessary in order to fully implement all provisions defined by the Regulation. The national competent authority should publish a manual of procedures for the permit granting process, applicable for Projects of Energy Community Interest, and start reporting on the project developments to the corresponding PECE Groups and the Energy Community Secretariat as soon as possible. The national regulatory authority shall publish the methodology and criteria to be used to evaluate investment in electricity and gas projects and the higher risks incurred by them immediately.









The implementation of the Regulation in Albania is particularly urgent due to its potential to facilitate the realization of ongoing strategic infrastructure projects, particularly the interconnection 400 kV OHL between Albania and North Macedonia. The project is expected to improve security of supply and overall operation of the energy system of Albania, as well as positively influence the regional market and its coupling and the ongoing preparations for gasification and gas infrastructure projects.





Albania Statistics

Statistics Implementation

Statistics Indicators	Transposition Assessment	Implementation Status	Descriptions
Annual statistics		 100%	The five annual questionnaires and the questionnaire on final energy consumption of households for 2017 were transmitted to EUROSTAT.
Monthly statistics		 60%	Monthly reporting to EUROSTAT on natural gas, oil and coal is missing, as well as all short-term monthly data.
Quality report		 100%	The quality report on energy statistics was published.
Price statistics		 33%	Prices charged to industrial end-users and breakdown of price components are not compiled.

As regards annual energy statistics, including quality reporting, Albania has implemented the requirements of the *acquis*. The institution responsible for energy statistics, the National Agency of Natural Resources (AKBN), has been compiling annual energy balances and annual questionnaires and submitting them to EUROSTAT in accordance with the *acquis*. The breakdown of energy consumption of households and the quality report were also transmitted to EUROSTAT.

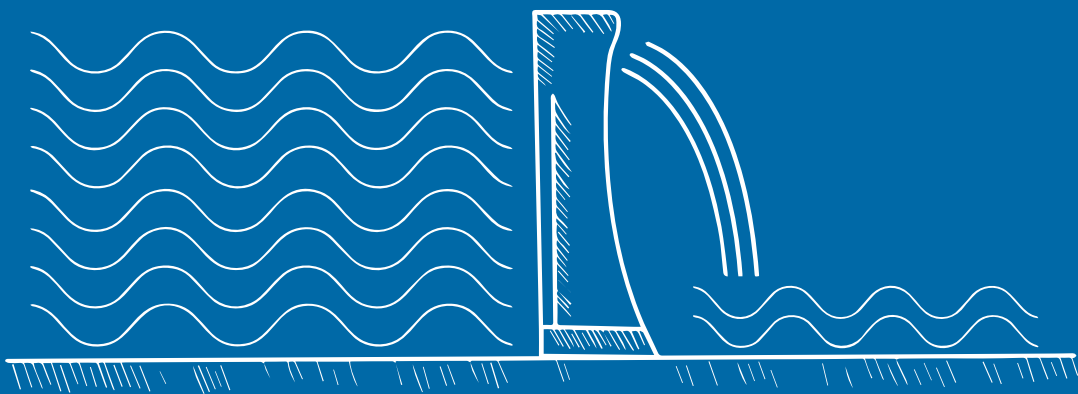
As regards monthly statistics, electricity and natural gas data are available. Oil and gas monthly data are submitted to the JODI database. Monthly coal data are not available yet.

In the absence of a clear separation of duties between AKBN and the national statistics institute, INSTAT, the former began collecting and disseminating data on electricity prices charged to households in cooperation with the regulatory authority. Gas statistics are not relevant for Albania yet. The prices charged to industrial end-users and the breakdown of prices into price components are not reported pursuant to Regulation (EU) 2016/1952.

It is recommended for Albania to formalize the cooperation and coordination in data collection among the responsible institutions in order to improve data quality and cost-effectiveness for the designated institutions to fulfil their tasks. Data on prices charged to industry have to be completed without delay.

04

Bosnia and Herzegovina









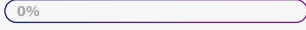





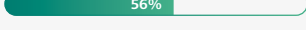





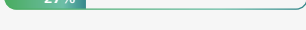


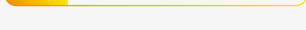









Bosnia and Herzegovina

Summary Implementation

Summary Indicators	Transposition Assessment	Implementation Status	Descriptions
 Electricity		 55%	Implementation in the electricity sector of Bosnia and Herzegovina is moderately advanced.
 Gas		 13%	Implementation in the gas sector of Bosnia and Herzegovina is yet to begin.
 Oil		 0%	Implementation in the oil sector of Bosnia and Herzegovina is yet to begin.
 Renewable Energy		 52%	Implementation in the renewable energy sector of Bosnia and Herzegovina is moderately advanced.
 Energy Efficiency		 56%	Implementation in the energy efficiency sector of Bosnia and Herzegovina is moderately advanced.
 Environment		 45%	Implementation in the environment sector of Bosnia and Herzegovina is moderately advanced.
 Climate		 27%	Implementation in the climate sector of Bosnia and Herzegovina is still at an early stage.
 Infrastructure		 21%	Implementation in the infrastructure sector of Bosnia and Herzegovina is still at an early stage.
 Statistics		 73%	Implementation in the statistics sector of Bosnia and Herzegovina is well advanced.

ECS-1/10 State aid

Overall number of cases: **9**

ECS-8/11S Gas

ECS-1/15 Environment

ECS-5/17 Electricity

ECS-10/18 State aid

ECS-1/14 Energy efficiency

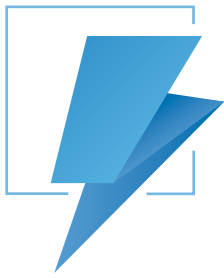
ECS-3/18 Infrastructure

Procedure by Article **91**

Procedure by Article **92**

ECS-2/13S Environment

ECS-6/16S Third Energy Package



Bosnia and Herzegovina Electricity

Electricity Implementation

Electricity Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			The transmission system operator has not been and cannot be unbundled in line with the Third Energy Package under the current Law. Distribution unbundling is not properly transposed and is not implemented.
Access to the networks			Rules and tariffs are in place. Cross-border capacity is allocated through SEE CAO or bilaterally.
Wholesale market			Deregulation of wholesale prices in Republika Srpska is pending adoption of the new Electricity Law. The balancing market is functional, whereas day-ahead market establishment depends on the adoption of the new law at the state level.
Retail market			The retail market is liberalized. Prices are deregulated, except for households and small customers. Competition is still to be developed.
Regional integration			Cross-border balancing cooperation is established with all the neighbouring transmission system operators. Market coupling is pending the adoption of the law and establishment of a power exchange. The Connection Network Codes are partially transposed.

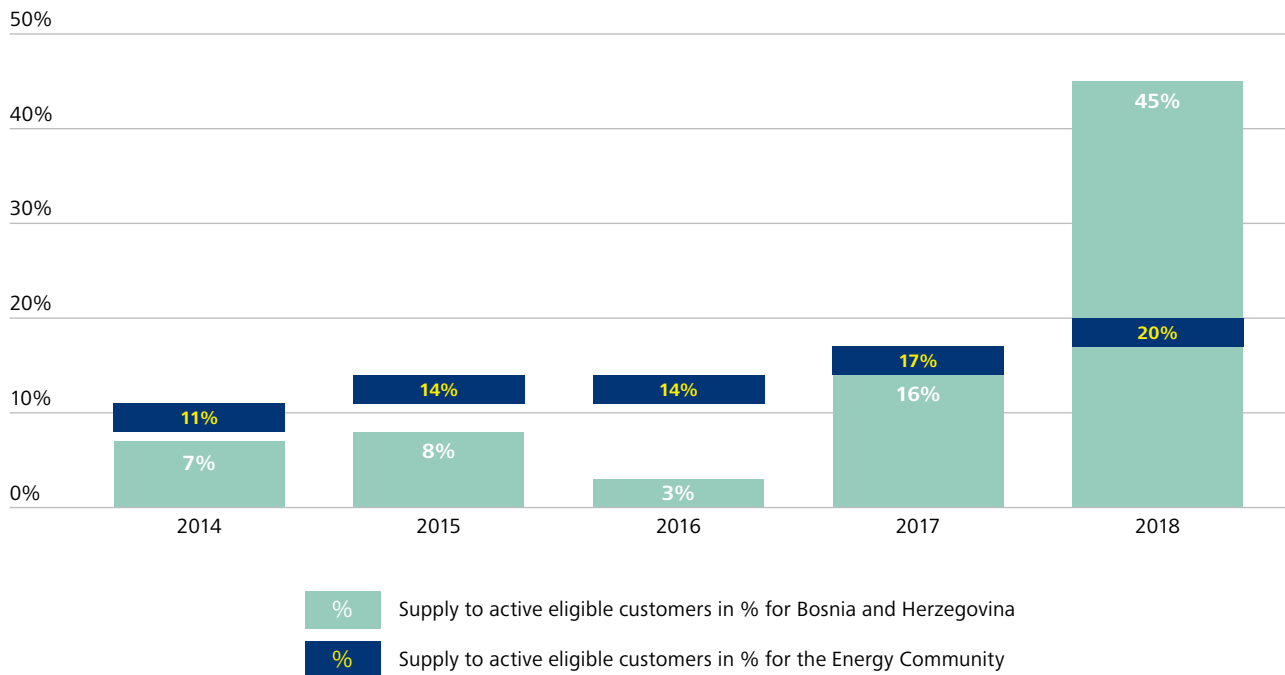
Current laws in Bosnia and Herzegovina do not envisage unbundling of the transmission system operator according to the Third Energy Package. The entity governments, who are responsible for operation of the public generation and supply utilities, also control the independent system operator NOS BiH and the transmission company Elektroprenos.

Unbundling of the distribution system operators is partially transposed in Federation of Bosnia and Herzegovina but not implemented, and the draft Federal Government restructuring programme of July 2019 has not been approved. In Republika Srpska, the new draft Electricity Law does not set a deadline for unbundling of distribution. Its adoption is still pending. In both entities, distribution is still bundled with supply and generation. The infringement procedure on this non-compliance will be stepped up soon.

The provisions for access to transmission and distribution networks are transposed and implemented in a compliant manner. Cross-border capacity on two borders is allocated through the SEE CAO regional platform, while bilaterally coordinated mechanisms are applied on the border with Serbia and for intraday allocations.

Regulation of wholesale prices still exists in the law of Republika Srpska for the electricity from state-owned generators used for universal supply. The new draft Law is expected to overcome this non-compliance. The draft Law on Regulator, Transmission and Electricity Market aiming to transpose the Third Energy Package on state level has not been adopted, which effectively prevents the establishment of organized markets. The independent system operator NOS BiH operates a competitive balancing market with growing liquidity on the overall territory of Bosnia and Herzegovina, including both balancing reserve capacity and balancing energy.

Retail Market Opening



Source: State Electricity Regulatory Commission of Bosnia and Herzegovina

The retail market is formally liberalized but in practice still dominated by the incumbent utilities which are not active outside their local area of operation. Retail prices are deregulated, except for households and small customers. The incumbents also provide supply of last resort for a period of two months, available to eligible customers in case of bankruptcy or revocation of the license of their supplier or unsuccessful switching.

Adoption of the draft Law on Regulator, Transmission and Electricity Market is a precondition for the establishment of a power exchange in Bosnia and Herzegovina and implementation of the project for market coupling with Croatia, Montenegro and Serbia. In 2019, there were no activities to advance this project.

Exchanges of balancing services with the transmission system operators of Croatia and Slovenia are based on the (renewed) control block agreement, and with Serbia and Montenegro on bilateral contracts for cross-border delivery of energy for tertiary control. Notable progress was achieved in transposition of the Connection Network Codes. The national regulatory authority SERC adopted a decision transposing the Connection Network Codes, approved a new grid for transmission developed by NOS BiH which includes a number of the Connection Network Codes' provisions and adopted rules on conditions for derogation and exemptions for emerging technologies. Still, full transposition of the Connection Network Codes depends on the entity regulators.



Bosnia and Herzegovina

Gas

Gas Implementation

Gas Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			None of the three transmission operators have been unbundled or certified. The necessary rules are in place only in one entity. Distribution of gas is performed by the same companies engaged in the supply and trade of natural gas under the Directive's de minimis clause.
Access to the networks			In the Federation, negotiated access without adopted transmission and distribution tariffs is applied blatantly against the <i>acquis</i> . In Republika Srpska, the tariffs are applied only for a spur of the transmission pipeline Karakaj – Zvornik. Third party access is not implemented at all.
Wholesale market			The country's market, divided into two separate entity markets, is foreclosed. Neither an organized exchange nor any other trading platform (e.g. virtual trading point or balancing platform) is in place.
Retail market			Customers in Federation of Bosnia and Herzegovina are still captive. In Republika Srpska, different suppliers exist, switching rules are in place and regulated prices remain only for household customers.
Interconnectivity			For the single interconnection point between Serbia and Bosnia and Herzegovina, there is a technical agreement in place since 2017, which does not comply with the Network Code on Interoperability and Data Exchange.

Bosnia and Herzegovina is still far away from adopting a state law, which would regulate the gas market and transpose the *acquis*. This is why the country is subject to several infringement cases in this context as well as penalizing measures by the Ministerial Council since October 2015.

Whereas Federation of Bosnia and Herzegovina has not been willing to move ahead without a consensus on broader institutional competences at the state level, Republika Srpska has acted unilaterally and adopted an entity gas law.

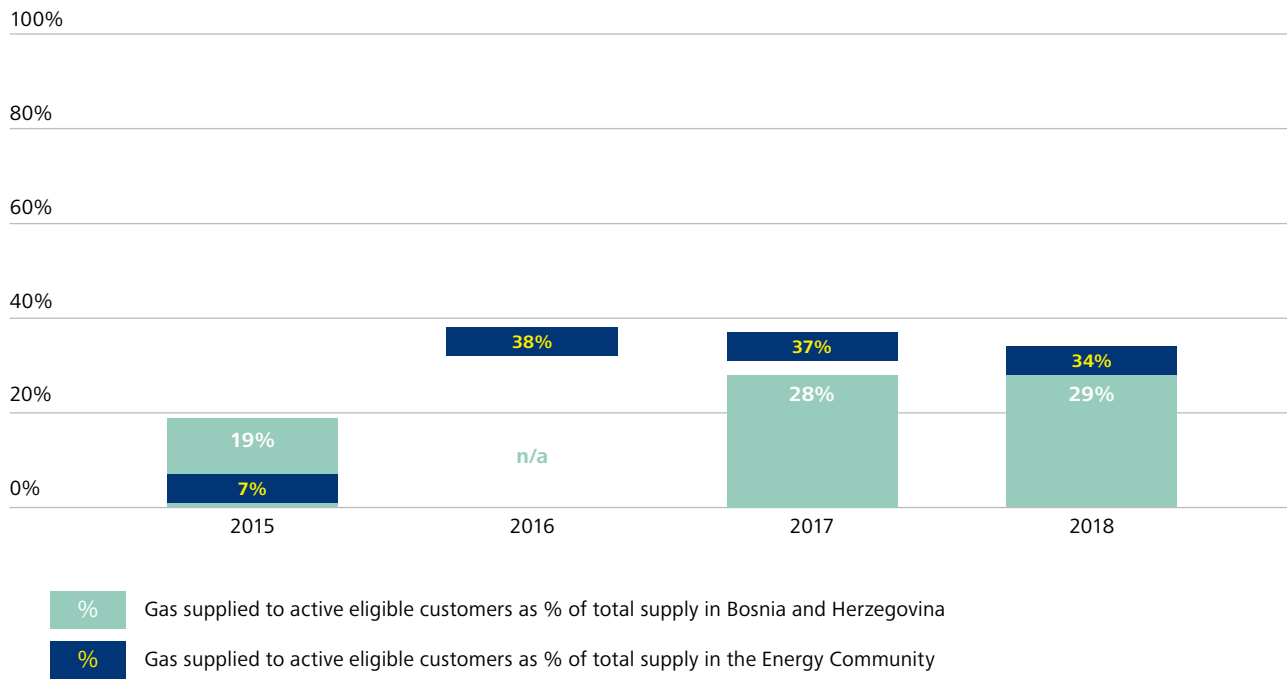
At present, Republika Srpska has to a large extent transposed the Third Energy Package in the gas sector by adopting a gas law in 2018. By doing so, however, it also decoupled its legal and regulatory framework from the state level and consequently the other entity, which will be detrimental to gas market integration of the country.

Federation of Bosnia and Herzegovina continues to apply a non-compliant government decree from 2007 and has refused to transpose virtually all key principles of the gas *acquis*.

The Agreement on Removal of a Serious and Persistent Breach under the Energy Community Treaty in the gas sector, signed in 2016 in Sarajevo, and all subsequent commitments have not been honoured by any party from Bosnia and Herzegovina.

The priorities remain the same as in all previous reporting years. Both entities and the state authorities must find a compromise solution under the Energy Community rules to implement the Third Energy Package provisions on the whole territory of Bosnia and Herzegovina. This is even more urgent as the demand for natural gas in Bosnia and Herzegovina rises continuously, and the country is forecasting ambitious gas investment plans. Without a robust regulatory framework and stable market-friendly rules to attract traders, investments and secure gas supplies will remain unfulfilled.

Retail Market Opening



Source: State Electricity Regulatory Commission (SERC), compiled by the Energy Community Secretariat

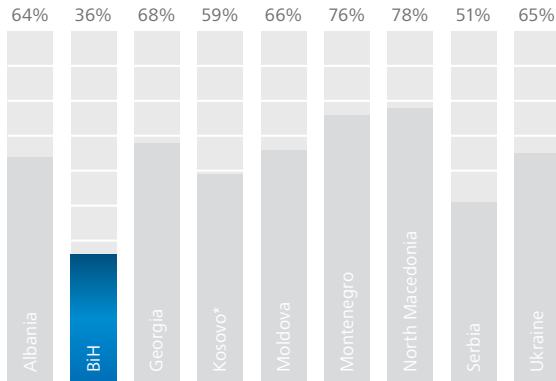


Bosnia and Herzegovina

National Authorities



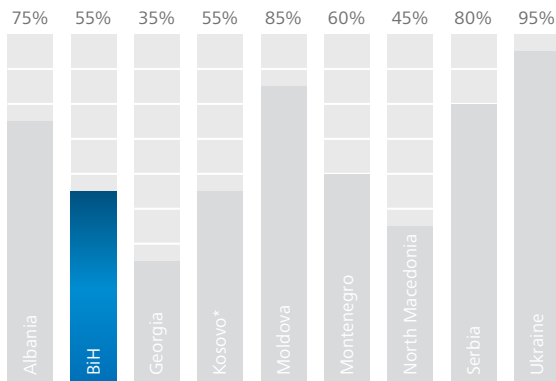
Regulatory Authority



The State Electricity Regulatory Commission (SERC) is the only Contracting Party regulator whose legal set-up does not comply with the Third Package requirement for a single regulatory authority for electricity and gas at national level. This has been subject to several infringement procedures. Despite the legal shortcomings, SERC is proactively performing its limited duties. The establishment of a front-running electricity balancing model is an excellent example. SERC ranks amongst those regulators that partly transposed the Network Code Regulations within the limits of its competences and is the only regulator that adopted exemption criteria, as foreseen by the Codes. SERC provides long-standing active contributions to the work of the Energy Community Regulatory Board including via the role of a working group chair.



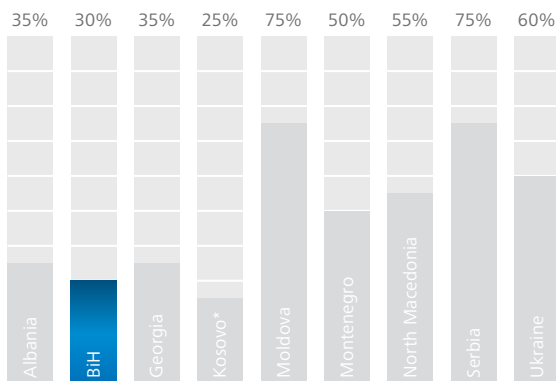
Competition Authority



The body in charge of enforcing competition law at state level is the Competition Council. Its enforcement activities in the energy sectors are mainly focused on concentrations. It rendered two decisions regarding the abuse of dominance in the heating sector: one against KJKP Toplane – Sarajevo and one against Gradska toplana Doboj, where it found that by applying their tariff methodology they abused their dominant position on the market for district heating.



State Aid Authority



The Law on the System of State Aid is enforced by the national State Aid Council, assisted by a secretariat. The independence of the State Aid Council is questionable as both the Council and the secretariat depend on the Government in terms of nomination of its members and financing. Effective enforcement is hindered by limited human resources. In the reporting period, the Council rendered a decision finding that a guarantee provided by Federation of Bosnia and Herzegovina for the loan of EUR 614 million from the Chinese Export-Import-Bank to "Elektroprivreda BiH" for the Tuzla 7 project does not entail State aid. This decision is subject to an infringement procedure initiated by the Secretariat and currently in mediation under the Dispute Resolution and Negotiation Centre.



Bosnia and Herzegovina

Oil

Oil Implementation

Oil Indicators	Transposition Assessment	Implementation Status	Descriptions
Stockholding obligation		<input type="text" value="0%"/>	Bosnia and Herzegovina does not have legislation on compulsory stocks of oil and petroleum products on the state level and there is no national policy to meet the obligations of Directive 2009/119/EC.
Availability and accessibility		<input type="text" value="0%"/>	No oil stocks policy is in place, therefore, the availability and accessibility of these stocks are out of the question.
Reporting		<input type="text" value="0%"/>	There is currently no monthly oil data collection being carried out. Such statistics would serve as the basis for determining the amount of stocks to be held in order to meet Bosnia and Herzegovina's stockholding obligations.
Emergency procedures		<input type="text" value="0%"/>	There are no emergency procedures in place in compliance with Directive 2009/119/EC.

Bosnia and Herzegovina is nowhere close to meeting the obligations of Directive 2009/119/EC. The assistance provided by the Secretariat on the oil stocks model for an emergency stockholding system has not been followed up by the Ministry of Foreign Trade and Economic Relations.

The Ministry of Foreign Trade and Economic Relations should take the leading role in this effort. It should also coordinate the work to establish monthly data collection in full compliance with the Monthly Oil Statistics (MOS). The Joint Organisations Data Initiative - Oil (JODI) Questionnaire is not submitted.



Bosnia and Herzegovina

Renewable Energy

Renewable Energy Implementation

Renewable Energy Indicators	Transposition Assessment	Implementation Status	Descriptions
National Renewable Energy Action Plan			The latest energy statistical data provided by EUROSTAT revealed that Bosnia and Herzegovina is moving backwards, only reaching a 22,7% share of energy from renewable sources in 2017, which is 2,6 percentage points below the share of 25,3% registered in 2016. Many measures described in the National Renewable Energy Action Plan are lagging behind.
Quality of support schemes			Feed-in tariffs for various renewable energy technologies were adopted by both entities. The feed-in tariffs for wind projects were removed from legislation in Republika Srpska without being replaced with auctions. Activities towards the adoption of revised renewable energy laws to include renewable energy auctions have not started in any entity.
Grid integration			A state-level law that imposes priority or guaranteed access for renewables to the transmission network and priority dispatch is not in place. The entity-level renewable energy laws fail to include priority or guaranteed access to the grids but do include priority dispatch and guaranteed priority of connection.
Administrative procedures			The coordination among institutions involved in the authorisation process for small, decentralised renewable energy producers should be improved in the entities. Increased clarity and simplification of procedures are needed to ensure a transparent and conducive investment framework for all applicants.
Renewable energy in transport			Articles 17 - 21 of Directive 2009/28/EC related to sustainability criteria for biofuels and bioliquids remain non-transposed. The current share of renewables in transport is around 1% and far below the planned National Renewable Energy Action Plan trajectory.

Activities towards the adoption of revised renewable energy laws that include a market-based approach for granting support, in line with Guidelines on State aid for environmental protection and energy 2014 - 2020, have not started in any entity. This is in spite of the draft amendments to the renewable energy laws of both entities provided by the Secretariat. Moreover, the removal of support for wind projects in Republika Srpska is a step in the wrong direction. Bosnia and Herzegovina must speed up the reform of its renewable energy framework.

Renewable energy self-consumption of distributed generation has to be allowed by the legislation to encourage and enable

customers to become prosumers. Furthermore, the administrative procedures for permitting, construction and licensing need to be coordinated and streamlined.

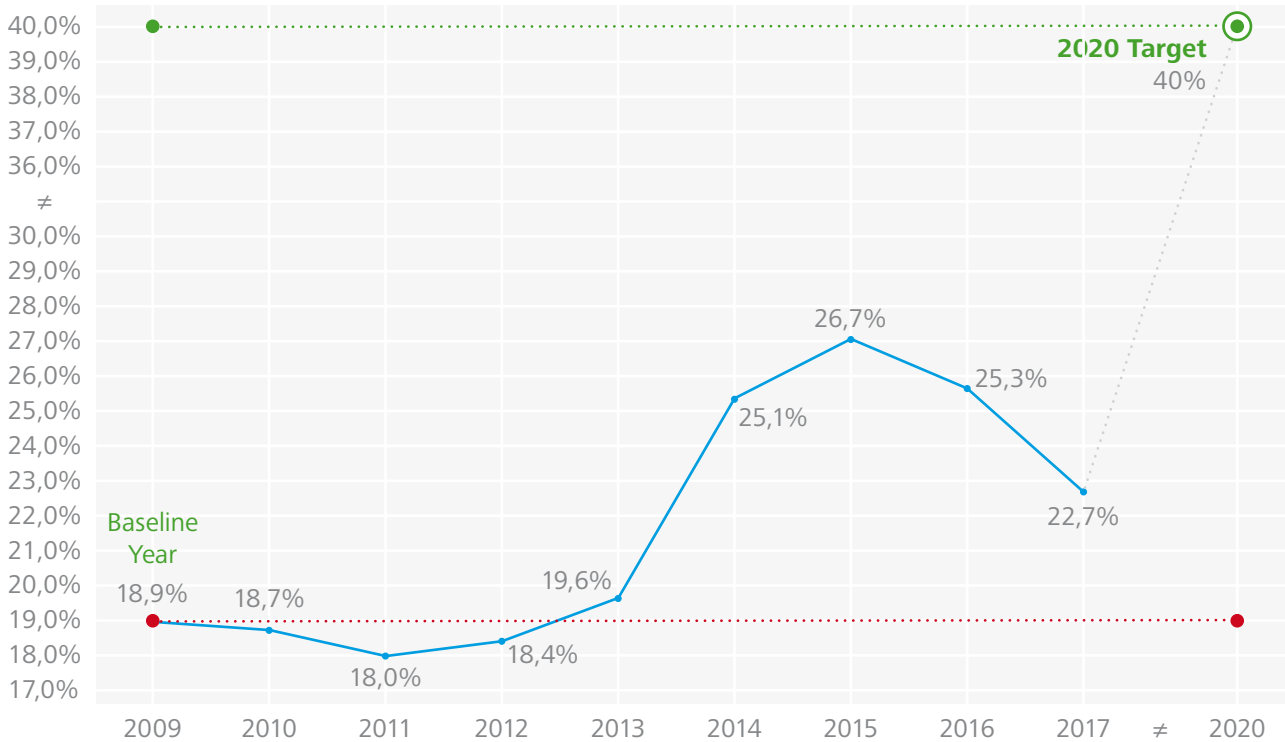
The system of issue, transfer and cancellation of guarantees of origin has to be implemented in both entities. Compatibility with the standardised European Energy Certificate System and membership in the Association of Issuing Bodies (AIB) remain to be achieved.

There are no requirements for the use of minimum levels of energy from renewable sources in new buildings or in existing buildings that are subject to major renovation. Obligations on the exemplary

role of public buildings, promotion of heating and cooling systems and other requirements regarding biomass, heat pumps and solar thermal energy are missing despite the existing potential.

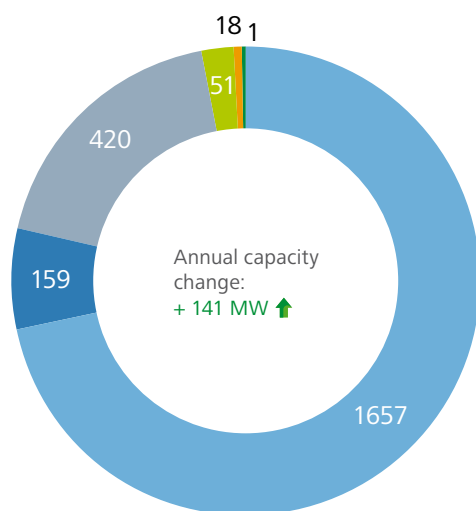
The transposition of sustainability criteria as required by Articles 17 - 21 of Directive 2009/28/EC shall be fostered without delay to remove the non-compliance with the *acquis*.

Shares of Energy from Renewable Sources



Source: EUROSTAT and Agency for statistics of Bosnia and Herzegovina (BHAS)

Total Capacities of Renewable Energy 2018 (MW)



- Large hydropower
- Small hydropower <10 MW
- Pumped storage
- Wind
- Solar
- Biogas

Source: Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina

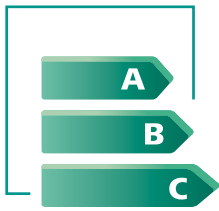
In 2017, Bosnia and Herzegovina achieved a 22,7% share of renewable energy in gross final energy consumption, way below the 37,9% median trajectory for 2017 - 2018. This is due to the downwards revision of biomass consumption and limited investments in newly added renewable energy capacities.

By the end of 2018, the country registered 159 MW of small hydropower plants, 18 MW of solar PV and 1 MW of biogas. A wind project of 51 MW was commissioned at the end of 2018.

The renewable energy share in transport is lower than 1% and far below the trajectory planned in the National Renewable Energy Action Plan. Without the sustainability criteria in place, any contribution of biofuels or bioliquids cannot be counted towards the target to 2020.

Total capacities of renewable energy (MW):

2306



Bosnia and Herzegovina

Energy Efficiency

Energy Efficiency Implementation

Energy Efficiency Indicators	Transposition Assessment	Implementation Status	Descriptions
National Energy Efficiency Action Plans and Targets			State and entity level working groups are in the process of preparing a new NEEAP. The specific targets (for renovation of central government buildings and the energy efficiency obligation scheme) are still not set, but most of the activities have been finalized and are awaiting political decisions.
Energy efficiency in buildings			Both entities are updating secondary legislation and training experts for the certification of buildings. An updated regulation on energy audits and energy certification of buildings was adopted in Federation of Bosnia and Herzegovina in November 2018. Activities related to the transposition of Directive 2010/31/EU into the primary legislation of Brčko District have started.
ESCO market development and financing			In June 2018, model contracts and a legal gap analysis were developed. Yet, little genuine progress has been achieved in the past year. Notwithstanding the principal recognition of ESCO projects in current legislation, the ESCO market is not functioning and significant legal gaps remain in terms of public procurement and multi-year budgeting, adoption of model ESCO contracts, etc.
Energy efficient products - labelling			No progress was registered in the reporting period. Republika Srpska adopted nine delegated regulations back in 2016, while no activities at all took place in Federation of Bosnia and Herzegovina and Brčko District.
Institutional capacities			Each entity established an energy efficiency and environmental fund, however, the capacities of ministries and surveillance bodies remain weak. The Permanent Coordination Group and ad-hoc technical working groups were established to coordinate the work on energy efficiency between state and entity levels, with participation of public institutions and international donors.

Bosnia and Herzegovina submitted its third Annual Report under the Energy Efficiency Directive to the Secretariat in July 2019. Besides improving information and energy management systems and drafting secondary legislation and a new National Energy Efficiency Action Plan (NEEAP), limited progress was made in the last twelve months. Implementation of energy efficiency legislation is still not sufficient and further actions are necessary to achieve full compliance.

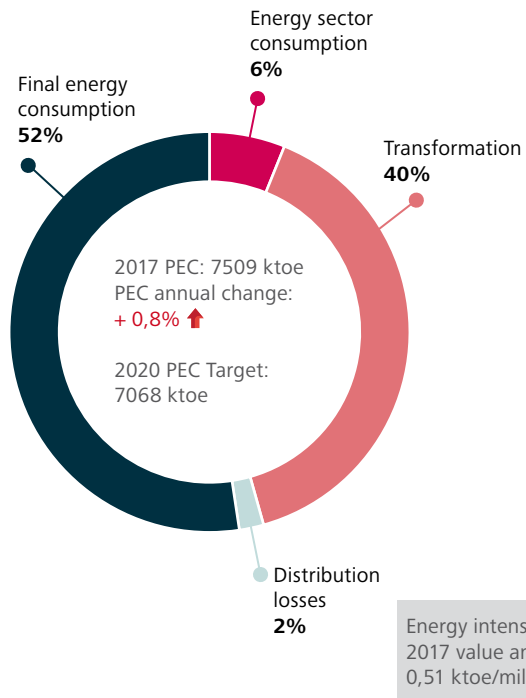
The first priority is the adoption of the NEEAP and transposition of the Energy Efficiency Directive and the new Framework Energy Labelling Regulation through amendments of the existing primary legislation in the two entities and Brčko District.

For the Federation, the priority is to implement in parallel the Law on Energy Efficiency through adoption of secondary legislation. For Republika Srpska, the priority is to complete the implementation of the Buildings Directive.

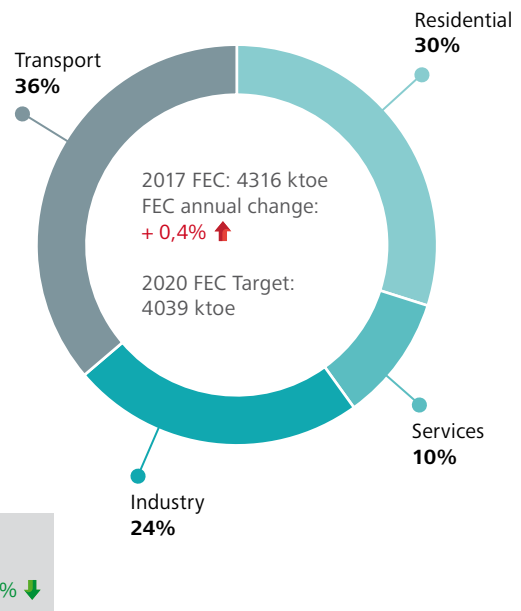
Energy efficiency criteria should be introduced in state public procurement procedures and public-private partnership schemes made attractive for energy efficiency projects in order to boost the creation of an energy efficiency market.

Energy Efficiency Indicators

Primary Energy Consumption (PEC) in 2017 and trends



Final Energy Consumption (FEC) in 2017 and trends



Energy intensity, 2017 value and trends: 0,51 ktoe/mil EUR, -2,4% ↓

Source: EUROSTAT 2019 data and the Contracting Party's Annual Reports under Directive 2012/27/EU

Implementation of Energy Efficiency Product Regulation Overview

FRAMEWORK DIRECTIVE	Household dishwashers	Fridges and freezers	Household washing machines	Televisions	Air conditioners and fans	Household tumble driers	Electrical lamps and luminaires	Vacuum cleaners	Space heaters	Water heaters & storage tanks	Domestic ovens and range hoods
	●	●	●	●	●	●	●	●	●	●	●

● Adopted and implemented ● Adopted, implementation issues detected ● No progress with adoption/implementation

The new labelling package adopted by the Ministerial Council in November 2018 was not assessed, as the transposition deadline expires in January 2020.

Source: multiple sources of data (EECG reports, NEEAPs etc.), compiled by the Energy Community Secretariat



Bosnia and Herzegovina

Environment

Environment Implementation

Environment Indicators	Transposition Assessment	Implementation Status	Descriptions
Environmental impact assessment (EIA) and strategic environmental assessment (SEA)			The implementation of the provisions of both Directives on environmental assessments and the level of public participation still remain weak. The lack of transboundary assessments remains problematic both at project and plan/programme level.
Sulphur in Fuels			The infringement procedure for the lack of national provisions transposing the 1.00% threshold for heavy fuel oil as well as the 0.10% threshold for gas oil and the implementation thereof had to be escalated due to lack of compliance with last year's Ministerial Council decision establishing a serious and persistent breach.
Large combustions plants and industrial emissions			The National Emission Reduction Plan (NERP) is in its implementation phase since 1 January 2018. Three plants are being opted out as of the same date and have already consumed a part of their remaining 20.000 operational hours.
Nature protection			In Federation of Bosnia and Herzegovina, a Biodiversity Strategy and Action Plan is in force since 2016 and a network of protected areas is established, albeit without effective protective measures. In Republika Srpska, the 2025 Biodiversity Strategy concedes that an ecological network still needs to be established.

The entity authorities of Bosnia and Herzegovina have to significantly increase their administrative capacities dealing with environmental assessments, which fall under their competence. For both the environmental impact assessment and the strategic environmental assessment, the implementing authorities have a too wide margin of discretion. The quality of both types of environmental assessments has to be improved and early and effective opportunities must be provided to the public to participate in the assessment procedures. During the reporting period, a case concerning a breach of the environmental impact assessment of a thermal power plant in the Republika Srpska entity of Bosnia and Herzegovina was subject to a settlement agreement negotiated under the Secretariat's Dispute Resolution and Negotiation Centre. The settlement agreement is yet to be implemented.

As regards legislation on the sulphur content of liquid fuels, Bosnia and Herzegovina has still not rectified the breaches stipulated in last year's Decision of the Ministerial Council, establishing a serious and persistent breach under Article 92 of the Treaty.

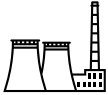

The emission limit values for existing plants in the secondary legislation of both entities of Bosnia and Herzegovina are in compliance with the Large Combustion Plants Directive. The NERP of Bosnia and Herzegovina, approved by the Secretariat, is in compliance with the Energy Community *acquis communautaire* and is being implemented since January 2018. Three plants are being opted out, meaning that they can only remain in operation for not more than 20.000 operational hours and until December 2023 at the latest. Sufficient financing must be ensured by the operators of combustion plants in order to follow through with the implementation of the NERP. The current emissions from large combustion plants under the NERP show compliance with the ceiling for nitrogen oxides and dust, while in the case of sulphur dioxide, there is significant non-compliance which has to be addressed.

As regards the provisions of the Wild Birds Directive, two nature reserves, three national parks, sixteen nature monuments, five nature parks and two areas for resource management were established. A 2015 - 2020 strategy for biodiversity and landscape protection and an action plan for its implementation are

in place. However, the list of potential Natura 2000 sites and secondary legislation on effective measures against the deliberate killing or hunting of wild birds, deliberate destruction or damaging of nests and eggs and/or removal of their nests are yet to be adopted. Furthermore, the ecological network in Re-




publika Srpska needs to be established as identified by the 2025 Biodiversity Strategy. In the planning, environmental assessment and construction processes of power plants (including hydro, wind and solar), particular regard has to be taken to the appropriate assessment as provided by nature protection legislation.

Installations under the Large Combustion Plants Directive

	# of plants falling under the LCPD	13
	of which opted out plants	3
	of which plants falling under the NERP	10



Source: compiled by the Energy Community Secretariat

Total emissions from Large Combustion Plants in 2018

	Total SO ₂ emissions	236.960 tonnes
	Total NO _x emissions	20.853 tonnes
	Total dust emissions	2.494 tonnes

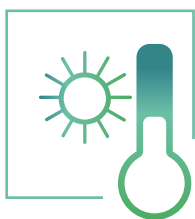
Source: compiled by the Energy Community Secretariat

Amount of operational hours used from opt-out period

TPP Tuzla 3 	Expected expiry of opt-out period:*	December 2023
	Remaining hours	17.052
	Operating hours consumed in 2018	2.948
TPP Tuzla 4 	Expected expiry of opt-out period	May 2021
	Remaining hours	14.078
	Operating hours consumed in 2018	5.922
TPP Kakanj 5 	Expected expiry of opt-out period	February 2021
	Remaining hours	13.663
	Operating hours consumed in 2018	6.337

*Calculations for the expected expiry of the opt-out period are based on the current load factor. 1 January 2018 marks the beginning of the opt-out period.

Source: compiled by the Energy Community Secretariat



Bosnia and Herzegovina Climate

Climate Indicators	Transposition Assessment	Implementation Status	Descriptions
National greenhouse gas emissions monitoring and reporting systems			Bosnia and Herzegovina does not have a clearly defined system for GHG emission data collection and processing, quality assurance and control of input data, or a reporting and monitoring system. A Climate Change Adaptation and Low Emission Development Strategy of 2013 covering the period 2013 – 2025, is currently being updated. Its integration into all relevant sectors is slow. Bosnia and Herzegovina is working on a National Adaptation Plan (NAP) which will integrate more specific policies, measures and projects into sectoral strategies.
National Energy and Climate Plans (NECPs)			In February 2019, Bosnia and Herzegovina launched a national working group to work on its National Energy and Climate Plan (NECP). Preparatory work on the analytical and technical aspects of the NECP is at an initial stage, focusing on the identification of the base year for GHG emission reduction and calculation of national targets.

Bosnia and Herzegovina is a non-Annex I country to the United Nations Framework Convention on Climate Change (UNFCCC) and ratified the Paris Agreement in March 2017. The third National Communication and the second Biennial Update Report on Greenhouse Gas Emissions were adopted by the Council of Ministers and submitted to the UNFCCC on 13 June 2017. Preparation of the fourth National Communication and the third Biennial Update Report on greenhouse gas emissions is ongoing since 2018. Collection of data up to the year 2017 and submission of reports in 2020 and 2021 respectively are expected.

In its Nationally Determined Contribution (NDC), Bosnia and Herzegovina aims to achieve emission reductions of 2% by 2030, compared to the business-as-usual scenario. This would mean 18% higher emissions compared to 1990. More significant efforts with international support would result in emission reductions of 3% compared to 1990 (23% reduction compared to the business-as-usual scenario). Since 2018 the country is preparing its NDC Implementation Plan, which is expected to be adopted in 2020.

Climate change issues remain peripheral to most institutions in Bosnia and Herzegovina, which is also manifested by the insufficient legislation regulating this issue. Although Bosnia and Herzegovina is reporting regularly to the UNFCCC, climate change should be addressed in a systematic manner at national level, going beyond the current project approach mainly coordinated by UNDP.

Bosnia and Herzegovina should adopt national legislation on climate change and transpose the Monitoring Mechanism Regulation. It should strengthen institutional capacities and formally define competences and responsibilities in this area. This includes the establishment of a greenhouse gas inventory system at national level, in accordance with the requirements of Regulation (EU) 525/2013. The country should also develop technical models assessing climate change scenarios and impacts on all sectors of the economy, including a concrete timeframe for priority actions and a list of financial commitments to finally implement its strategy on climate change.



Bosnia and Herzegovina

Infrastructure

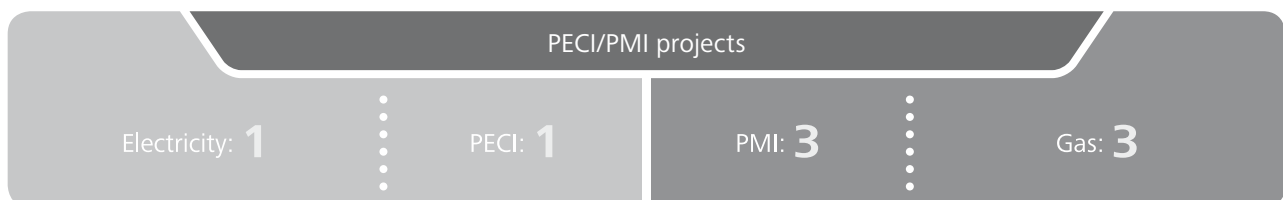
Infrastructure Implementation

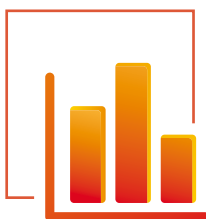
Infrastructure Indicators	Transposition Assessment	Implementation Status	Descriptions
National competent authority		<div style="width: 30%;"><div style="background-color: #007bff; height: 10px;"></div></div> 30%	An analysis performed by the Ministry of Foreign Trade and Economic Relations indicated that the optimal solution for Bosnia and Herzegovina is to designate one state-level competent authority, one competent authority for each entity and one for the Brčko District. Neither authority was designated to date.
Manual of procedures		<div style="width: 30%;"><div style="background-color: #007bff; height: 10px;"></div></div> 30%	The manual of procedures was not published to date, neither by the entity nor state-level authorities.
National regulatory authority involvement		<div style="width: 0%;"><div style="background-color: #007bff; height: 10px;"></div></div> 0%	To date, the national regulatory agency did not publish the methodology or the criteria used to evaluate investments in electricity and gas infrastructure projects and the higher risks incurred by them.

Bosnia and Herzegovina did not transpose Regulation (EU) 347/2013. For this reason the Ministerial Council infringed Bosnia and Herzegovina.

Bosnia and Herzegovina's authorities must urgently adopt a legal act that will ensure transposition of the Regulation into its national legislation.

The Regulation's transposition in this Contracting Party is particularly important due to its potential to facilitate the realization of ongoing strategic infrastructure projects, which will improve the security of supply and overall operation of the energy system in both electricity and gas, as well as positively influence the regional market.





Bosnia and Herzegovina Statistics

Statistics Implementation

Statistics Indicators	Transposition Assessment	Implementation Status	Descriptions
Annual statistics			The questionnaire on final energy consumption of households in 2017 was not transmitted to EUROSTAT in time. The five annual questionnaires were submitted.
Monthly statistics			Monthly reporting for oil and natural gas is missing, as well as all short-term monthly data.
Quality report			The quality report on energy statistics was published.
Price statistics			Price statistics for electricity and natural gas for 2018 were compiled and transmitted in accordance with the <i>acquis</i> .

Energy statistics are produced by the Agency for Statistics of Bosnia and Herzegovina (BHAS), based on a memorandum on cooperation between entity statistics institutions. The full set of annual energy statistics has been compiled and transmitted to EUROSTAT following the defined procedure although with considerable delay.

The data on energy consumption of households reported for 2017 were revised but without a revision of the full data series. The breakdown of the energy consumption of households per final use is not transmitted in time for dissemination, as required by the *acquis*. The quality report for annual statistics was transmitted to EUROSTAT.

BHAS started to compile monthly reports for electricity and coal, but monthly oil and natural gas data are still missing.

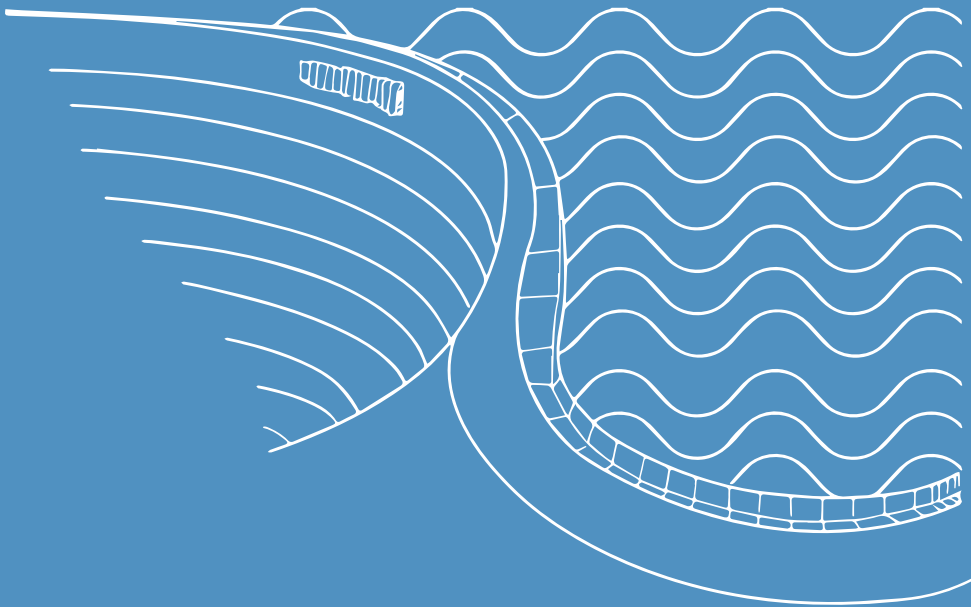
The prices of electricity and natural gas charged to industrial and household end-users, broken down per consumption band and per taxation level, as well as the breakdown of components of electricity and natural gas prices, are compiled and submitted to EUROSTAT.

National statistics institutions have to pay special attention to meeting the quality related requirements, including the completeness, timeliness, quality reporting and revision policy.

Completing monthly data, primarily oil, requires urgent action.

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Georgia



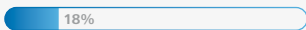


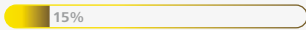





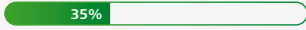


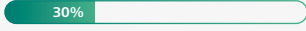





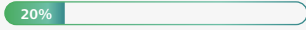


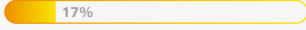





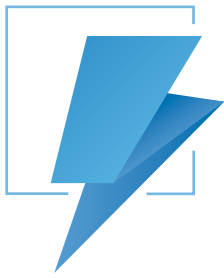




Georgia

Summary Implementation

Summary Indicators	Transposition Assessment	Implementation Status	Descriptions
 Electricity		 18%	Implementation in the electricity sector of Georgia is yet to begin.
 Gas		 15%	Implementation in the gas sector of Georgia is yet to begin.
 Oil		 8%	Implementation in the oil sector of Georgia is yet to begin.
 Renewable Energy		 35%	Implementation in the renewable energy sector of Georgia is still at an early stage.
 Energy Efficiency		 30%	Implementation in the energy efficiency sector of Georgia is still at an early stage.
 Environment		 49%	Implementation in the environment sector of Georgia is moderately advanced.
 Climate		 20%	Implementation in the climate sector of Georgia is still at an early stage.
 Infrastructure		 17%	Implementation in the infrastructure sector of Georgia is yet to begin.
 Statistics		 93%	Implementation in the statistics sector of Georgia is almost completed.



Electricity Implementation

Electricity Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			Unbundling of transmission and distribution system operators is not implemented.
Access to the networks			Third party access is not implemented in a compliant manner.
Wholesale market			The wholesale market is based on bilateral contracts and a day-ahead market is still to be established.
Retail market			The retail market is liberalised for large industrial customers. All other retail customers are supplied by the electricity distribution companies at regulated prices.
Regional integration*			Georgia is not interconnected with other Contracting Parties or EU Member States. Thus, no regional integration at the Energy Community level is taking place at present. The Connection Network Codes are included in the national grid code.

The legislative framework of Georgia does not transpose the requirements for unbundling of transmission and distribution system operators as foreseen by Directive 2009/72/EC. The network ownership scheme in place does not comply with the requirements for transmission system operator unbundling, as defined by the electricity *acquis*. Nevertheless, separate accounting between entities holding more than one license takes place.

Third party access to the electricity network is granted to certain categories of customers. The Law on Electricity and Natural Gas provides that persons or legal entities eligible to sell electricity directly to customers shall have access to the electricity transmission and distribution systems of the relevant licensees. The Electricity Market Rules prevent licensed network enterprises from denying interested parties access to their networks, unless such a refusal is justified by network congestion or non-payment of the network tariff. The network tariffs set by the regulator are based on the incurred expenses and the volume of transferred electricity.

The wholesale electricity market in Georgia is based on bilateral direct contracts between sellers and buyers, which become effective upon registration with the Electricity System Com-

mercial Operator (ESCO). Any person wanting to participate in wholesale trade must register with ESCO which is responsible for providing balancing electricity to the market participants. The Government launched an initiative to establish an operator of day-ahead, intraday and balancing markets.

Electricity trade on the balancing market is carried out only through ESCO. The price of balancing electricity is formed on a monthly basis by ESCO, based on the average weighted price of the imported electricity and balancing electricity, purchased from various domestic producers.

Transparency Regulation (EU) 543/2013 on submission and publication of data in electricity markets has not been transposed.

The Electricity Market Rules set the minimum electricity consumption threshold for large consumers to purchase electricity under non-regulated conditions. Based on recent changes introduced in the current legislation, the Government of Georgia defined new criteria for consumers procuring electricity directly from the generators and wholesale suppliers under negotiated prices. In practice, fifteen large industrial customers are supplied at non-regulated prices.

Retail Market Opening



Source: Georgian National Energy and Water Supply Regulatory Commission (GNERC)

All other retail customers are supplied by the electricity distribution companies at regulated prices. The electricity distribution and supply activities in Georgia are not separated, which represents a substantial barrier to the development of a competitive retail electricity market.

The electricity system of Georgia is interconnected with the systems of all neighbouring countries. Georgia's power system

mainly operates in a synchronous regime with the systems of the Russian Federation and Azerbaijan. In addition, the Georgian power system operates in a parallel asynchronous regime with the system of Turkey.

Amendments to the Grid Code were adopted by the national regulator GNERC, including the Connection Network Codes.



Georgia Gas

Gas Implementation

Gas Indicators	Transposition Assessment*	Implementation Status	Descriptions
Unbundling			The transmission system operator is legally and to a large extent functionally independent from other gas undertakings. Distribution is still carried out by incumbent suppliers. Unbundling rules from the Third Energy Package are yet to be established and implemented.
Access to the networks			A system of transparent and non-discriminatory third party access is yet to be established and enforced. The capacity allocation procedure does not allow for open and transparent booking. An entry/exit transmission tariff methodology is missing.
Wholesale market			Wholesale gas prices are deregulated and based on long-term contractual arrangements. There is no virtual trading point and all contracts are concluded bilaterally. The market remains highly concentrated and illiquid.
Retail market			The customers' eligibility right is formally granted but is underused in practice. End-user gas retail prices remain regulated for household customers and thermal power plants. The necessary legal instruments for customer protection are yet to be established.
Interconnectivity			Georgia has well-developed cross-border connections with all neighbouring gas systems. However, diversification of external gas supplies remains an issue. A gas emergency plan is yet to be developed.

The draft Law on Energy and Water Supplies, which would transpose the Third Energy Package, was still not adopted at the time of publication of this Report. The delay has also blocked the adoption of several secondary legislative acts, including a new entry/exit transmission tariff methodology, which are indispensable for ensuring compliance with the Third Energy Package rules by 31 December 2020 as stipulated in the Accession Protocol.

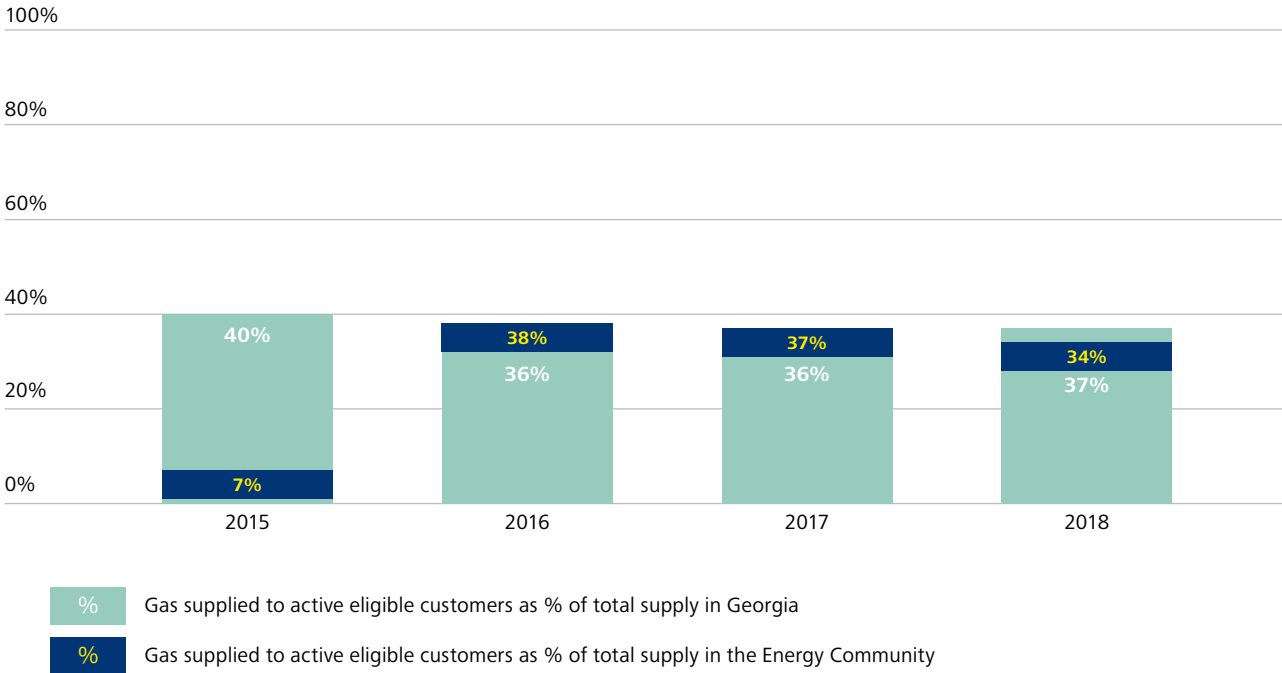
Georgia should without delay start working on the unbundling of its vertically integrated undertakings in order to be ready once the Law is adopted. This would allow establishing a system for open and transparent access to gas networks and putting in place the necessary instruments for efficient supplier switching.

In terms of gas market design, no changes took place during this reporting period. Intergovernmental agreements and long-

term contracts continue to provide gas supplies to Georgia while keeping the Georgian wholesale and retail gas markets illiquid and foreclosed. Reforms aiming at facilitating the entry of new market entrants, the diversification of suppliers and the introduction of new instruments on the wholesale gas market should follow as well. In particular, the reform of the wholesale gas market should continue after the adoption of the Gas Market Concept Design.

Georgia continues to remain a net importer of gas and no new investments in addition to the existing cross-border connections with neighbouring gas systems have taken place. The country is on the onshore route for the transit of Azeri and Russian gas to Turkey and Armenia respectively. The potential development of an organized gas market in Turkey could provide opportunities for increased trading and a more strategic role for Georgia in the region.

Retail Market Opening



Source: Georgian National Energy and Water Supply Regulatory Commission (GNERC), compiled by the Energy Community Secretariat

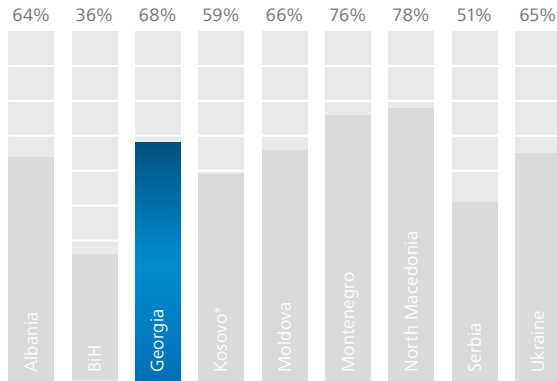


Georgia

National Authorities



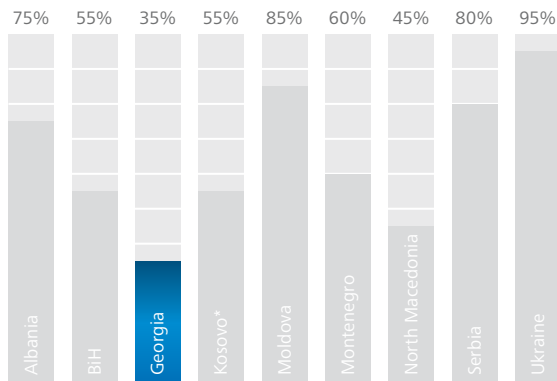
Regulatory Authority



The Georgian National Energy and Water Supply Regulatory Commission (GNERC) is the single nation-wide regulator in electricity and gas with a large degree of independence, including budgetary autonomy. Central legal shortcomings entail the lack of a limit for the renewal of commissioners' terms, criteria for their selection and the missing competence to approve market rules. The applicable penalty level is below the requirements of the *acquis*. The authority was unable to take decisions for one month due to delayed appointment of the chairperson. A recent legislative change overcame the deadlock but introduced a new risk as the required majority for a quorum can lead to a perpetual stalemate due to tied votes. The reduction of the chairperson's term from six to three years also entails instability. Staff has shown high readiness to engage in ECRB activities. GN-ERC has included the electricity Network Code Regulations in the national grid code.



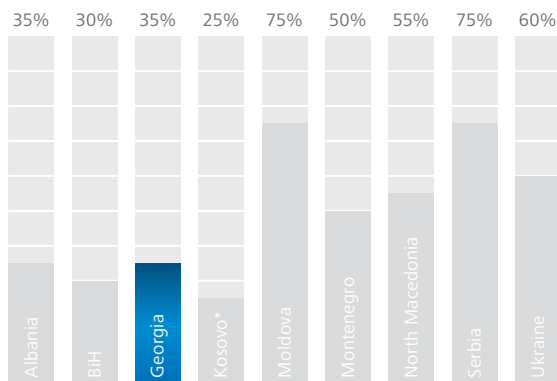
Competition Authority



The Competition Agency is responsible for the enforcement of competition law in Georgia in general. However, the regulatory authority, GNERC, is responsible for enforcement in the regulated sectors of the economy, including electricity and natural gas. GNERC does not have the same effective enforcement tools as the Competition Agency. GNERC has never pursued a case based on infringements of competition law.



State Aid Authority



The Competition Agency is also responsible for the enforcement of State aid law in Georgia. However, its competence is limited due to a narrow definition of State aid, which only covers decisions with regard to an undertaking, but not any other acts with regard to certain energy resources as well as support schemes. Amendments to the Competition Law are currently being drafted, including changes to the State aid rules. The State aid *acquis* is not effectively enforced in Georgia due to the inactivity of the Competition Agency.



Georgia Oil

Oil Implementation

Oil Indicators	Transposition Assessment	Implementation Status	Descriptions
Stockholding obligation			Georgia holds no emergency oil stocks at present. Following technical assistance by the Secretariat, the draft of the Oil Stockholding Act was submitted to the Ministry of Energy in December 2017.
Availability and accessibility			The draft Oil Stockholding Act foresees that the compulsory stockholders shall ensure that emergency stocks are available and physically accessible at all times.
Reporting			According to the draft Oil Stockholding Act, the Central Stockholding Entity shall submit at the end of each month a statistical summary to the Statistical Agency. The summary shall include the level of compulsory emergency stocks held on the last day of each calendar month calculated based on the number of days of net imports or based on the number of days of domestic consumption. The Joint Organisations Data Initiative (JODI) Questionnaire is not submitted.
Emergency procedures			Currently, no procedures are in place to release emergency oil stocks. However, in the event of a disruption in supply, the release of the stocks is decided by a decree of the Minister. Where there is an effective international decision regarding the release of the stocks, the Government is entitled to decide on the release of the stocks as fulfilment of its international obligations.

The Secretariat assisted Georgia in aligning its legislation with the Energy Community oil *acquis*. A five-year Action Plan (2018 - 2023) for oil stockholding, the Oil Stockholding Act of Georgia and the related annexes were drafted and consulted with all relevant stakeholders in the country.

Under the new legal framework, the emergency stockholding obligation applies to economic operators, which import or manufacture crude oil or petroleum products. Thus from 1 January 2023 when the legislation should be in force, every compulsory stockholder will be required to hold emergency stocks equal to

25% of its imports of crude oil or petroleum products during the reference year.

At the end of 2017 and the beginning of 2018, the Ministry of Energy was merged with the Ministry of Economy and Sustainable Development. This led to a delay in the adoption of the legislation and the composition of stocks was postponed. Another round of consultations with stakeholders is to address previously raised concerns, such as the lack of stocking facilities; impact of the obligations on small importers; effect of such obligations on the retail prices, etc.



Georgia Renewable Energy

Renewable Energy Implementation

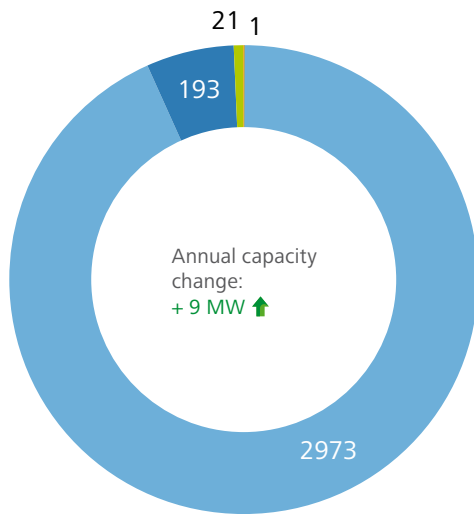
Renewable Energy Indicators	Transposition Assessment	Implementation Status	Descriptions
National Renewable Energy Action Plan			The National Renewable Energy Action Plan was adopted by the Ministry of Economy and Sustainable Development on 3 October 2019. The country is not obliged to set a binding 2020 renewables target but it shall describe the policies and measures to increase the share of renewable energy.
Quality of support schemes			The system of promoting hydropower based on guaranteed power purchase agreements is distorting the market and not in line with State aid rules.
Grid integration			Provisions for guaranteed and priority access are not transposed in the legislation. Compliant rules on renewable energy integration into the market and grids are not in place but a net-metering scheme exists.
Administrative procedures			Administrative procedures, involving various authorities, need further attention as they lack coordination and streamlining.
Renewable energy in transport			Sustainability criteria for biofuels and bioliquids, which should have been adopted by 31 December 2018, are pending.

The National Renewable Energy Action Plan (NREAP) was adopted by the Ministry of Economy and Sustainable Development on 3 October 2019. The country does not have a binding target for renewable energy to 2020 due to its late accession to the Energy Community. The draft Renewable Energy Law has received governmental approval and is now in parliamentary procedure. It is expected to be adopted by the end of 2019.

The introduction of market-based support schemes based on auctions for the promotion of energy from renewable sources is envisaged to be implemented subject to the adoption of the Renewable Energy Law.

According to Georgia's Accession Protocol, sustainable criteria for biofuels and bioliquids should have been adopted by 31 December 2018, which was not achieved. The NREAP includes measures for the transport sector, and the draft law defines overall principles and responsibilities with respect to the promotion of biofuels. Nevertheless, secondary legislation will be required to ensure proper implementation of Articles 17 to 21 of Directive 2009/28/EC.

Total Capacities of Renewable Energy 2018 (MW)



- Large hydropower
- Small hydropower <10 MW
- Wind
- Solar

Source: Ministry of Economy and Sustainable Development

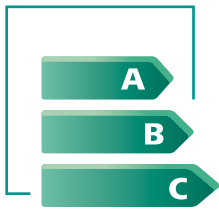
Albeit not having a binding target to 2020, Georgia is taking further steps to increase the promotion of renewable energy beyond the development of hydropower. This will ensure contribution to the climate objectives, diversification of the energy mix and increasing security of electricity supply.

In addition to approximately 3.000 MW of large hydropower plants, 193 MW of small hydropower, 21 MW of wind and one MW of solar PV were in operation in Georgia by the end of 2018.

The introduction of auctions for the support to renewable energy will enable a cost-effective development of renewable energy for the benefit of energy users in Georgia.

Total capacities of renewable energy (MW):

3179



Georgia Energy Efficiency

Energy Efficiency Implementation

Energy Efficiency Indicators	Transposition Assessment	Implementation Status	Descriptions
National Energy Efficiency Action Plans and Targets			The first draft NEEAP was finalised in 2017 and later updated in 2018, and the measures were extended up to 2020. Yet, the Government has not adopted the plan. This is a significant drawback as it would have been the crucial first NEEAP adopted in Georgia in line with the Energy Efficiency Directive.
Energy efficiency in buildings			After the Parliament's first reading, the Law on Energy Performance in Buildings was returned to the Government for clarification of its impact on building costs. Following a governmental analysis submitted to the Parliament, the Law is expected to be approved before the end of 2019.
ESCO market development and financing			The energy services market is not yet developed and there are no projects implemented with ESCO financing to date.
Energy efficient products - labelling			Nine of the eleven mandatory labelling regulations are prepared but not adopted yet. The Law on Labelling is currently debated in Parliament.
Institutional capacities			The draft Energy Efficiency Law establishes a Department for Energy Efficiency in the Ministry of Economy and Sustainable Development. It will need significant capacity building.

According to its Accession Protocol, Georgia's transposition deadlines are: 31 December 2018 for the Energy Efficiency Directive, 30 June 2019 for the Energy Performance in Buildings Directive and 31 December 2018 for the Energy Labelling Directive.

In the reporting period, Georgia made progress with preparation of the primary legal framework. The first priority remains the

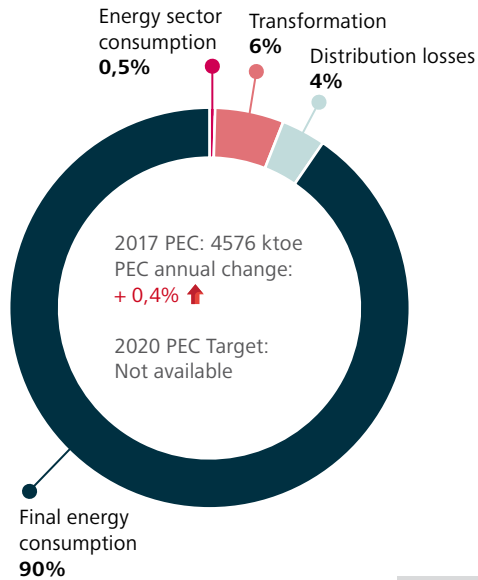
adoption of the Laws, all of which are currently pending in the Parliament, before the end of 2019.

The second priority is to update the draft National Energy Efficiency Action Plan and start its implementation.

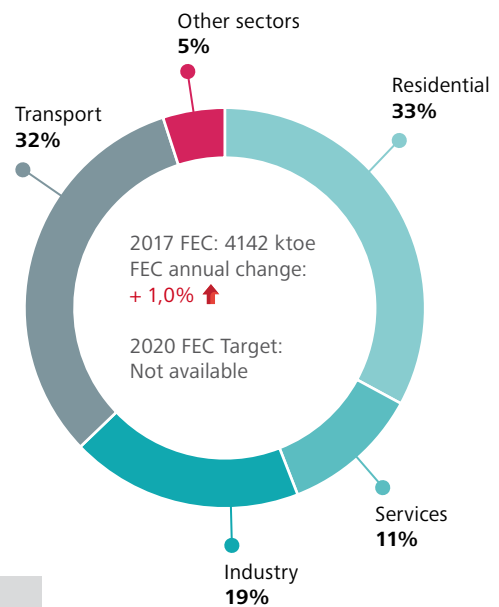
Finally, Georgia should adopt the necessary by-laws to ensure full implementation of the energy efficiency *acquis*.

Energy Efficiency Indicators

Primary Energy Consumption (PEC) in 2017 and trends



Final Energy Consumption (FEC) in 2017 and trends



Energy intensity, 2017 value and trends:
0,41 ktoe/mil EUR, -3,9% ↓

Source: EUROSTAT and World Bank 2019 data and the Contracting Party's Reports

Implementation of Energy Efficiency Product Regulation Overview

FRAMEWORK DIRECTIVE	Household dishwashers	Fridges and freezers	Household washing machines	Televisions	Air conditioners and fans	Household tumble driers	Electrical lamps and luminaires	Vacuum cleaners	Space heaters	Water heaters & storage tanks	Domestic ovens and range hoods
	●	●	●	●	●	●	●	●	●	●	●

● Adopted and implemented ● Adopted, implementation issues detected ● No progress with adoption/implementation

The new labelling package adopted by the Ministerial Council in November 2018 was not assessed, as the transposition deadline expires in January 2020.

Source: multiple sources of data (EECG reports, NEEAPs etc.), compiled by the Energy Community Secretariat



Georgia Environment

Environment Indicators	Transposition Assessment	Implementation Status	Descriptions
Environmental impact assessment (EIA) and strategic environmental assessment (SEA)			With the new legislation just having entered into force, implementation of environmental impact assessments is at an early stage.
Sulphur in Fuels			The rules on land-based fuels were adopted in May 2017 and preparation for their implementation is ongoing. Rules on marine fuels are not yet adopted.
Large combustions plants and industrial emissions			Georgia is to ensure that the transposition of the provisions of both directives takes place by the deadlines in the Accession Protocol.
Nature protection			Georgia must focus its efforts on the establishment of effective measures in the protective areas as well as the further designation of such areas.

The Environmental Assessment Code is in force since 1 January 2018. This is the first comprehensive piece of legislation covering both environmental impact assessments and strategic environmental assessments. Two Ministerial Orders necessary for the implementation of the Law (one related to the rules on public hearings and one to the procedure for the remuneration of public experts) were also adopted. The Ministry of Environment Protection and Agriculture acts as competent authority for both types of environmental assessments, including transboundary ones. The Environmental Assessment Code is in compliance with the provisions of both Directives on environmental assessments. Georgia needs to step up its efforts to ensure that the procedures are carried out in accordance with the Environmental Assessment Code.

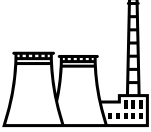
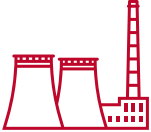

As regards legislation on the sulphur content of liquid fuels, the Government Order on the establishment of sulphur content limit values in certain liquid fuels, transposing the requirements and thresholds of the Directive for heavy fuel oil and gas oil into national law, is in force since 2017. National legislation transposing the requirements of the Directive for marine fuels

has been drafted but not yet adopted. In accordance with Georgia's Accession Protocol to the Energy Community Treaty, the Directive must be fully implemented only by 1 September 2021.

With regard to large combustion plants, Georgia plans to adopt the draft Law on Industrial Emissions and a by-law on special provisions for combustion plants by the end of 2019. The drafts were developed in line with the provisions of the Industrial Emissions Directive. Georgia has to urgently step up its efforts in this domain.




With regard to nature protection, the draft Law on Biodiversity is currently being developed. Further steps were taken under the Bern Convention with the official adoption of a total of 39 Emerald sites in Georgia. Furthermore, seven candidate sites were included on the Emerald list. Three lakes (Madatapa, Khanchali and Bugdasheni) and the Chorokhi Delta are planned to be designated as Ramsar Sites by the end of 2019. Ensuring the proper functioning of the Emerald Network, which is highly compatible with the Natura 2000 network, would be beneficial for the future classification process.

Installations under the Large Combustion Plants Directive

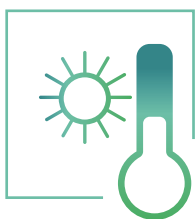
	# of plants falling under the LCPD	4
	of which opted out plants	0
	of which plants falling under the NERP	0

Source: compiled by the Energy Community Secretariat

Total emissions from Large Combustion Plants in 2018

	Total SO ₂ emissions	0 tonnes
	Total NO _x emissions	659,11 tonnes
	Total dust emissions	0 tonnes

Source: compiled by the Energy Community Secretariat



Georgia Climate

Climate Indicators	Transposition Assessment	Implementation Status	Descriptions
National greenhouse gas emissions monitoring and reporting systems			National GHG inventories are elaborated following the 2006 IPCC methodology. The legislative framework and software tool for GHG data management is still under development, therefore compliance with Regulation (EU) 525/2013 is not ensured. The Low Emission Development Strategy was drafted. Its adoption is pending. Georgia is also working on a Climate Action Plan (CAP) (2021 - 2030) for its NDC implementation.
National Energy and Climate Plans (NECPs)			An inter-ministerial consultation took place, however, preparatory work at national level on the analytical and technical aspects of the National Energy and Climate Plan (NECP) (reference and policy scenarios, templates) has not started. A national working group on the NECP has not been set up yet.

Georgia ratified the Paris Agreement and, as a non-Annex I party to the UNFCCC, submitted its third National Communication, which inter alia includes a Climate Change Strategy, a national inventory of greenhouse gases and measures for mitigation of GHG emissions. Preparations of the fourth National Communication are ongoing. Georgia submitted its first Biennial Update Report in 2016 and its second Biennial Update Report, accompanied by the National Inventory Report, in June 2019.

In 2015, the Government of Georgia in its Nationally Determined Contribution (NDC) to the UNFCCC pledged unconditionally to reduce GHG emissions by 15% below the business as usual (BAU) scenario by 2030. The conditional one (subject to international support) represents a 25% reduction below BAU by 2030. In absolute terms, a 15% reduction below BAU would mean about 32% below the 1990 level, and a 25% reduction below BAU would mean approximately 41% below the 1990 level. Georgia is currently working on its NDC revision and since

2018, it is developing a Climate Action Plan for 2021-2030 meant to implement the NDC across all relevant sectors.

Georgia has no dedicated legislation on climate change. However, the Law on Air Protection was amended in 2016 to include some climate provisions and a set of normative acts related to climate (Law on Fluorinated Greenhouse Gases, Law on Ozone Depleting Substances) was drafted in 2017 to fulfil the country's commitments under the Georgia-EU Association Agreement, as well as the NDC.

Georgia should prepare and adopt dedicated climate change legislation, along with the prompt adoption of the draft Low Emission Development Strategy (LEDS). Although the integration of energy and climate policies has not become a state priority yet, the inter-ministerial coordination for the purpose of developing LEDS as well as the inclusion of climate priorities in the National Energy Strategy are positive signs.



Georgia Infrastructure

Infrastructure Implementation

Infrastructure Indicators	Transposition Assessment	Implementation Status	Descriptions
National competent authority			The national competent authority has not been appointed yet.
Manual of procedures			The manual of procedures is yet to be drafted.
National regulatory authority involvement			The Georgian national regulatory authority has drafted but not yet published its methodology and evaluation criteria.

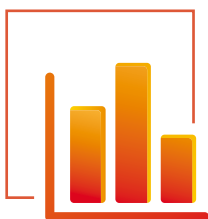
Georgia should adopt a legal act to ensure the transposition of Regulation (EU) 347/2013, into its national legislation.

Given that the deadline already expired, Georgia should proceed with the Regulation's transposition as soon as possible. The swift implementation of the Regulation should follow.

PECI/PMI projects

Gas: 1

PECI: 1



Statistics Implementation

Statistics Indicators	Transposition Assessment	Implementation Status	Descriptions
Annual statistics			The five annual questionnaires and the questionnaire on final energy consumption of households for 2017 were transmitted to EUROSTAT.
Monthly statistics			Monthly data are collected and disseminated with the exception of oil data. However, short-term monthly data are transmitted.
Quality report			The quality report was prepared, but it was not transmitted to EUROSTAT timely for publication.
Price statistics			Price statistics for electricity and natural gas for 2018 were compiled and transmitted in accordance with the <i>acquis</i> .

Georgia's compliance with the *acquis* on statistics is on a good track. The statistics are produced by the national statistics institute, GeoStat. The energy balances produced by GeoStat are in compliance with Annex B of Regulation (EC) 1099/2008 and the five questionnaires were transmitted to and published by EUROSTAT. In addition, disaggregated data on final energy consumption of households are reported to EUROSTAT in the defined questionnaire.

As to the monthly statistics, Georgia collects and disseminates monthly data for solid fuel, natural gas and oil, as well as electricity, but monthly oil data are not transmitted to EUROSTAT yet. Along with improving the timeliness of these collections, Georgia has to transmit the data to EUROSTAT in order to achieve full compliance with Annex C and D of Regulation (EC) 1099/2008.

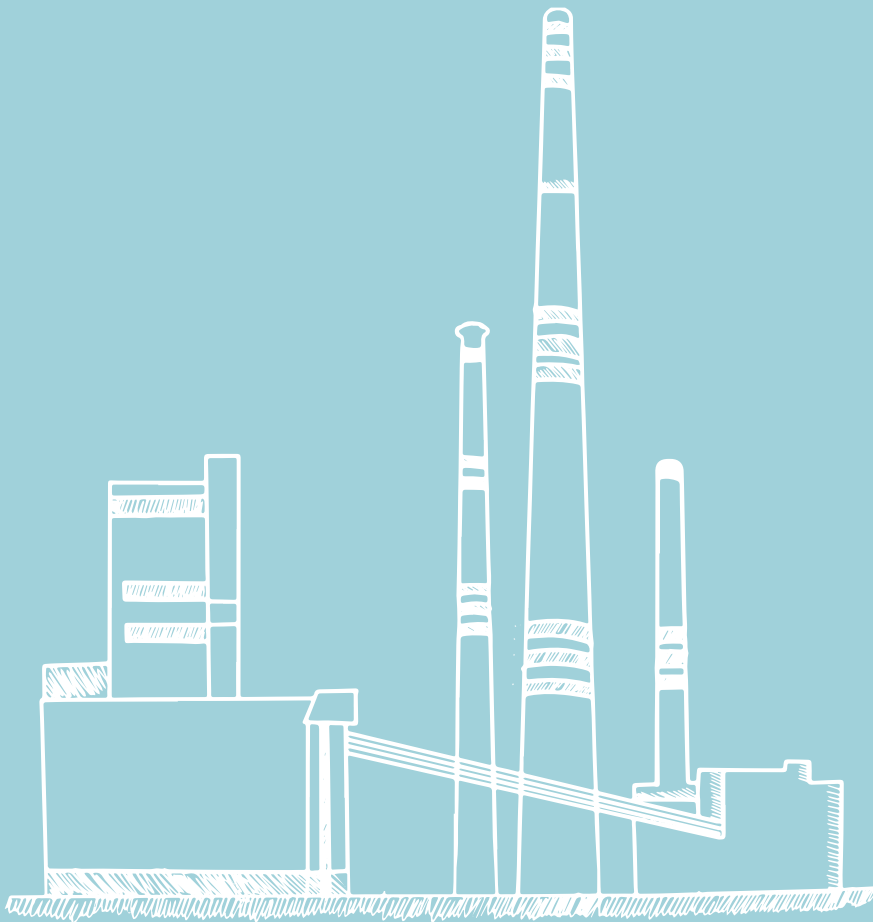
Geostat introduced quality assurance procedures and prepares quality reports for different domains. The report on quality of transmitted energy data was submitted to EUROSTAT as required under the Regulation.

The transmitting of prices of natural gas and electricity charged to end-users, broken down by consumption band, taxation level and price component, has started with 2018 data.

The only shortcomings in terms of compliance with the statistics *acquis* are related to the production of short-term monthly statistics. In addition, the collected data have to be transmitted to EUROSTAT for dissemination.

06

Kosovo*











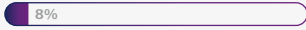











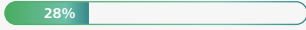








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Kosovo*

Summary Implementation

Summary Indicators	Transposition Assessment	Implementation Status	Descriptions
 Electricity		 54%	Implementation in the electricity sector of Kosovo* is moderately advanced.
 Gas*		 30%	Implementation in the gas sector of Kosovo* is still at an early stage.
 Oil		 8%	Implementation in the oil sector of Kosovo* is yet to begin.
 Renewable Energy		 58%	Implementation in the renewable energy sector of Kosovo* is moderately advanced.
 Energy Efficiency		 72%	Implementation in the energy efficiency sector of Kosovo* is well advanced.
 Environment		 56%	Implementation in the environment sector of Kosovo* is moderately advanced.
 Climate		 28%	Implementation in the climate sector of Kosovo* is still at an early stage.
 Infrastructure		 88%	Implementation in the infrastructure sector of Kosovo* is almost completed.
 Statistics		 75%	Implementation in the statistics sector of Kosovo* is well advanced.

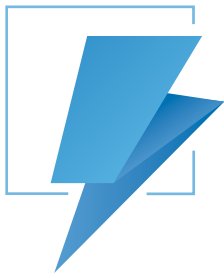
* Due to the lack of a gas market, implementation of the gas *acquis* is not taken into account in the overall score of Kosovo*.

Overall number of cases: **2**

Procedure by Article **91**

ECS-7/11 State aid

ECS-6/18 Environment



Electricity Implementation

Electricity Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			The transmission and distribution system operators are unbundled in a compliant manner. The transmission system operator was certified by the regulator.
Access to the networks			Network tariffs are public. They are applied also to generators in a non-compliant manner. The new interconnection line with Albania is still not allocated. Other cross-border capacities continue to be allocated by EMS of Serbia.
Wholesale market			The wholesale market is deregulated. A procedure for short-term trading of generators, companies with a public service obligation and system operators was adopted. Balancing and day-ahead markets are yet to be established.
Retail market			Deregulation of supply prices was postponed for 35 kV customers until April 2020 and for 10 kV customers until April 2021.
Regional integration			Regional integration of the Kosovo* electricity market is pending the resolution of a dispute between the transmission system operators of Kosovo* and Serbia and the establishment of a day-ahead market in Albania. The Connection Network Codes are included in the national grid code.

Kosovo*'s progress in the implementation of the Third Energy Package continued with the completion of unbundling of system operators. The regulator certified the transmission system operator KOSTT in February 2019, taking into account the Secretariat's Opinion. KOSTT is ownership unbundled and controlled by the Parliament. Unbundling of the distribution system operator KEDS from supply activities is in effect since 1 January 2015.

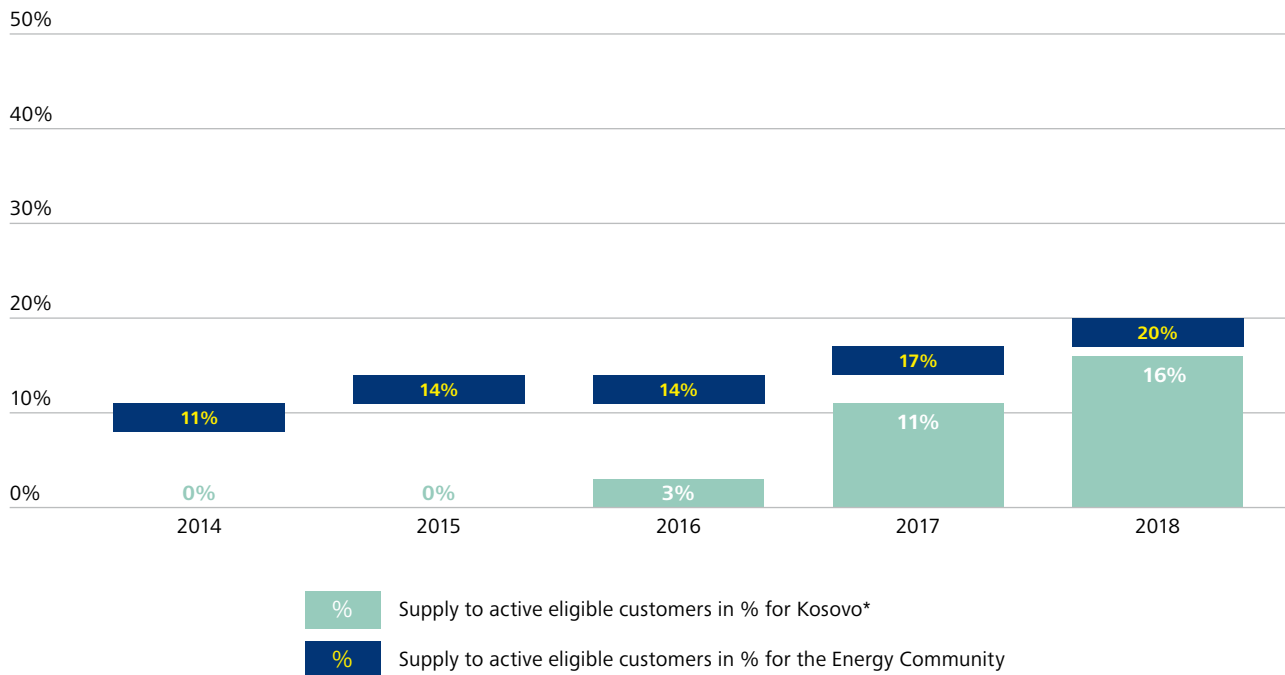
Transmission and distribution tariffs for the period from April 2019 to March 2020 were approved by the regulator ERO. The network tariff to be paid by generators connected to the transmission network exceeds the maximum value allowed by Regulation (EU) 838/2010.

Electricity market opening and development of competition are stagnating. Limited competition in the wholesale market, despite its full deregulation, is linked to the lack of regional integration of Kosovo*'s market. It is still pending the resolution of a dispute between the transmission system operators of Kosovo* and Serbia, which should have made progress by the end of May 2019 according to the Ministerial Council's decision in

Case ECS-3/08 against Serbia. Licensing of a Serbian supplier in Kosovo*, which is a precondition for the entry into force of the Connection Agreement between ENTSO-E and KOSTT, did not happen and negotiations are currently blocked. EMS continues to allocate the interconnection capacities.

The development of a day-ahead market and its coupling with Albania slowed down due to a delay in the establishment of the power exchange in Albania, for which KOSTT expressed an interest to participate as a shareholder. In the absence of an organised market, an electricity trading procedure in the form of an auctioning system for short-term trading of generators, system operators and electricity companies with a public service obligation, was approved by the regulator in accordance with the law. New balancing rules are to be adopted to set a framework for market-based and cross-border balancing cooperation. The contractual and financial framework adopted for the new Kosovo e Re power plant raises concerns about a potentially negative impact on competition development in the electricity market and its integration. Rules on the Publication of Electricity Market Fundamental Data, transposing Regulation (EU)

Retail Market Opening



Source: Ministry of Economic Development

543/2013 on submission and publication of data in electricity markets, were adopted by the regulator.

Opening of the retail market for medium voltage customers was again postponed in October 2018. Regulation of supply prices continues for 35 kV voltage customers by 31 March 2020 and for 10 kV customers by 31 March 2021. Thus, it remains deregulated for the supply of high voltage customers only. This decision was not supported by the report on the functioning of the electricity market, which the regulator is obliged to is-

sue at least every second year. In practice, the supply company KESCO, which is acting also as a universal supplier and a last resort supplier, for a period of three years, continues to be the only active supplier in Kosovo*, despite seven suppliers being registered. No measures to improve competition in the market were taken by the regulator.

Amendments to the Grid Code were adopted by KOSTT, with the regulator's approval, including the Connection Network Codes on demand connection and on requirements for generators.



Kosovo*

Gas

Gas Implementation

Gas Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			There is no transmission system operator for gas. According to the Law on Natural Gas, the ownership unbundling model is the only applicable option for a future operator.
Access to the networks			Kosovo* has not adopted a tariff methodology or tariffs. Secondary acts concerning transmission and distribution are not in place.
Wholesale market			In theory, the gas market is open since 1 January 2015 but market rules and concepts do not exist in Kosovo* as there is no natural gas supply.
Retail market			Some elements of Regulation (EU) 2017/1938 were transposed by the national regulation on security of supply rules. The regulation of natural gas supply or the exclusion of such a possibility is not covered by its provisions.
Interconnectivity			ALKOGAP (an interconnector with Albania) has received the Project of Energy Community Interest (PECI) label.

Kosovo* has no gas market. To achieve gas penetration in the future, the adoption of *acquis*-compliant gas market secondary legislation is a prerequisite. The creation of an adequate regulatory framework is crucial for future gas supply to Kosovo*.

During this reporting period, the progress of Kosovo* on this path was marginal. The improvement of its compliance record with the Third Energy Package continues to follow a slow pace. An administrative instruction on security of supply of natural

gas was adopted by the Ministry of Economic Development.

The development of a national gas market would allow Kosovo* to pursue the energy transition in line with the decarbonisation agenda, and replace lignite at least to some extent. To achieve this, Kosovo* should explore all possibilities to connect to the gas transmission systems of other neighbouring Contracting Parties. The realisation of gas interconnection projects would also boost Kosovo*'s energy diversification.

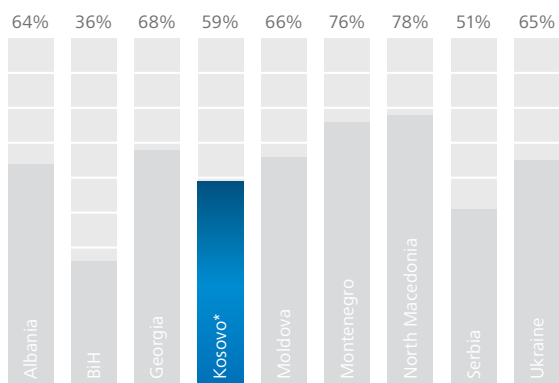


Kosovo*

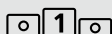
National Authorities



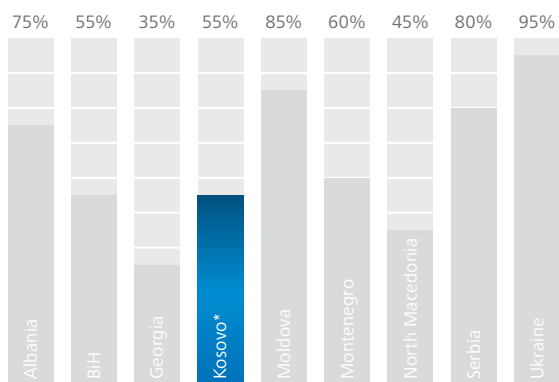
Regulatory Authority



In the reporting period, the Energy Regulatory Office (ERO) showed a rather inconsistent regulatory profile: while the authority ranks among those regulators that successfully certified its national transmission system operator and included the Network Code Regulations into national rules even without having in place formal transposition of these rules that would allow for enforcement by ERO, ERO also postponed electricity market liberalisation for customers connected to the 35kV level for another year. This must be considered a failure to promote one of the key regulatory objectives. Discussions on alignment of staff salaries with those of the public sector constitute a potential threat to the financial autonomy of the regulator that is already now facing problems to attract sufficient qualified human resources.



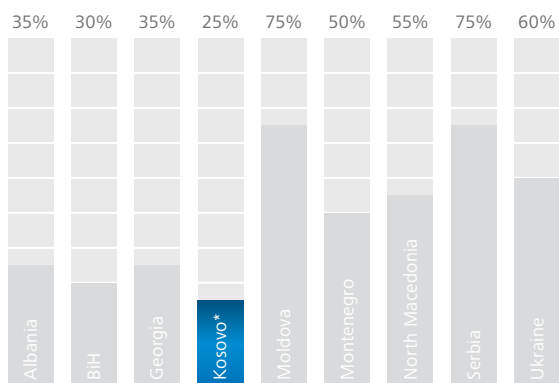
Competition Authority



The authority in charge of enforcing the Law on Protection of Competition is the Kosovo Competition Authority (KCA). KCA has so far not investigated any cases in the energy sectors. However, during the reporting period, it started a cartel investigation on the market for oil derivatives against fifteen companies. The procedure is ongoing. Last year, KCA identified that the market for electricity supply is dominated by Kosovo Electricity Supply Company (KESCO) with only two additional suppliers which are not fully active yet. It started a sector inquiry of the electricity markets in June 2019.



State Aid Authority



The authority responsible for enforcing the Law on State Aid consists of a State Aid Department (SAD), which receives, analyses and monitors notifications, and a State Aid Commission (SAC), the decision-making body. Due to the integration of SAD into the Ministry of Finance, its independence is questionable. Furthermore, SAD still has no sufficient human and technical resources to actively enforce the State aid *acquis*. The body has not rendered any decisions so far, and there have been no enforcement activities in the energy sectors since the Law on State Aid first entered into force in 2014. More specifically, the project Kosovo e Re has not been scrutinized nor cleared by SAC, which is the subject to a complaint submitted to the Secretariat.



Kosovo* Oil

Oil Implementation

Oil Indicators	Transposition Assessment	Implementation Status	Descriptions
Stockholding obligation			In 2014, the Law on Compulsory Oil Stockholding was drafted. Its adoption is now expected by the fourth quarter of 2019.
Availability and accessibility			The draft Law on Compulsory Oil Stockholding foresees that compulsory oil stocks must be available and physically accessible at all times and not be subject to any retention of pledge, mortgage, enforcement or seizure.
Reporting			No oil data collection is currently taking place and the Joint Organisations Data Initiative (JODI) Questionnaire is not submitted. In the new draft Law, it is foreseen that each year, the Statistical Agency shall submit to the Ministry of Trade and Industry the annual report for the previous year's net imports and consumption, based on the monthly data reports.
Emergency procedures			Currently, no procedures are in place to release emergency oil stocks. However, the new draft Law foresees that the Government shall, on a proposal of the Minister in charge for oil, adopt a Response Plan with reserves to be implemented in the case of a supply interruption.

In Kosovo*, the main law governing the oil sector is the Oil Market Law of 2005, as amended in 2009. The Ministry of Trade and Industry (responsible for oil and petroleum products) drafted a Law on Compulsory Oil Stockholding in March 2014. The Law was expected to be adopted in the fourth quarter of 2016 or first quarter of 2017. Yet its approval by the Government and subsequent adoption by Parliament is still pending. This delay is explained by the Ministry of Trade and Industry due to the Law's high financial impact and lack of budget. The Ministry of Trade

and Industry and the Ministry of Finance are analysing options on how to find the needed financial resources. According to the Government's legislative programme for the year 2019, the Law is expected to be adopted by the fourth quarter of 2019.

The Joint Organisations Data Initiative (JODI) Questionnaire is not submitted.



Kosovo*

Renewable Energy

Renewable Energy Implementation

Renewable Energy Indicators	Transposition Assessment	Implementation Status	Descriptions
National Renewable Energy Action Plan			Kosovo* has registered a 22,9% share of energy from renewable sources in 2017, putting the country on the trajectory to reach its 25% target in 2020. This was due to the revision of biomass consumption for heating by household customers rather than investment in renewable energy.
Quality of support schemes			Support schemes based on feed-in tariffs exist for small HPPs, wind, biomass, biogas, and solar PV. Following recent solar PV cost reduction, the regulator proposed a revision of the solar PV feed-in tariffs from 120 Euro/MWh to 90 Euro/MWh instead of introducing auctions.
Grid integration			Rules on transmission and distribution grid connection and access are adopted and published. The methodology for setting the cost of connections to the transmission grid was adopted by the regulator in 2018 but not published yet.
Administrative procedures			The regulation on the creation of a one-stop shop was adopted by the Government at the end of 2018. An inter-institutional group was created to streamline the administrative procedures related to permitting and licensing and remove other investment barriers.
Renewable energy in transport			There is no certification scheme defined or relevant body established to implement the sustainability criteria for biofuels and bioliquids. The renewable energy share in transport is 0%.

Amendments to the existing legislation are needed to introduce renewable energy auctions and enable a cost-effective deployment of renewable energy in Kosovo*. The drop in the cost of technologies like wind and solar PV is revealing that renewable energy is now competitive with fossil fuels but very little has been done to put Kosovo* on a clean and renewable energy path. The country must finalize the ongoing revision of the existing laws and regulatory acts to ensure compliance with the Guidelines on State aid for environmental protection and energy 2014 - 2020. A reform of support schemes based on premiums paid on top of the electricity price rather than administrative feed-in tariffs, remains to be introduced.

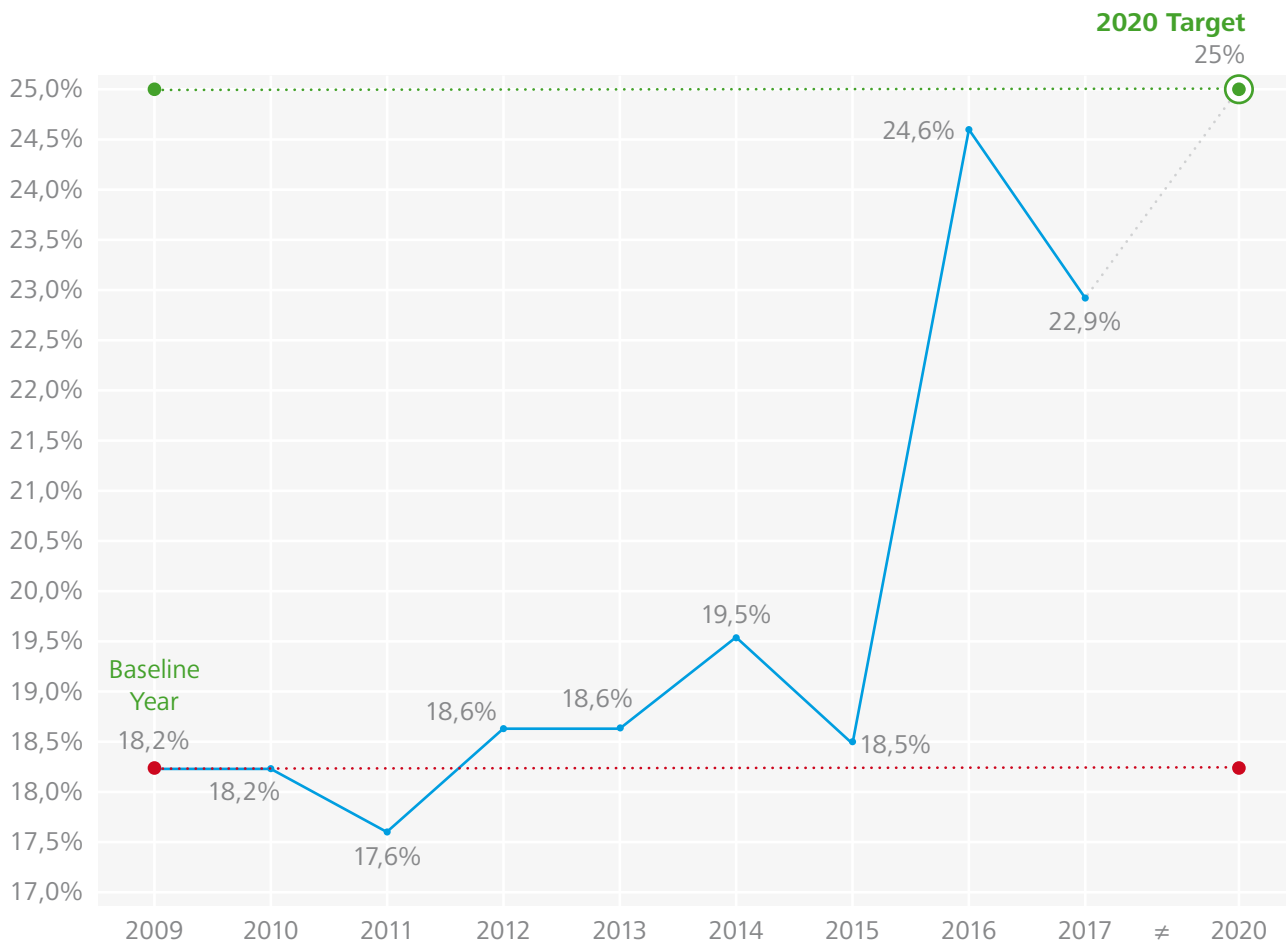
Rules on renewable energy self-consumption for distributed generation to encourage and enable customers to become prosumers have yet to be adopted.

The system for the issuing, transfer and cancellation of guarantees of origin remains to be implemented by the regulator.

An inter-institutional group set up in 2018 to implement the regulation for the creation of a one-stop-shop for renewable energy is working to streamline and simplify the existing permitting and licensing procedures. Transparency and non-discrimination among renewable energy producers have to be improved.

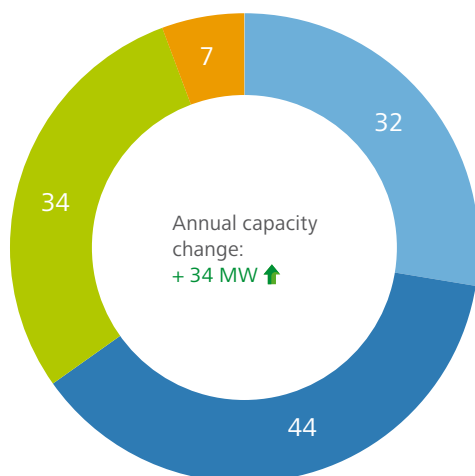
In relation to biofuels, there is no certification scheme defined or relevant body established, thus Kosovo* is not compliant with Directive 2009/28/EC. The Administrative Instruction on Biofuels aimed at transposition of Articles 17 - 21 of the Directive was drafted more than three years ago, but its adoption can be done only after the Law on Trade in Petroleum Products and Renewable Fuels is in force. The Law's adoption is pending for more than four years. It was submitted to the Parliament at the end of 2018, but it still not passed.

Shares of Energy from Renewable Sources



Source: EUROSTAT and Kosovo Agency for Statistics (KAS)

Total Capacities of Renewable Energy 2018 (MW)



- Large hydropower
- Small hydropower <10 MW
- Wind
- Solar

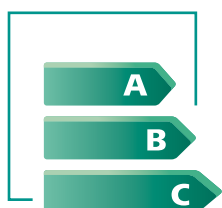
In 2017, Kosovo* achieved a 22,9% share of renewable energy in gross final energy consumption, just in line with its 22,9% median trajectory for 2017 - 2018. This was due to the revision of biomass consumption for heating by household customers rather than investment in renewable energy. By the end of 2018, Kosovo* registered 76 MW of hydropower, 34 MW of wind and 7 of MW solar in spite of their potential to be deployed cost-effectively.

Kosovo* intends to achieve the 10% target exclusively with liquid biofuels according to its NREAP. The country envisaged relying fully on biofuel imports until the end of 2017, after which domestic production should have contributed to fulfilling the 10% target. However, the actual share is still at 0%, and a sustainability criteria verification system is not in place.

Total capacities of renewable energy (MW):

116

Source: Ministry of Economic Development



Kosovo*

Energy Efficiency

Energy Efficiency Implementation

Energy Efficiency Indicators	Transposition Assessment	Implementation Status	Descriptions
National Energy Efficiency Action Plans and Targets			The new Law on Energy Efficiency set a final energy cap consumption target for 2020, an energy efficiency obligation with a 0,7% target and a 1% annual central government buildings renovation target. The third Annual Report under Directive 2012/27/EU was submitted in October 2019. The adoption of the final draft NEEAP 2019 - 2021 is pending.
Energy efficiency in buildings			Following the adoption of the Law on Energy Performance of Buildings in 2016, three key technical regulations were adopted in December 2018. A plan for increasing the number of nearly zero-energy buildings was drafted and submitted to the Secretariat in October 2019. The development of the building renovation strategy is ongoing, as well as implementation of energy efficiency programmes for the rehabilitation of residential and public buildings.
ESCO market development and financing			The new Law on Energy Efficiency explicitly defines an Energy Services Company (ESCO), energy performance and supply contracts and sets out the rules for these projects in line with the <i>acquis</i> . The draft NEEAP includes measures for the development of an ESCO market.
Energy efficient products - labelling			The 2012 labelling regulation implemented only the Ministerial Council Decision from 2010. Kosovo* still fails to implement the delegated regulations adopted by the Ministerial Council in October 2014 and November 2018.
Institutional capacities			The two Ministries and the Energy Efficiency Agency are active and the new Energy Efficiency Fund was established by the new Energy Efficiency Law as an independent entity in January 2019. However, their institutional capacities remain weak.

Kosovo* made progress during the reporting period by adopting the new Energy Efficiency Law and a set of by-laws to implement the Energy Performance of Buildings Law. The institutional framework was strengthened in January 2019 with the establishment of an independent Energy Efficiency Fund.

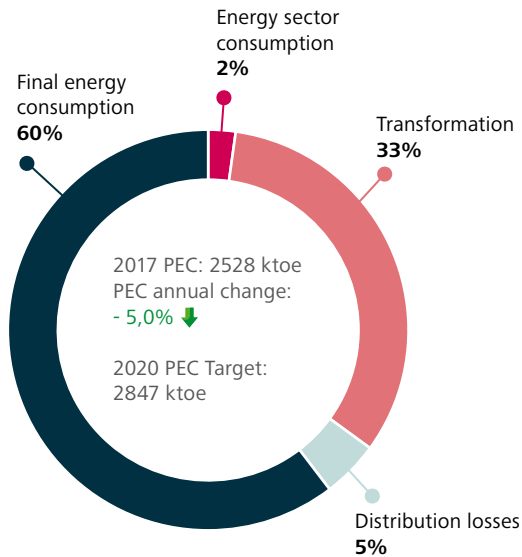
To achieve further progress, the main priority is the adoption of the draft National Energy Efficiency Action Plan (NEEAP) and secondary legislation to implement the new Energy Efficiency Law. A Monitoring and Verification Platform (MVP) should be put into operation and used by the Energy Efficiency Agency for monitoring and verification of energy savings.

The transposition of the remaining labelling delegated regulations and the finalization of secondary legislation to introduce energy efficiency criteria in public procurement also remain priorities.

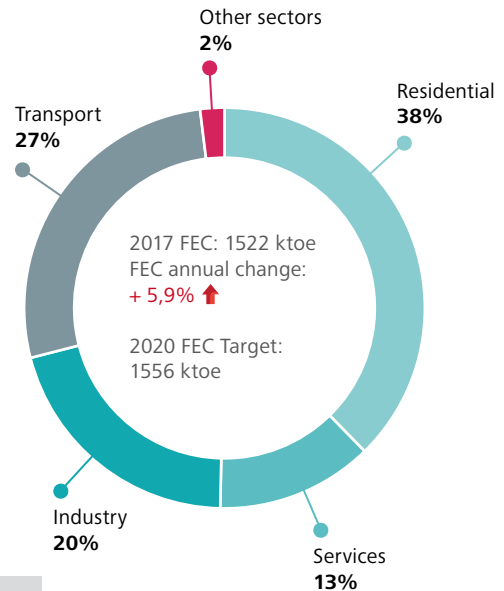
Kosovo* should strengthen human capacities and coordination between the new Energy Efficiency Fund and the Energy Efficiency Agency to support further progress in implementation of the new energy efficiency legislation and development of the energy efficiency market.

Energy Efficiency Indicators

Primary Energy Consumption (PEC) in 2017 and trends



Final Energy Consumption (FEC) in 2017 and trends



Energy intensity, 2017 value and trends:
0,46 ktoe/mil EUR, -8,8% ↓

Source: EUROSTAT 2019 data and the Contracting Party's Annual Reports under Directive 2012/27/EU

Implementation of Energy Efficiency Product Regulation Overview

FRAMEWORK DIRECTIVE	Household dishwashers	Fridges and freezers	Household washing machines	Televisions	Air conditioners and fans	Household tumble driers	Electrical lamps and luminaires	Vacuum cleaners	Space heaters	Water heaters & storage tanks	Domestic ovens and range hoods
	●	●	●	●	●	●	●	●	●	●	●

● Adopted and implemented ● Adopted, implementation issues detected ● No progress with adoption/implementation

The new labelling package adopted by the Ministerial Council in November 2018 was not assessed, as the transposition deadline expires in January 2020.

Source: multiple sources of data (EECG reports, NEEAPs etc.), compiled by the Energy Community Secretariat



Kosovo*

Environment

Environment Implementation

Environment Indicators	Transposition Assessment	Implementation Status	Descriptions
Environmental impact assessment (EIA) and strategic environmental assessment (SEA)			The transposition of Directive 2014/52/EU is not finalised. The institutional structures and administrative capacities to deliver expert opinions on environmental reports were not improved in the last reporting period.
Sulphur in Fuels			The authorities in charge carry out quality control of the petroleum products in line with the Directive.
Large combustions plants and industrial emissions			The implementation of the NERP for existing plants in the Contracting Party started on 1 January 2018.
Nature protection			Kosovo* remains at an early stage of implementing the obligations related to nature protection. The ratio of protected areas remains low, with most falling within the two national parks "Sharri" and "Bjeshkët e Nemuna". Effective protection measures for the designated protected areas are not in place.

The necessary amendments to the Environmental Impact Assessment Law to comply with the provisions of Directive 2014/52/EU have not been adopted. The missing provisions include the introduction of legally binding timeframes in public participation and decision-making, rules on quality control of EIA reports, provisions to avoid conflict of interest and the introduction of penalties for non-compliance. The use of environmental assessments in the energy sector needs further improvement by providing early and effective opportunities for the public to participate in decision-making and by quality control over environmental reports. The Secretariat received a complaint related to the environmental impact assessment procedure of the Kosova e Re project during the reporting period.

As regards legislation on the sulphur content of liquid fuels, an administrative instruction on the technical requirements for import, storage, wholesale and retail sale of petroleum fuels and cleaning of tanks was adopted in 2019, introducing specific requirements for the storage of heavy fuel oil (e.g. fencing and 24-hour monitoring of the storage facility). The legal framework in this area complies with the provisions of the Directive. The provisions on marine fuels do not apply to Kosovo*.

With regard to large combustion plants, the amendments to the Administrative Instruction on emission limit values from large combustion plants, required to bring the transposing legislation in compliance, and the Law on Industrial Emissions are still missing. As the currently applicable legal framework fails to comply with the provisions of the Large Combustion Plants and Industrial Emissions Directives, the Secretariat referred the case to the Ministerial Council in July 2019. The current emissions from large combustion plants under the NERP show slight non-compliance with the ceiling for sulphur dioxide, while in the case of nitrogen oxides and dust, there is significant non-compliance which has to be addressed.

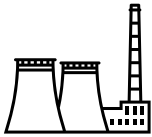
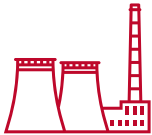
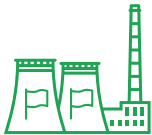
The planned new power plant, Kosova e Re, falls under the scope of the Industrial Emissions Directive and therefore has to meet its emissions thresholds for new plants.

Kosovo* still has no protected areas under either the Ramsar Convention or the Emerald Network. An Administrative Instruction on strictly protected wild species was adopted in the second half of 2017. During the past year, Kosovo* designated the Pashtrik Mountain and the Vermica Lake area as a natural park. Mea-

asures for the protection of wild birds (by the introduction of e.g. closed seasons or temporary or local prohibition of exploitation) have however not been established and no enforcement is taking place in practice. The impact of infrastructure projects (with




particular regard to hydropower) in potential special protected areas has to be duly considered in each case. Kosovo* joined the International Union for Conservation of Nature in April 2019.

Installations under the Large Combustion Plants Directive

	# of plants falling under the LCPD	5
	of which opted out plants	0
	of which plants falling under the NERP	5

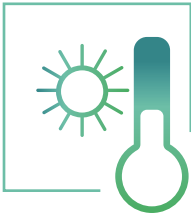
Source: compiled by the Energy Community Secretariat

Total emissions from Large Combustion Plants in 2017*

	Total SO ₂ emissions	11.733 tonnes
	Total NO _x emissions	19.595 tonnes
	Total dust emissions	5.666 tonnes

Source: compiled by the Energy Community Secretariat

* Kosovo* has reported 2017 annual data only



Kosovo* Climate

Climate Indicators	Transposition Assessment	Implementation Status	Descriptions
National greenhouse gas emissions monitoring and reporting systems			A Climate Change Concept Paper was drafted and is expected to be approved by December 2019. The adoption of the draft Climate Change Law is scheduled for 2020. National GHG inventories were developed for the periods up to 2015. A GHG inventory report for 2016 is scheduled to be published by December 2019. The 2019 - 2028 national strategy and action plan on climate change have been approved by the Government.
National Energy and Climate Plans (NECPs)			A national working group on the National Energy and Climate Plan (NECP) was established in September 2018. The working group has convened seven times between 2018 and 2019; it is divided in six thematic subgroups (security of supply, energy efficiency, renewables, GHG, energy market, research and innovation).

Kosovo* is not a signatory party of the United Nations Framework Convention on Climate Change (UNFCCC). However, the preparation of climate change legislation and strategy is one of the key priorities identified in the National Environmental Strategy (NES) and National Environmental Action Plan (NEAP) of Kosovo*.

Implementation of the climate change strategy and its action plan as well as preparation of a roadmap for alignment with the climate *acquis* remain top priorities. To date there is little evidence of climate change being mainstreamed in government projects.

Kosovo* started reviewing its national greenhouse gas emissions monitoring and reporting systems and in 2016 adopted two administrative instructions with a view to align with Regulation (EU) 525/2013. The adoption of framework legislation on climate change would be highly beneficial to clarify competences and responsibilities in this area.

The integration of energy and climate policies in Kosovo* is at an initial stage. Human and technical capacities remain the main challenges to perform this task adequately, as well as harmonizing energy and climate objectives across sectors.



Kosovo* Infrastructure

Infrastructure Implementation

Infrastructure Indicators	Transposition Assessment	Implementation Status	Descriptions
National competent authority			The national competent authority was established by a decision of the Minister of Economic Development on 7 August 2017.
Manual of procedures			The Ministry of Economic Development published the manual of procedures, as defined by Regulation (EU) 347/2013.
National regulatory authority involvement			Kosovo*'s regulatory authority published the methodology and criteria required by the Regulation on 10 May 2017.

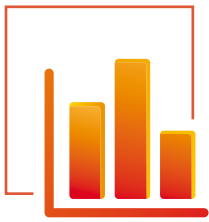
Kosovo* is one of the few Contracting Parties that has transposed Regulation (EU) 347/2013. The Minister of Economic Development adopted the Administrative Instruction on the Promotion of Joint Regional Investments in the Energy Sector

on 20 February 2017. A national competent authority was also designated. The national competent authority should start reporting to the corresponding PECI Groups and the Energy Community Secretariat on the project developments immediately.

PECI/PMI projects

Gas: 1

PECI: 1



Statistics Implementation

Statistics Indicators	Transposition Assessment	Implementation Status	Descriptions
Annual statistics			The annual questionnaires for 2017 were transmitted to EUROSTAT in accordance with the <i>acquis</i> , with concerns only related to quality of data on final energy consumption of households.
Monthly statistics			There is no monthly data yet.
Quality report			The quality report on energy statistics was published.
Price statistics			Price statistics on electricity for 2018 were compiled and transmitted in accordance with the <i>acquis</i> .

The Kosovo Agency for Statistics (KAS) is established within the Prime Minister's Office with the task to coordinate the statistical system of Kosovo*. While annual statistics have improved in terms of timeliness and quality, Kosovo's* compliance with the *acquis* on monthly statistics remains at a critical level. No monthly data are compiled or disseminated yet.

Since 2015, the annual questionnaires have been submitted to and published by EUROSTAT and the International Energy Agency. The breakdown of energy consumption of households is compiled by KAS and transmitted to EUROSTAT, but its quality is questionable.

The quality report was prepared and submitted to EUROSTAT.

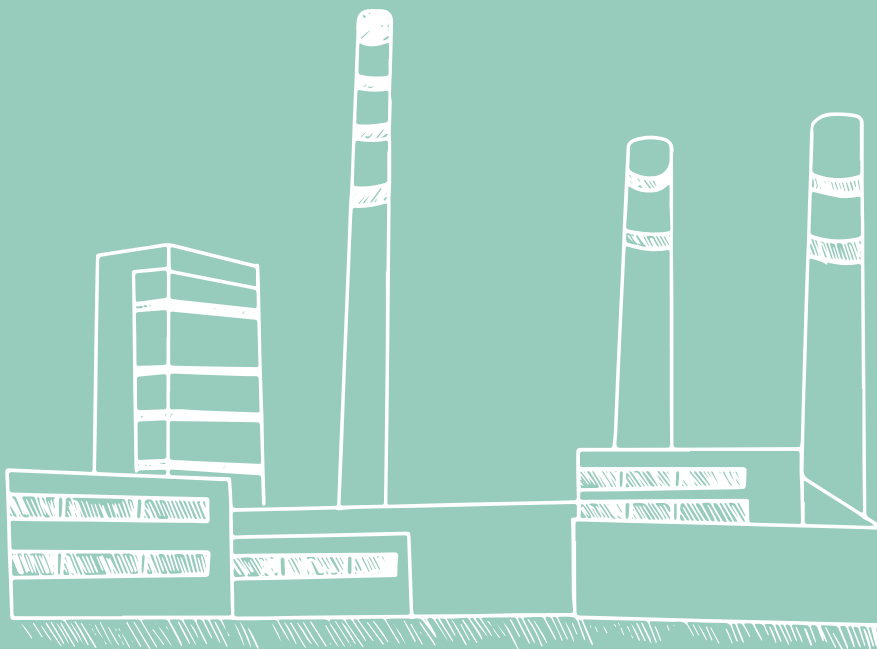
Electricity prices per consumption band and breakdown by taxation level are submitted to and subsequently published by EUROSTAT. Price components for industrial end-users are reported in accordance with the *acquis*. Gas prices are not relevant for Kosovo*.

The established compilation procedure enables regular price data reporting in compliance with the *acquis*.

Monthly data collection, as the only non-compliance issue, has to be tackled without delay. Priority has to be given to monthly data collection for oil in order to meet obligations under the oil stocks *acquis* and the related General Policy Guideline.

07

Moldova



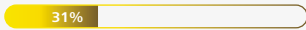








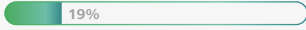









Moldova

Summary Implementation

Summary Indicators	Transposition Assessment	Implementation Status	Descriptions
 Electricity		 41%	Implementation in the electricity sector of Moldova is moderately advanced.
 Gas		 31%	Implementation in the gas sector of Moldova is still at an early stage.
 Oil		 8%	Implementation in the oil sector of Moldova is yet to begin.
 Renewable Energy		 69%	Implementation in the renewable energy sector of Moldova is well advanced.
 Energy Efficiency		 74%	Implementation in the energy efficiency sector of Moldova is well advanced.
 Environment		 64%	Implementation in the environment sector of Moldova is well advanced.
 Climate		 19%	Implementation in the climate sector of Moldova is yet to begin.
 Infrastructure		 21%	Implementation in the infrastructure sector of Moldova is still at an early stage.
 Statistics		 90%	Implementation in the statistics sector of Moldova is almost completed.

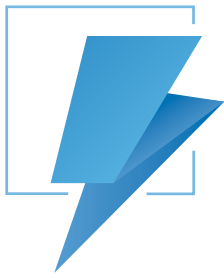
Overall number of cases: **3**

Procedure by Article **91**

ECS-14/16 Energy efficiency

ECS-9/17 Electricity

ECS-7/18 Environment



Moldova Electricity

Electricity Implementation

Electricity Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			A preliminary certification of Moldelectrica was issued by ANRE. However, the lack of ownership of assets and the proposed control regime suggest that the transmission system operator can currently not be certified in line with the ownership unbundling model. Functional unbundling of the distribution system operator has to be finalised.
Access to the networks			The tariffs are approved and published. Allocation of cross-border capacities with the Ukrainian system is not performed in compliance with Regulation (EC) 714/2009.
Wholesale market			Wholesale electricity prices are freely negotiated, except for the domestic combined heat and power plants, yet subject to massive distortion. Development of day-ahead, intraday and balancing markets is pending the adoption of the market rules. Regulation (EU) 543/2013 was partly transposed.
Retail market			All customers are declared eligible in the Electricity Law, nevertheless, regulated supply services are still provided to all customers. Customers of closed distribution systems are prevented to choose their supplier.
Regional integration			There is no bilateral market integration with Ukraine yet due to delays in market reforms in both countries. The Connection Network Codes are not transposed.

Moldova made some progress in starting the transmission system operator unbundling process and endorsement of the wholesale market design concept. However, the ownership unbundling and the control regime of Moldelectrica are not in compliance with the requirements of the Third Energy Package. The Secretariat has proposed a few options to redress this.

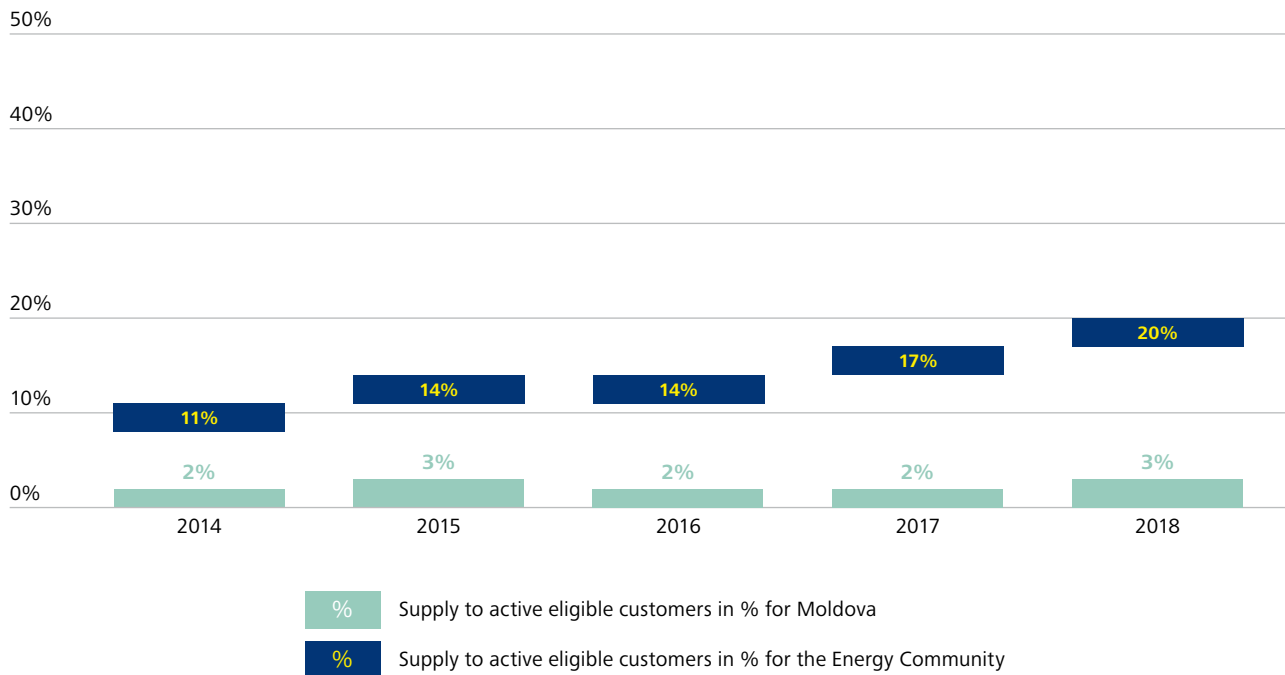
The electricity distribution companies are legally unbundled. The compliance programmes were adopted and compliance officers appointed. The rules for monitoring the compliance programme were approved by ANRE.

Transmission and distribution network tariffs are adopted and published. A revised methodology for calculation of the transmission tariff, adopted by ANRE in December 2017, has not yet been applied and the transmission tariffs approved in 2015 still remain valid.

The transmission system operators of Moldova and Ukraine have to strengthen their cooperation in order to implement the rules for access to cross-border capacities in compliance with Regulation (EC) 714/2009. Market-based cross-border capacity allocations are expected to be introduced by April 2020.

The wholesale market is pro forma deregulated, except for the domestic combined heat and power plants. Further development is pending adoption of the draft market rules, defining procurement of electricity on forward, day-ahead, intraday, balancing and ancillary service procurement and imbalance settlement. The transmission system operator is responsible for procuring balancing services, however, implementation is pending adoption of the market rules. An inter-transmission system operator agreement on settlement of unintended deviations between Ukraine and Moldova is being developed.

Retail Market Opening



Source: Ministry of Economy and Infrastructure

Energocom, the government-owned electricity trader dominating the wholesale market, was designated also as the single buyer of electricity from renewable sources. In April 2018, the company started operating as a counterparty for projects already commissioned. However, it has to significantly improve its corporate governance in order to be able to fulfil these market roles. Moreover, the unbundling of accounts also needs to be implemented by Energocom and overseen by the regulator.

Since 2017, the Energy Community Secretariat, supported by the Delegation of the EU to the Republic of Moldova, has been monitoring the annual procurement of electricity in Moldova. So far, the findings have been worrying: very limited sources of electricity, few market players, state-owned companies supported by the Government, parallel negotiations and dealings, lack of transparency, as well as tender conditions that prevent smaller producers to sell on the market.

Regulation (EU) 543/2013 on submission and publication of data in electricity markets was only partly transposed in a decision adopted by the regulator in 2017 and needs to be revised. Trans-

parency of the transmission system operator has to increase significantly, as currently very limited information on access to the system is made available to the market participants.

The lack of competition in the wholesale electricity market of Moldova is affecting competition in the retail market. Out of twenty suppliers licensed by the regulator, only three suppliers are active and supplying at unregulated prices.

Competition is not likely to improve before Moldova couples its electricity market either with Ukraine or the European market through the interconnection with Romania. With the signature and ratification of the loan agreements, the Government of Moldova took important steps to advance the project on interconnection with the Romanian electricity system using back-to-back stations. The commissioning of the project is envisaged by the end of 2023.

Transposition of Connection Network Codes is still pending. The deadline expired on 12 July 2018.



Moldova

Gas

Gas Implementation

Gas Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			Moldovatrangaz and Tiraspoltrangaz, the daughter companies of incumbent Moldovagaz, are exempted from Third Energy Package unbundling and certification rules until 1 January 2020. An unbundling plan for these companies is being drafted together with the Secretariat.
Access to the networks			A draft entry/exit tariff methodology is at an advanced stage. Capacity allocations are not performed.
Wholesale market			Moldova's gas market is entirely monopolized and illiquid. More than 99% of contracted gas import quantities are being acquired from Gazprom.
Retail market			All customers can still receive gas supplies under regulated prices without restrictions in time and clearly defined and transparent rules.
Interconnectivity			Although Moldova is an important transit route of Russian gas, Moldovatrangaz has not concluded an interconnection agreement with Ukraine.

The Law on Natural Gas transposed the majority of Third Energy Package provisions. During this reporting period, Moldova drafted and adopted additional by-laws required by the Law on Natural Gas. Nevertheless, the most important acts, which would enable genuine third party access and market opening, are still in draft form.

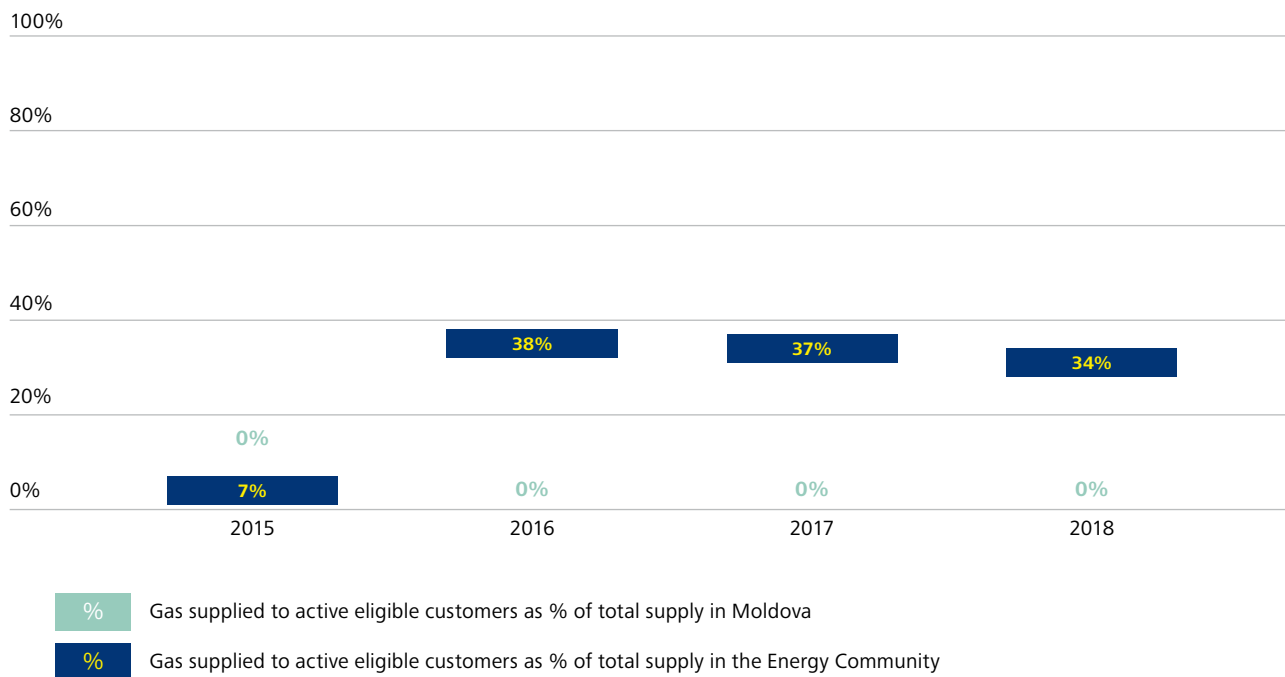
ANRE and the Secretariat prepared fully compliant transmission and distribution network codes and draft market rules, which are pending adoption. The draft entry/exit transmission tariff methodology is currently subject to public consultation. Presently, Moldovatrangaz denies third party access to users which do not belong to its owners' shareholders.

The Network Code on Interoperability and Data Exchange is not transposed nor implemented in Moldova yet. The Secretariat is assisting Moldovatrangaz in concluding an interconnection agreement with Ukraine in line with this Code.

In 2019, the owner of the two transmission system operators, Moldovagaz, drafted an unbundling plan and submitted it to the Moldovan energy regulatory authority for approval. Following consultations with the Secretariat, the companies chose the independent transmission operator model (ITO). The unbundling plan is still under discussion.

Moldova's gas market is monopolized. Major gas market activities in the country remain concentrated within the corporate group of one vertically integrated company, Moldovagaz. The company is responsible for gas imports from Russia and exercises control over the country's two gas transmission system operators, Moldovatrangaz and Tiraspoltrangaz. Moldova is an important route for the transit of Russian gas to Turkey and the Western Balkans. In recent years, the amount of gas transported through Moldova was around 20 Bcm/y.

Retail Market Opening



Source: National Energy Regulatory Agency (ANRE), compiled by the Energy Community Secretariat

All final customers can benefit from gas supplies under regulated prices without restrictions in time and clearly defined and transparent rules, thus exceeding what is considered proportionate under the Directive's provisions on public service obligations.

During this reporting period, supply and connection rules and a package of security of supply rules were adopted, compliant with the gas *acquis*.

Security of gas supply is highly critical this winter in Moldova due to the full dependence on one source and supply route. Diversification of gas supplies in Moldova depends primarily on making operational its interconnector with Romania through the Iasi-Ungheni pipeline, and in particular on its projected extension to Chisinau. The other option is opening reverse flow supplies on the Trans Balkan Pipeline, which is still not possible along the pipeline's entire route.

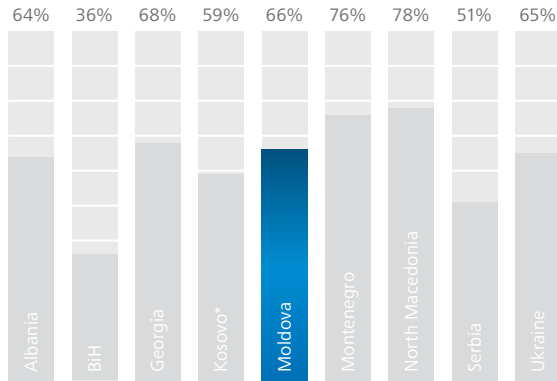


Moldova

National Authorities



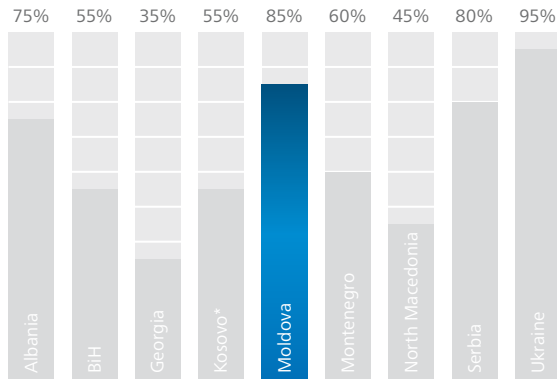
Regulatory Authority



The National Agency for Energy Regulation (ANRE) improved its regulatory profile by making continuous progress in developing secondary legislation. The increasing commitment to use all legal competences and autonomy is encouraging. This includes the step-wise implementation of elements for improving the organisational set-up of the agency that have been defined in a joint action plan of the Secretariat and ANRE in 2016. The appointment of four Board members in January 2019, however, entailed a rotation scheme not compatible with the *acquis*. A recent proposal to allow the Parliament to object the regulator's annual report is however of concern. ANRE and the Secretariat also cooperate intensively on the sensitive certification procedure for Moldovatransgaz. On regional level, ANRE maintains high profile involvement in ECRB, including leadership of a working group.



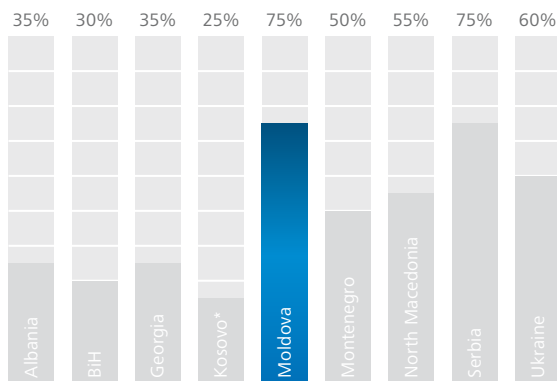
Competition Authority



The authority in charge of enforcing competition law in Moldova is the Competition Council. In the reporting period, the Competition Council cleared one merger in the petrol industry and dealt with a complaint directed against Red Union Fenosa JSC and the national regulatory authority for alleged anti-competitive conduct. The complainant claimed that the company refused to conclude with it a contract on the distribution of electricity because the agency did not approve the tariff. The Competition Council is currently conducting sector inquiries into the wholesale and retail sale of petroleum products and liquefied gas and the market for electricity production.



State Aid Authority



The Competition Council is also responsible for enforcement of State aid law. In the area of State aid, the Competition Council did not render any decisions in the energy sectors during the reporting period. Therefore, enforcement of the State aid *acquis* needs to be further developed.



Moldova Oil

Oil Implementation

Oil Indicators	Transposition Assessment	Implementation Status	Descriptions
Stockholding obligation			Moldova has drafted a Law on creating and maintaining a minimum level of oil product stocks in 2017. The draft Law foresees its entry into force on 1 January 2021. It complies with Directive 2009/119/EC.
Availability and accessibility			The draft Law foresees that the Material Reserves Agency shall ensure the constant accessibility and availability of emergency oil stocks to be used in exceptional circumstances.
Reporting			No data are reported. One of the duties of the central public authority for regulating, monitoring and supervising the oil stocks, foreseen in the draft Law, is to present each year to the central public administration body in the energy field a summary of the register of emergency stocks. The Joint Organisations Data Initiative (JODI) Questionnaire is not submitted.
Emergency procedures			There are no emergency procedures in place. The draft Law envisages that oil stocks within Moldova as well as those maintained outside the country can only be released and put into circulation by a decision of the Government.

At present, Moldova has no oil stocks. The country has drafted a Law on creating and maintaining a minimum level of oil product stocks in 2017. The Law's adoption is pending.

The draft foresees that before its entry into force, the Government will submit proposals to bring existing legislation into conformity with this Law.



Moldova

Renewable Energy

Renewable Energy Implementation

Renewable Energy Indicators	Transposition Assessment	Implementation Status	Descriptions
National Renewable Energy Action Plan			Moldova has registered a 27,8% share of energy from renewables in 2017 due to switching to biomass in the heating sector and the subsequent revision of biomass data.
Quality of support schemes			The support offered via feed-in tariffs is yet to be determined on a project basis in accordance with the methodology adopted by the regulator. There are delays in the introduction of renewable energy auctions.
Grid integration			Methodologies for determining costs of connection to the transmission and distribution grids for new renewable energy producers have not yet been issued. Self-consumption of electricity from renewable energy sources acknowledged in the legislation is not implemented yet.
Administrative procedures			A transparent, simplified and non-discriminatory framework taking into account particularities of individual renewable energy technologies is transposed and implemented to a certain extent. No significant progress was made in this reporting period.
Renewable energy in transport			The Energy Efficiency Agency is appointed as a certification body, including for voluntary certification schemes. The relevant secondary legislation is still not adopted. The renewable energy share in the transport sector is 0,03%, far from the trajectory planned in the National Renewable Energy Action Plan.

Moldova delayed the implementation of the 2016 Law on Promotion of the Use of Energy from Renewable Sources related to the introduction of auctions. The relevant institutions have to step up their efforts to adopt the missing secondary legislation to enable a conducive investment framework for investors in renewable energy.

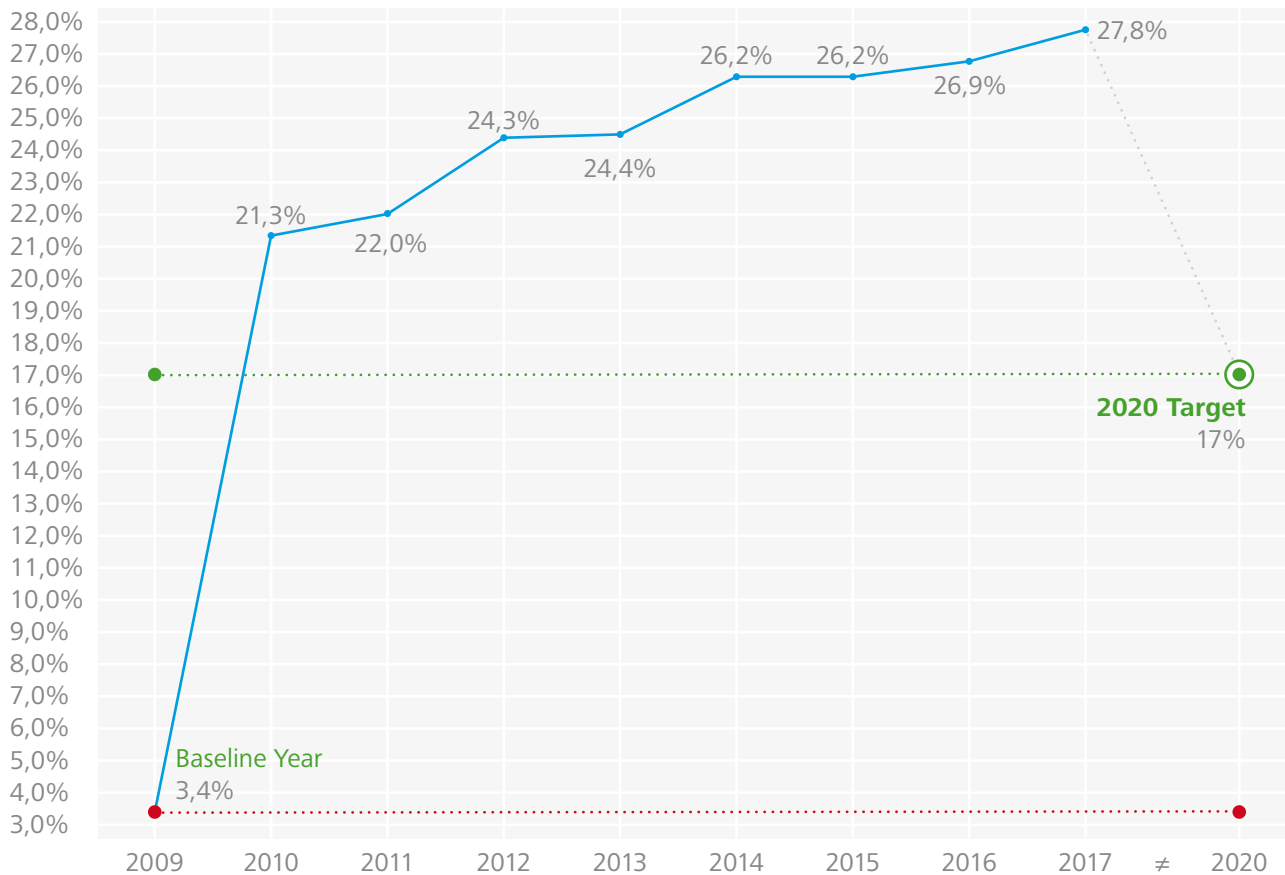
The central electricity supplier Energocom, as the counterparty of the renewable energy producers in the contract for granting support, started its activities in April 2018. It must enhance its administrative and technical capacity to perform its new tasks. A ring-fencing of activities related to electricity supply on the wholesale market and the tasks related to renewable energy needs to be enforced and monitored by the regulator. The central electricity supplier remains to be appointed based on a competitive procedure before 2021, as required by the Law. This is needed to ensure investor confidence and enable bankable renewable energy projects.

Methodologies for determining costs of connection to the transmission and distribution grids for new renewable energy producers remain to be adopted. The current practice of the network operators to provide information only on a case-by-case basis is not compliant. Self-consumption of electricity from renewable energy sources acknowledged in the legislation has to be implemented.

Full implementation of the transparent, simplified and non-discriminatory framework transposed in the legislation, which takes into account particularities of individual renewable energy technologies, remains to be achieved.

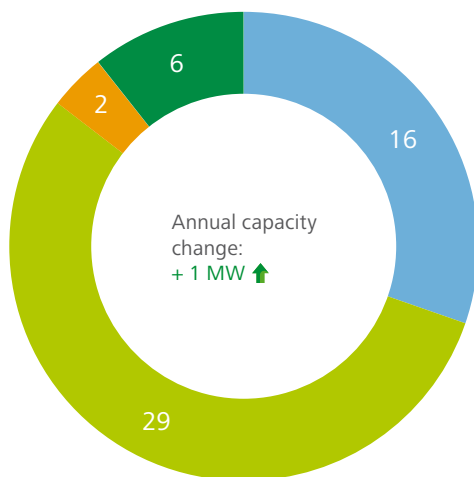
Articles 17 to 21 of Directive 2009/28/EC have not been transposed at all. The delay in the transposition was not overcome during this reporting period. The Energy Efficiency Agency has been appointed as the certification body, including for voluntary certification schemes. The Agency has to take up the new responsibilities once the relevant secondary legislation is in force.

Shares of Energy from Renewable Sources



Source: EUROSTAT and National Bureau of Statistics of the Republic of Moldova (NBS)

Total Capacities of Renewable Energy 2018 (MW)



- Large hydropower
- Wind
- Solar
- Biogas

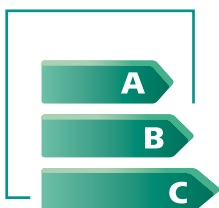
Source: Ministry of Economy and Infrastructure

Moldova is well above the binding 17% renewable energy target in 2020, with the exception of the target in the transport sector. In 2017, Moldova registered a 27,8% share of energy from renewable sources mostly due to switching to biomass in the heating sector.

The revised renewable energy technology objectives in the electricity sector projected in the National Renewable Energy Action Plan were adopted with a view of voluntarily achieving 10% renewables shares in the electricity by 2020. The delay in the introduction of renewable energy auctions is preventing the country to reach this objective. More work remains to be done to complete the regulatory framework enabling bankable renewable energy projects in Moldova.

Total capacities of renewable energy (MW):

54



Moldova

Energy Efficiency

Energy Efficiency Implementation

Energy Efficiency Indicators	Transposition Assessment	Implementation Status	Descriptions
National Energy Efficiency Action Plans and Targets			In June 2019, Moldova finalised the NEEAP for 2019 - 2021, in line with the requirements of the Energy Efficiency Directive. It is currently in public consultation.
Energy efficiency in buildings			The implementation of the Buildings Directive is still incomplete and only a few energy performance certificates have been issued. Recent progress to close the legal gap includes the preparation of an updated national methodology for minimum energy performance of buildings and a calculation tool that produces also the building performance certificate.
ESCO market development and financing			Moldova is working on an ESCO friendly legal framework. It prepared guidelines on implementation of energy performance contracts, including standard documentation for energy service procurement. The Regulation on supply of energy services is in public consultation. An energy performance contract template and guidelines for its implementation are being prepared by the Agency for Energy Efficiency.
Energy efficient products - labelling			Moldova adopted three out of the four remaining labelling regulations. The last one is under preparation. Hence, Moldova is very advanced in term of implementation. Efforts are currently ongoing to improve market inspection procedures.
Institutional capacities			The Energy Efficiency Agency absorbed the Energy Efficiency Fund following the Cabinet of Ministers decree in 2019. The new institution is currently receiving significant capacity building and support for the preparation of a large number of operating procedures.

In the reporting period, Moldova made good progress by preparing the missing regulations required to implement the Energy Performance of Buildings Directive and adopting all but one outstanding labelling regulation.

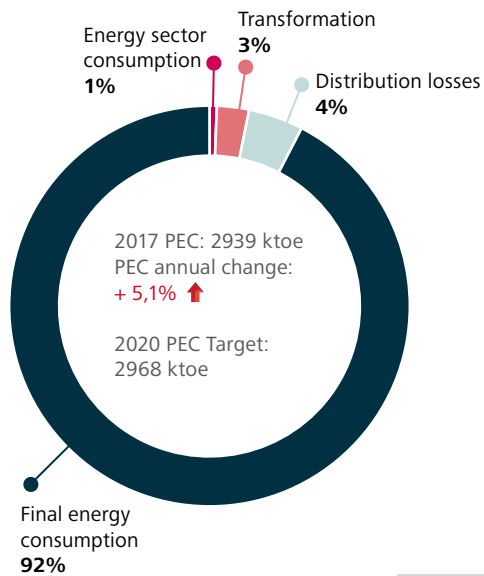
With respect to market surveillance of labelling of energy efficient products, the responsible body is the Consumer Rights Protection and Market Surveillance Agency. Since the Moldovan Parliament revised the legal and institutional control with respect to responsibilities in this field, the Consumers Rights and Market Surveillance Agency has become more effective. Nevertheless, the surveillance activities related to energy labelling and eco-design are clustered under a general surveillance category,

and hence the results are not specific enough. Moldova shall keep separate accounting for these two categories of products.

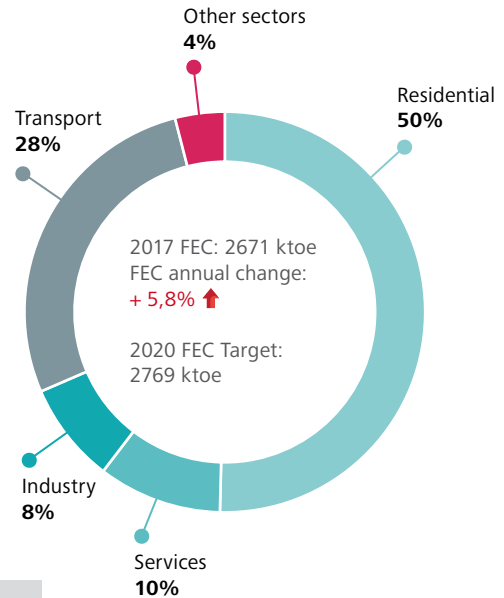
To bring Moldova into full compliance with Directive 2012/27/EU, the first priority is the implementation of the Energy Efficiency Law by adopting the by-laws on the energy efficiency obligation scheme, energy audits and long-term buildings renovation strategy. The second priority is to finalise the work towards full compliance of the Law on Energy Performance of Buildings with Directive 2010/31/EU by developing and implementing the buildings certification system, including the certificate calculation software.

Energy Efficiency Indicators

Primary Energy Consumption (PEC) in 2017 and trends



Final Energy Consumption (FEC) in 2017 and trends



Energy intensity, 2017 value and trends:
0,43 ktoe/mil EUR, -0,3% ↓

Source: National statistical data and Contracting Party's Annual Reports under Directive 2012/27/EU

Implementation of Energy Efficiency Product Regulation Overview

FRAMEWORK DIRECTIVE	Household dishwashers	Fridges and freezers	Household washing machines	Televisions	Air conditioners and fans	Household tumble driers	Electrical lamps and luminaires	Vacuum cleaners	Space heaters	Water heaters & storage tanks	Domestic ovens and range hoods
	●	●	●	●	●	●	●	●	●	●	●

● Adopted and implemented ● Adopted, implementation issues detected ● No progress with adoption/implementation

The new labelling package adopted by the Ministerial Council in November 2018 was not assessed, as the transposition deadline expires in January 2020.

Source: multiple sources of data (EECG reports, NEEAPs etc.), compiled by the Energy Community Secretariat



Moldova

Environment

Environment Implementation

Environment Indicators	Transposition Assessment	Implementation Status	Descriptions
Environmental impact assessment (EIA) and strategic environmental assessment (SEA)			The Environmental Agency's administrative capacities were improved to handle environmental assessment procedures in a compliant manner. A systematic application of strategic environmental assessments for plans and programmes related to network energy is missing.
Sulphur in Fuels			There is no information on whether sampling and analysis of fuels falling under the scope of the Directive takes place in a systematic manner.
Large combustions plants and industrial emissions			Moldova does not apply a NERP nor an opt-out mechanism. Existing combustion plants in this Contracting Party meet the emission limit values of the Large Combustion Plants Directive.
Nature protection			The designation of special protected areas for wild birds is at an early stage and measures for the protection of wild birds have also not been established yet.

In Moldova, the amendments of Directive 2014/52/EU have not been transposed yet. The competent authority for both types of environmental assessments is the Environmental Agency, which keeps a register of both environmental impact assessments and strategic environmental assessments on its website since January 2019, where development consents and other administrative decisions related to the processes are also published. Efforts should be focused on the capacity building of the implementing authorities, with particular regard to the Environmental Agency, with the aim to be able to carry out a proper compliance check and quality control of environmental reports. With regard to strategic environmental assessment, the registry of the Environmental Agency contains exclusively procedures related to urban planning.

As regards legislation on the sulphur content of liquid fuels, the Decision of the Government of Moldova on the Reduction of the Sulphur Content of Certain Liquid Fuels, in force since 2016, transposes the provisions of the Directive into national law. The sulphur limits for heavy fuel oil and gas oil are compliant to those required by the Directive. The State Environmental Inspectorate is the competent authority for overseeing implementation of the decision and – in cooperation with the government and

border police – to perform checks to verify compliance of the fuels covered by its scope. While the standards for sampling and analysis stipulated in the decision are equivalent to those in the Directive, no information is provided on the frequency, the methodology and the systematic nature of quality control of heavy fuel oil and gas oil. The provisions on marine fuels do not apply to this Contracting Party.

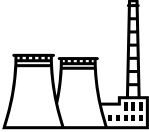
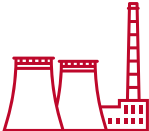

Moldova has still not transposed the requirements of the two Directives regulating the emissions of large combustion plants into national law. To address this failure, the Secretariat initiated infringement proceedings against Moldova in September 2018 and sent a Reasoned Opinion in February 2019. However, based on the technical characteristics of Moldova's two plants falling under the scope of the Large Combustion Plants Directive (with a total of eight units), the emission limit values of the Directive are complied with on an individual basis. Moldova has not complied with its reporting obligations under the Large Combustion Plants Directive yet by not submitting the emissions data of its combustion plants to the European Environment Agency.

As regards the protection of wild birds, the draft law amending and supplementing the Law on Wildlife, which is to transpose

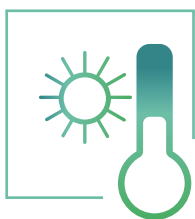
Article 4(2) of the Wild Birds Directive, is still not adopted. Moldova currently has three sites designated as Wetlands of International Importance (Ramsar sites). Furthermore, 52 sites were officially adopted and nine nominated as Emerald sites under the Bern Convention in 2018. Ensuring the proper functioning of the

Emerald Network by introducing and implementing measures against prohibited means and methods of killing, capture and other forms of exploitation of protected species (by e.g. closed seasons or temporary or local prohibition of exploitation) would be beneficial for the future Natura 2000 classification process.




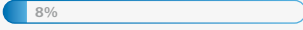
Installations under the Large Combustion Plants Directive

	# of plants falling under the LCPD	2
	of which opted out plants	0
	of which plants falling under the NERP	0

Source: compiled by the Energy Community Secretariat



Moldova Climate

Climate Indicators	Transposition Assessment	Implementation Status	Descriptions
National greenhouse gas emissions monitoring and reporting systems			A Regulation on the Organisation and Functioning of the National Monitoring and Reporting of Greenhouse Gas Emissions and Other Information relevant to Climate Change was adopted in February 2019. It transposes the provisions of Regulation (EU) 525/2013 on the national inventory system. Moldova's Low Emission Strategy up to 2030 and the action plan for its implementation adopted in 2016 are in compliance with Regulation (EU) 525/2013.
National Energy and Climate Plans (NECPs)			A national working group on the National Energy and Climate Plan (NECP) has not been set up yet. Preparatory work on the analytical and technical aspects of the NECP (reference and policy scenarios, templates) has not started.

Moldova is a non-Annex I party to the UNFCCC and ratified the Paris Agreement in June 2017. The country has so far submitted to the UNFCCC four National Communications on Climate Change and one Biennial Update Report. According to its Nationally Determined Contribution (NDC), Moldova committed to an unconditional target of 64 - 67% reduction of its greenhouse gas emissions by 2030 compared to 1990 levels.

Preparation of legislation in line with the climate *acquis* is progressing in Moldova. In February 2019, a set of normative acts on climate were adopted, including a Regulation on the Organization and Functioning of the National Monitoring and Reporting of Greenhouse Gas Emissions and other Information relevant to Climate Change, a Government Decision on the Establishment of Mechanisms to Coordinate Activities on Climate

Change and a Government Decision on the Establishment of the National Commission on Climate, transposing Regulation (EU) 525/2013.

Following the adoption of these acts, Moldova should now urgently establish an inventory system for greenhouse gas emissions and other information relevant to climate change. A barrier to further progress in the climate sector remains the country's limited financial and technical capacity.

The National Development Strategy "Moldova 2030", approved in December 2018, is not consistent with Recommendation 2018/01/MC-EnC since the integration of energy and climate considerations and objectives are not fully considered.



Moldova Infrastructure

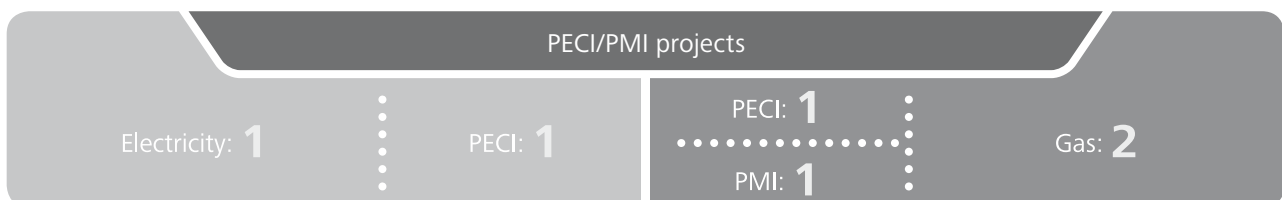
Infrastructure Implementation

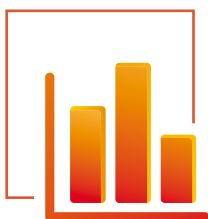
Infrastructure Indicators	Transposition Assessment	Implementation Status	Descriptions
National competent authority		<div style="width: 30%;"><div style="background-color: #007bff; height: 10px;"></div></div> 30%	A draft amendment to the Energy Law transposing Regulation (EU) 347/2013 submitted to the Parliament for adoption foresees that the Ministry of Economy and Infrastructure will act as the national competent authority.
Manual of procedures		<div style="width: 30%;"><div style="background-color: #007bff; height: 10px;"></div></div> 30%	Currently, there is no manual of procedures for the permitting process of Projects of Energy Community Interest or Projects of Mutual Interest.
National regulatory authority involvement		<div style="width: 0%;"><div style="background-color: #007bff; height: 10px;"></div></div> 0%	To date, the Moldovan national regulatory authority did not publish its methodology and criteria.

Moldova has initiated the transposition of Regulation (EU) 347/2013 by preparing an amendment to the Energy Law. The amendment, which foresees that the Ministry of Economy and Infrastructure will act as the national competent authority, is pending adoption by the Parliament. At the time of publication of this Report, it was scheduled to be transmitted for public consultation.

As Moldova still did not transpose Regulation (EU) 347/2013, it breaches the Energy Community infrastructure *acquis*.

The transposition of the Regulation will facilitate the realization of ongoing strategic infrastructure projects in gas and electricity. Particularly pressing is the facilitation of the infrastructure projects related to the integration of Moldova into the Continental European power system in order to upgrade the country's security of energy supply.





Moldova Statistics

Statistics Implementation

Statistics Indicators	Transposition Assessment	Implementation Status	Descriptions
Annual statistics			The five annual questionnaires and the questionnaire on final energy consumption of households for 2017 were transmitted to EUROSTAT, with concerns related to completeness of reported electricity data.
Monthly statistics			All monthly collections were compiled and disseminated, but not all were transmitted to EUROSTAT. Short-term monthly data are not reported yet.
Quality report			The quality report on energy statistics was published.
Price statistics			Price statistics for electricity and natural gas for 2018 were compiled and transmitted in accordance with the <i>acquis</i> .

The National Bureau of Statistics (NBS) is responsible for the coordination of the Moldovan statistical system. Ratified international agreements are also part of the legal framework. Moldova transposed the general requirements on energy statistics and complies with all key obligations of the statistical *acquis*.

Annual questionnaires are transmitted timely to EUROSTAT and published in the respective databases. However, the full set is not published, due to an issue concerning the reporting source of primary production of electricity.

Based on the results of the survey on energy consumption of households conducted by NBS, disaggregated data on energy consumption in households are compiled and transmitted to EUROSTAT.

The established quality system has allowed NBS to timely prepare and transmit the quality report on its annual statistics in

accordance with the Regulation.

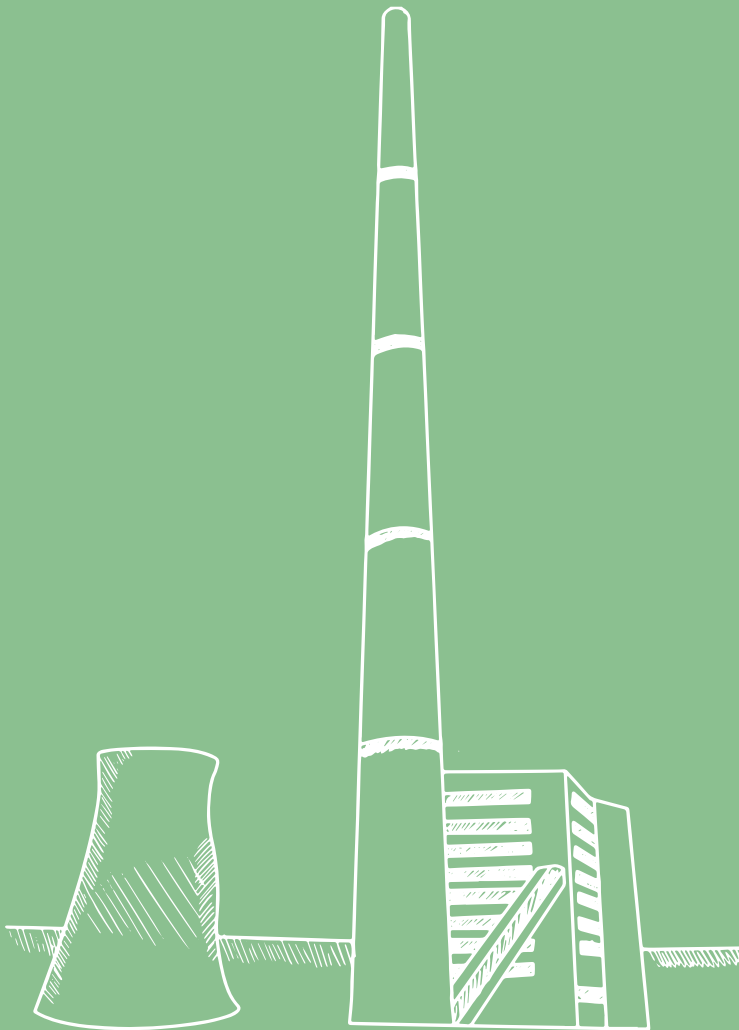
The reporting scheme for monthly data has been established and NBS publishes monthly datasets for coal, oil and petroleum products, natural gas and electricity. Until now, Moldova has been reporting only monthly data on solid fossil fuels to EUROSTAT. Natural gas and oil monthly data are reported to the JODI database, but not transmitted to EUROSTAT in the prescribed format.

NBS has established a methodology and a reporting system to collect electricity and natural gas prices, per consumption band and broken down per price component. The price data are transmitted to EUROSTAT.

The remaining tasks are to complete the short-term monthly statistics and transmit the required monthly collections to the EUROSTAT database.

08

Montenegro









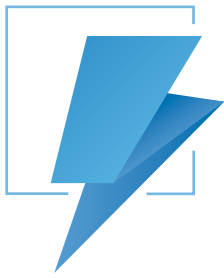


Montenegro

Summary Implementation

Summary Indicators	Transposition Assessment	Implementation Status	Descriptions
 Electricity		 82%	Implementation in the electricity sector of Montenegro is almost completed.
 Gas*		 30%	Implementation in the gas sector of Montenegro is still at an early stage.
 Oil		 8%	Implementation in the oil sector of Montenegro is yet to begin.
 Renewable Energy		 70%	Implementation in the renewable energy sector of Montenegro is well advanced.
 Energy Efficiency		 75%	Implementation in the energy efficiency sector of Montenegro is well advanced.
 Environment		 83%	Implementation in the environment sector of Montenegro is almost completed.
 Climate		 31%	Implementation in the climate sector of Montenegro is still at an early stage.
 Infrastructure		 51%	Implementation in the infrastructure sector of Montenegro is moderately advanced.
 Statistics		 76%	Implementation in the statistics sector of Montenegro is well advanced.

* Due to the lack of a gas market, implementation of the gas *acquis* is not taken into account in the overall score of Montenegro.



Montenegro Electricity

Electricity Implementation

Electricity Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			The transmission system operator is certified in accordance with the Secretariat's Opinion. The distribution system operator is unbundled in a compliant manner.
Access to the networks			Third party access is based on publicly available tariffs. Allocation of cross-border capacities is performed by SEE CAO or through bilaterally agreed auctions on the interconnection with Serbia.
Wholesale market			Wholesale prices are fully deregulated. The national balancing market is functional, whereas the day-ahead market is yet to be established.
Retail market			All customers are eligible and retail prices are deregulated.
Regional integration			Cross-border exchange of balancing energy is implemented bilaterally. Market coupling hinges on the operationalisation of the power exchange. Connection Network Codes are transposed.

The electricity market in Montenegro is largely in line with the Third Energy Package, transposed by the Energy Law and the Law on Cross-border Exchange of Electricity and Natural Gas.

The unbundling of network operators is completed, including the certification of the transmission system operator. Following the regulator's decision on certification, the transmission system operator initiated the necessary amendment to the Energy Law. However, it has not been amended yet. The distribution system operator is unbundled in accordance with the *acquis*.

The rules guaranteeing non-discriminatory access to the network and interconnection capacities are in place. Allocation of interconnection capacities is performed by SEE CAO and in joint auctions in line with the published auction rules.

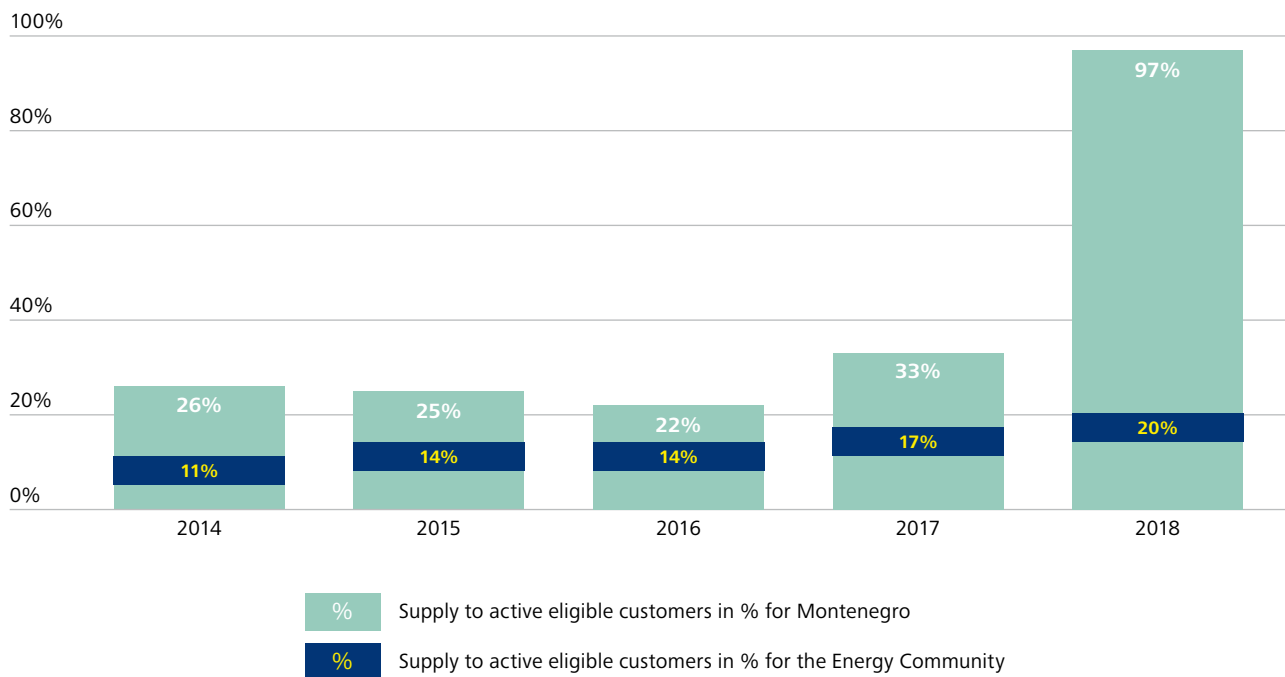
The wholesale market is open and authorities have taken further measures to improve liquidity and competition. The company responsible for operating the future day-ahead market and its coupling was established in 2018. The strategic partner to set up the power exchange was selected in a competitive procedure and negotiations with the selected company are ongoing.

The balancing rules allow market-based procurement and provision of balancing services and cross-border exchange of balancing energy. The national balancing market is functional. Imbalance settlement is applied to all market participants in a non-discriminatory manner. Prices of balancing reserves will remain regulated until competition in the balancing market is developed.

The selection of a supplier of last resort in a competitive procedure was initiated in March 2019, but the procedure has not been completed yet. Hence, the incumbent still performs the role of supplier of last resort, at prices capped to the reference market price. Otherwise, prices are regulated only for vulnerable customers, in line with the methodology based on the reference market price.

In the retail market, there are currently six licensed suppliers of end-customers. Although all customers are eligible to switch their supplier, the switching rate is almost negligible. Creating a more attractive environment for new entrants in the retail market in combination with activities to establish a competitive spot market on the wholesale level would be needed to bring

Retail Market Opening



Source: Ministry of Economy

genuine competition and better offers to customers. Montenegro actively participates in regional integration initiatives aimed at coordinated capacity allocation, coordinated capacity calculation, regional balancing and market coupling. However, these initiatives, except for coordinated capacity allocation, have not resulted in a tangible outcome yet.

Connection Network Codes have been transposed by the Government's decrees adopted on 4 April 2019 and 4 July 2019.

Montenegro is still the sole Contracting Party where trade is not subject to licensing.



Montenegro

Gas

Gas Implementation

Gas Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			Montenegro allows for ownership unbundling as the only applicable model for the future transmission system operator.
Access to the networks			No secondary acts or tariffs are established as Montenegro has no gas supply.
Wholesale market			There are no market rules in Montenegro. In theory the market is open and in line with the Third Energy Package.
Retail market			Montenegro has no retail market.
Interconnectivity			The Ionian Adriatic Pipeline project is strongly promoted by Montenegro to kick off natural gas supply to the country.

At present, Montenegro has no gas market and no access to gas. While Montenegro has transposed the majority of the Third Energy Package obligations in the gas sector via the 2015 Energy Law and the 2016 Law on Cross-border Exchange of Electricity and Natural Gas, certain provisions are still missing or lack clarity.

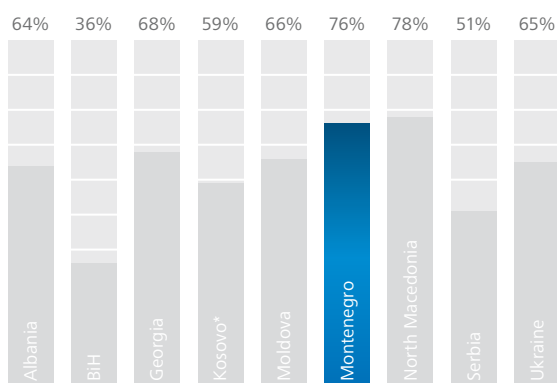
A number of secondary regulatory acts are under preparation such as tariff methodologies for future natural gas network operators. To strengthen the support for interconnection projects and therefore the ability to bring gas supplies to the country in an efficient and structured manner, the Secretariat recommends to increase the momentum of secondary legal acts development.



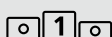
Montenegro National Authorities



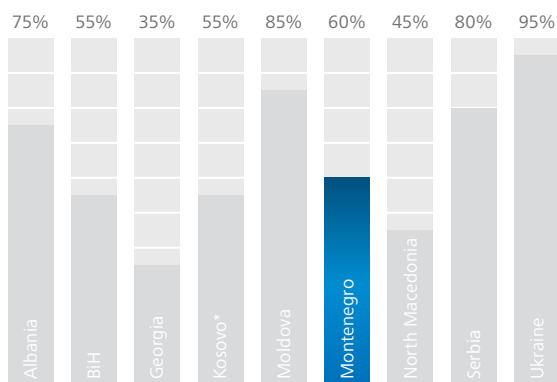
Regulatory Authority



The Energy Regulatory Authority (RAE) continued demonstrating its ability and commitment to use its legal competences and independence. The regulatory rules prove a high degree of market orientation. RAE is an active promoter of regional reforms. In a project with Italy, the regulator showed pro-activity and flexibility to bridge the legal gaps for market coupling with an EU neighbour country. This is even more notable as the independent functioning of RAE was at serious risk during the reporting period: reforms of the administrative sector in Montenegro envisaged ministerial control over RAE. This was prevented by an intervention from the Secretariat. On regional level, RAE participates actively in ECRB, including (deputy) leadership of two working groups.



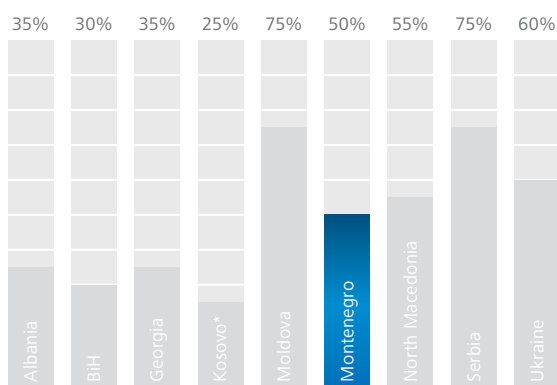
Competition Authority



The Agency for Competition Protection (ACP) is entrusted with the enforcement of competition law in Montenegro. There has been no case of applying competition law to the energy sectors since its establishment in 2013, except for the review of mergers.



State Aid Authority



In 2018, the competence for State aid control and enforcement was transferred from the State Aid Control Commission to the Agency for Competition Protection. ACP comprises one member for State aid. Aid grantors were given one year to bring existing aid into compliance. After the expiry of the deadline, ACP is to give recommendations in case it considers aid incompatible. So far, no decisions or recommendations have been rendered.



Montenegro Oil

Oil Implementation

Oil Indicators	Transposition Assessment	Implementation Status	Descriptions
Stockholding obligation			There is no emergency oil stockholding obligation. The adoption of a draft Law on Security of Supply of Oil Products finalized in 2016, together with the necessary secondary legislation, would ensure compliance with Directive 2009/119/EC.
Availability and accessibility			The draft Law foresees that emergency stocks must be physically accessible at all times and cannot be subject to measures which would limit their availability. Emergency stocks of other countries stored in Montenegro based on international agreements or being transited through the territory of Montenegro cannot be subject to measures that would limit their access.
Reporting			Information regarding Montenegro's oil data collection is not available. The Joint Organisations Data Initiative (JODI) Questionnaire is not submitted. In the draft Law, it is foreseen that the Ministry in charge of energy shall submit data referring to the import, export, and placement of petroleum products on the market to the Statistical Office, which shall produce an official aggregated monthly statistical report on the petroleum products market.
Emergency procedures			There is no procedure in place to release quickly, effectively and transparently some or all of the country's emergency oil stocks. However, the draft Law foresees that the Government shall release the emergency stocks on the market according to procedures set out in a contingency plan. If the Government fails to release the emergency stocks on the market, the energy undertaking that has the largest number of petrol stations on the territory of Montenegro is obliged to buy off, ship and sell these emergency stocks to final customers.

The adoption of the draft Law on Security of Supply of Oil Products, which regulates the manner of establishing and managing emergency oil stocks and the procedure in case of disruption of supply of petroleum products, is pending since 2016.

In the framework of an inter-ministerial consultation, a positive opinion on the draft Law was obtained from the Ministry of Justice, the Secretariat for Legislation, the Ministry of Public Administration and the Ministry of Defence, while the draft Law is still being considered by the Ministry of Finance and the Ministry of Internal Affairs.



Montenegro Renewable Energy

Renewable Energy Implementation

Renewable Energy Indicators	Transposition Assessment	Implementation Status	Descriptions
National Renewable Energy Action Plan			Montenegro registered a 40% share of energy from renewable sources in 2017, surpassing its 33% target. The third progress report 2016 - 2017 on the implementation of the Renewable Energy Directive has yet to be submitted to the Secretariat.
Quality of support schemes			In 2018, Montenegro launched renewable energy auctions for 200 MW of solar PV without investor support. The support for privileged producers generating electricity from renewable energy sources and high-efficiency cogeneration is based on a governmental decree setting feed-in tariffs.
Grid integration			Priority access and dispatch for privileged renewable energy producers are provided in the Energy Law but not completely implemented. Clear, predictable and transparent connection timetables have to be provided to applicants. Self-consumption of electricity from renewable energy sources acknowledged in the legislation is not implemented yet.
Administrative procedures			No significant progress was registered in this reporting period. The administrative procedures for permitting, construction and licensing remain lengthy and burdensome despite several simplification rounds.
Renewable energy in transport			The sustainability criteria for biofuels and bioliquids is transposed. However, the actual share of renewables in transport was a mere 1% in 2017.

The 2015 Energy Law was reviewed with a view to fulfil all requirements of Directive 2009/28/EC and the Guidelines on State Aid for environmental protection and energy 2014 – 2020, among others. The adoption of the amended Law is pending.

Several provisions of the existing Energy Law are yet to be implemented in practice. This includes ensuring that the costs associated with grid reinforcements are borne by grid operators and that authorisation and permitting procedures are coordinated and transparent. Self-consumption of electricity from renewable energy sources acknowledged in the legislation is not implemented yet.

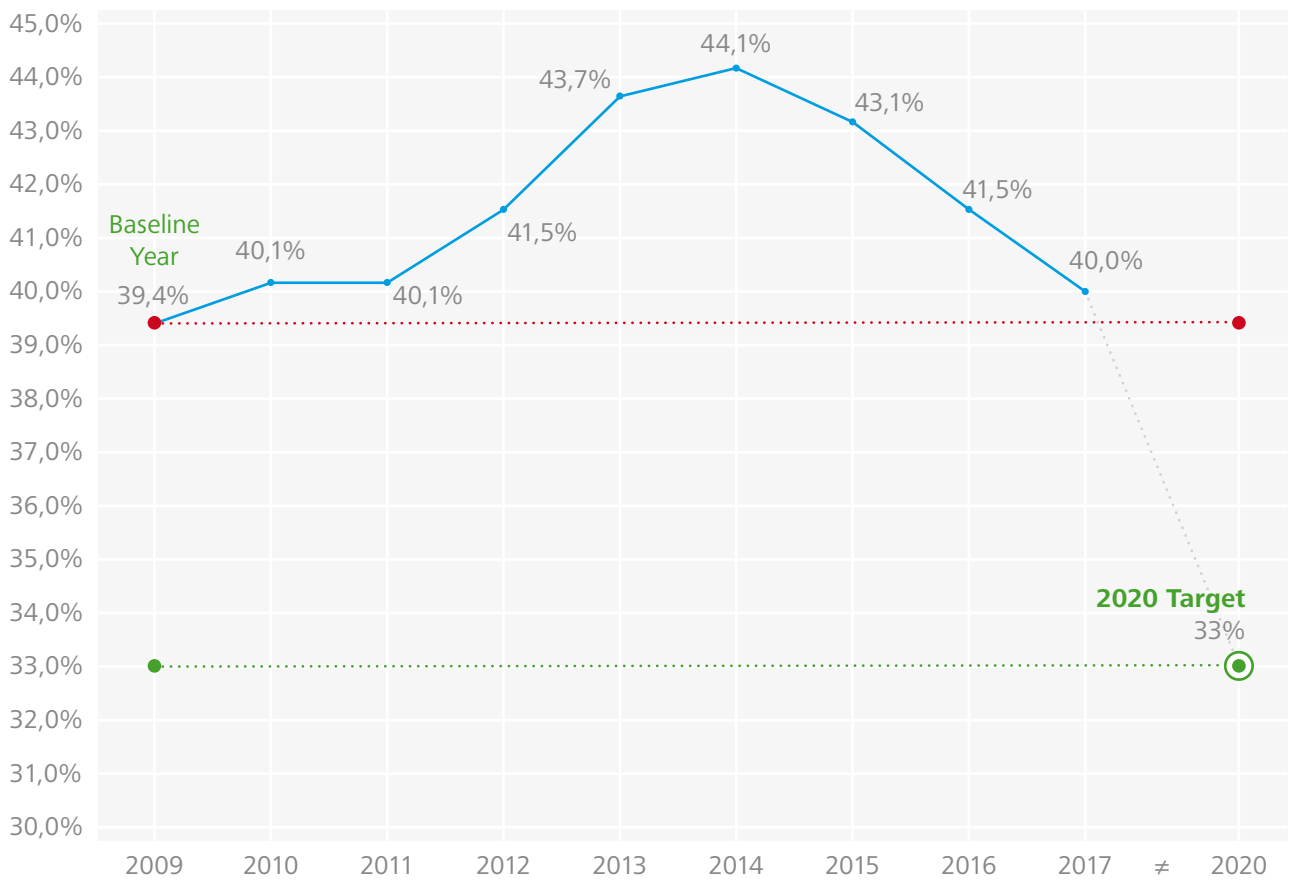
Provisions on the issue, transfer and cancellation of guarantees of origin transposed in the Energy Law also need to be imple-

mented. Compatibility with the standardised European Energy Certificate System and membership in the Association of Issuing Bodies (AIB) remains to be achieved.

To compensate the cost of the promotion of electricity from renewables, the Government adopts an incentive fee applied to end-customers. For 2019, it was set at 0,9439 c€/kWh, doubling the 2018 value. The market operator concludes power purchase agreements with electricity suppliers who are obliged to purchase a certain percentage of electricity from renewable sources.

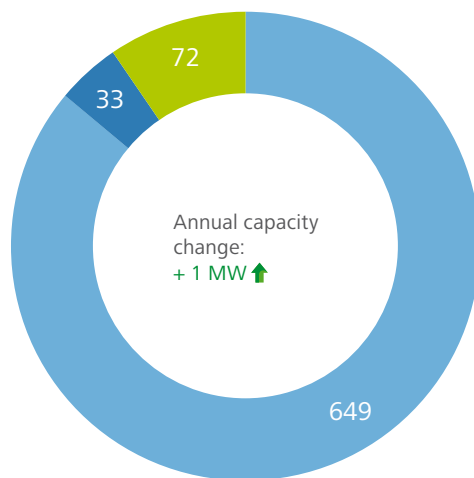
Significant progress was registered in relation to the sustainability criteria for biofuels and biodiesel. Three governmental decrees adopted in June 2018 transposed the required provisions.

Shares of Energy from Renewable Sources



Source: EUROSTAT and Statistical Office of Montenegro (MONSTAT)

Total Capacities of Renewable Energy 2018 (MW)



- Large hydropower
- Wind
- Small hydropower <10 MW

Montenegro has reached a 40% share of energy from renewable sources in 2017, surpassing its 30,7% median trajectory for 2017 - 2018. This is mostly due to the revision of biomass data and the reduction of energy consumption of the largest electricity customer, aluminium plant KAP.

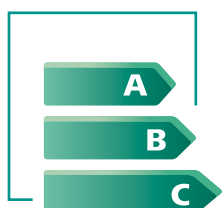
So far, investments in new capacities remain limited to 72 MW in wind and 33 MW in small hydropower plants.

The auction for 200 MW of solar PV without support to be built on state-owned land still needs to be finalised in terms of contractual arrangements with the investor. The awarding criterion was the price offered for the concession of the land. The cost of connection to the grid is to be covered by the transmission system operator.

Total capacities of renewable energy (MW):

754

Source: Ministry of Economy



Montenegro

Energy Efficiency

Energy Efficiency Implementation

Energy Efficiency Indicators	Transposition Assessment	Implementation Status	Descriptions
National Energy Efficiency Action Plans and Targets			The new NEEAP for 2019 - 2021, which includes the overall 2020 cap consumption target and a 1% annual target for central government buildings, was adopted in June 2019 and submitted to the Secretariat. The NEEAP also includes energy efficiency obligation targets, which are yet to be notified.
Energy efficiency in buildings			A law together with a series of implementing rulebooks were adopted in 2015. Work on analysing cost-optimality and developing a calculation software is ongoing. Montenegro also continued implementing several successful building rehabilitation programmes, albeit a long-term strategy is still missing.
ESCO market development and financing			Montenegro has adopted an enabling legal framework (the Law on Efficient Use of Energy) and drafted model contracts for energy performance contracting, while the new NEEAP envisages measures and financial mechanisms for ESCO projects. However, the development of the energy services market is slow and hindered by the delay in adoption of a draft Public Private Partnership Law.
Energy efficient products - labelling			Rulebooks on obligatory labelling and eco-design have been adopted and implemented, with engagement and permanent capacity building of involved market surveillance bodies.
Institutional capacities			The Ministry of Economy is the key body responsible for national energy efficiency policy. While recent reforms in the Ministry decreased implementing capacities, new institutions should enforce implementation (the new Inspectorate for Energy Efficiency) and extend finance for energy efficient projects (the new Eco Fund).

With the adoption of the National Energy Efficiency Action Plan (NEEAP) for the period 2019 - 2021 and amendments to the Energy Efficiency Law, the transposition of the Energy Efficiency Directive was improved. Overall, Montenegro has achieved a relatively high level of transposition of the energy efficiency *acquis*.

Montenegro has to strengthen the capacities for energy efficiency within the Ministry of Economy, the Eco Fund and local administrations. The recent downgrade of the status of the Directorate for Energy Efficiency within the Ministry to a Department within the Directorate for Energy was a step backwards and might reduce the capacities and capabilities for the imple-

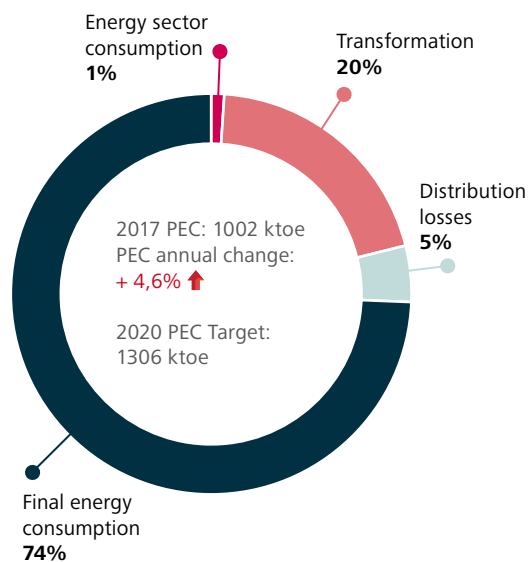
mentation of energy efficiency policy reforms in Montenegro.

Without further delay, Montenegro should adopt the remaining secondary legislation on energy labelling of energy-related products, including the related legislative package adopted by the Ministerial Council in November 2018.

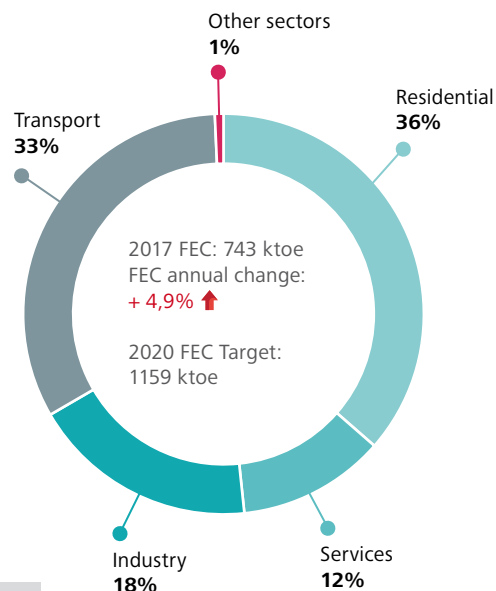
Finally, Montenegro should facilitate private investments through Energy Services Company (ESCO) projects and establish a functional system for calculation of energy efficiency indicators and monitoring of NEEAP implementation.

Energy Efficiency Indicators

Primary Energy Consumption (PEC) in 2017 and trends



Final Energy Consumption (FEC) in 2017 and trends



Energy intensity, 2017 value and trends: 0,28 ktoe/mil EUR, +0,3% ↑

Source: EUROSTAT 2019 data and the Contracting Party's Annual Reports under Directive 2012/27/EU

Implementation of Energy Efficiency Product Regulation Overview

FRAMEWORK DIRECTIVE	Household dishwashers	Fridges and freezers	Household washing machines	Televisions	Air conditioners and fans	Household tumble driers	Electrical lamps and luminaires	Vacuum cleaners	Space heaters	Water heaters & storage tanks	Domestic ovens and range hoods

Adopted and implemented Adopted, implementation issues detected No progress with adoption/implementation

The new labelling package adopted by the Ministerial Council in November 2018 was not assessed, as the transposition deadline expires in January 2020.

Source: multiple sources of data (EECG reports, NEEAPs etc.), compiled by the Energy Community Secretariat



Montenegro Environment

Environment Implementation

Environment Indicators	Transposition Assessment	Implementation Status	Descriptions
Environmental impact assessment (EIA) and strategic environmental assessment (SEA)			The provisions of Directive 2014/52/EU were transposed by an amendment to the Law on Environmental Impact Assessment in November 2018. During the past year, a total of fourteen environmental impact assessments were concluded for network energy projects, including energy infrastructure, surface storage of natural gas, hydropower plants and a wind park.
Sulphur in Fuels			Implementation of the provisions of the Directive (including those on marine fuels) is ensured by applying national legislation and the Annual Fuel Quality Monitoring Programme.
Large combustions plants and industrial emissions			The only existing large combustion plant in Montenegro has started its opt-out as of 1 January 2018 and has consumed 7.081 out of the 20.000 operational hours so far.
Nature protection			The legal framework in Montenegro allows for designating future Natura 2000 sites, including special protected areas for wild birds.

With regard to environmental impact assessments (EIA), Montenegro adopted amendments to the Law on Environmental Impact Assessment, transposing the provisions of Directive 2014/52/EU into national law. Three rulebooks on the necessary content of the documentation for the screening and scoping procedures, as well as on the content of the EIA study, were adopted in March 2019. As the current legal framework is in compliance with the Directive's provisions, efforts shall be concentrated on strengthening the administrative capacities responsible for the implementation of the Law and on ensuring effective public participation and consultation in decision-making.

With regard to sulphur in fuels, Montenegro is implementing the provisions of the Directive correctly via its Annual Fuel Quality Monitoring Programme, which provides the framework for sampling and analysis of fuels falling under the scope of the Directive. Montenegro carried out a joint project related to marine fuels during the last reporting year together with the European Maritime Safety Agency (EMSA) with the aim to improve the on-board sampling and analysis process.

With regard to large combustion plants, the opt-out of the thermal power plant Pljevlja (the only existing plant in Montenegro) means that the plant will be able to remain in operation

for a maximum of 20.000 operational hours between 1 January 2018 and 31 December 2023. Based on its current load factor, the plant is expected to reach its 20.000 hour limit already in October 2020. This puts focus on the planned replacement capacity, which must meet the emission limit values of the Industrial Emissions Directive for new plants.


As regards the protection of wild birds, Montenegro has to make sure that whenever projects related to network energy (with particular regard to hydropower projects) are being considered, the obligation to protect the habitats of wild birds has to be duly safeguarded in the environmental assessments of the projects. In June 2019, the Ulcinj Salina was designated as a nature park and was submitted to the Secretariat of the Ramsar Convention for designation as a wetland of international importance. Effective protective measures (e.g. by habitat management in accordance with their ecological needs inside and outside the protected zones, the re-establishment of destroyed biotopes and the creation of new biotopes) are yet to be established by the competent authorities for this special protected area for wild birds, which is one of the most important wetlands on the Mediterranean as well as a potential Natura 2000 site.

Installations under the Large Combustion Plants Directive

	# of plants falling under the LCPD	1
	of which opted out plants	1
	of which plants falling under the NERP	0

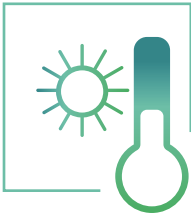
Source: compiled by the Energy Community Secretariat

Amount of operational hours used from opt-out period

TPP Plevlja 	Expected expiry of opt-out period:*	October 2020
	Remaining hours	12.919
	Operating hours consumed in 2018	7.081

*Calculations for the expected expiry of the opt-out period are based on the current load factor. 1 January 2018 marks the beginning of the opt-out period.

Source: compiled by the Energy Community Secretariat



Montenegro Climate

Climate Indicators	Transposition Assessment	Implementation Status	Descriptions
National greenhouse gas emissions monitoring and reporting systems			A Rulebook which transposes the requirements of the Monitoring Mechanism Regulation (MMR) on the establishment of a formal national inventory system was adopted in 2017. The Annual Data Collection Plan for the inventory of GHG emissions was adopted in 2018. The Law on Protection from the Negative Impact of Climate Change was approved by the Government on 17 October 2019 and sent to Parliament for adoption. It incorporates elements (e.g. allocation of emission credits, MRV, low carbon strategy development) of the EU ETS, the Effort Sharing Regulation and the monitoring and reporting mechanism (MMR). The country has a National Strategy on Climate Change until 2030.
National Energy and Climate Plans (NECPs)			Montenegro has set up a national working group on the NECP that convened for the first time in November 2018. However, the Government has not determined the Ministry in charge yet. The group met several times during 2019 to discuss key priorities and responsibilities. A first deliverable in preparation for the Montenegrin plan was the elaboration of an Actor and Policy Mapping.

Montenegro is a non-Annex I party to the United Nations Framework Convention on Climate Change (UNFCCC) and ratified the Paris Agreement in October 2017. The energy sector is the main source of greenhouse gas emissions. According to Montenegro's Nationally Determined Contribution (NDC), it will reduce its emissions by 30% by 2030 compared to 1990. The reduction is to be achieved by a general increase of energy efficiency, improvement of industrial technologies, increase of the share of renewables and modernization of the power sector. Montenegro's NDC is under revision since 2018, with the addition of the financial component and an adaptation strategy.

Montenegro submitted to the UNFCCC two National Communications (2010, 2015) and two Biennial Update Reports (2016,

2019). Preparatory work on the third National Communication on Climate Change is ongoing since 2018.

Montenegro has developed relevant climate change legislation, including the recent adoption by the Government (Parliament's adoption is pending) of the Law on Protection from the Negative Impact of Climate Change. However, significant efforts are still needed in terms of implementation. It would be important to harmonize strategies and reporting requirements on climate and energy with the Recommendation on National Energy and Climate Plans (NECPs) and determine the impacts, in terms of costs and benefits, of policies and measures needed to integrate sectors, a task that suffers from a lack of capacity.



Montenegro Infrastructure

Infrastructure Implementation

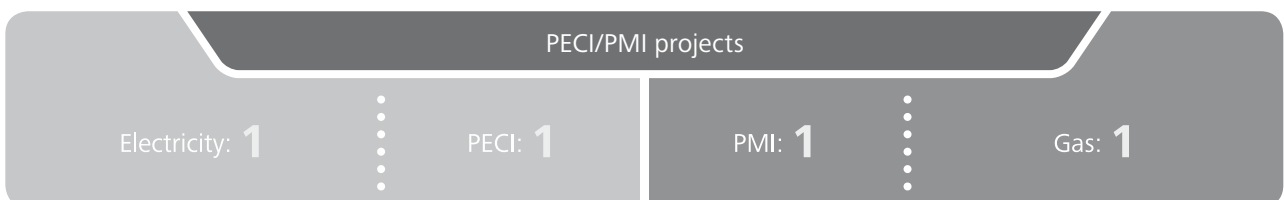
Infrastructure Indicators	Transposition Assessment	Implementation Status	Descriptions
National competent authority			The national competent authority has not been designated to date.
Manual of procedures			Currently, there is no manual of procedures for the permitting process of Projects of Energy Community Interest or Projects of Mutual Interest.
National regulatory authority involvement			The regulator published its methodology and criteria used to evaluate investments in electricity and gas infrastructure projects and the higher risks incurred by them in 2017.

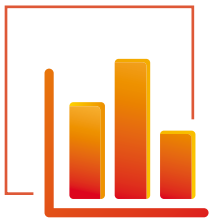
The draft of the new Infrastructure Law, which will transpose Regulation (EU) 347/2013, has been prepared. The new Law should ensure transposition and proper implementation of the Regulation. The draft Law is expected to be adopted still in 2019.

The national competent authority should be designated and operational and shall publish the manual of procedures for the permit granting process applicable for Projects of Energy

Community Interest and Projects of Mutual Interest as soon as possible.

The transposition of the Regulation will support the realization of ongoing strategic infrastructure projects in electricity, as well as planned infrastructure projects in gas. Montenegro will benefit from improved security of supply and overall operation of the energy system in the country. This will also have a positive impact on the regional market and its coupling.





Montenegro Statistics

Statistics Implementation

Statistics Indicators	Transposition Assessment	Implementation Status	Descriptions
Annual statistics			The questionnaire on final energy consumption of households was not transmitted to EUROSTAT in time. The five annual questionnaires were submitted.
Monthly statistics			Monthly oil data are not transmitted to EUROSTAT. Neither are short-term monthly data except for electricity.
Quality report			The quality report on energy statistics was published.
Price statistics			Price statistics for electricity for 2018 were compiled and transmitted in accordance with the <i>acquis</i> .

The Statistical Office of Montenegro (MONSTAT) is the central body responsible for the statistical system and statistical surveys. MONSTAT collects and publishes annual energy balances. The methodology and formats are harmonized with International Energy Agency/EUROSTAT standards. Annual questionnaires are communicated to EUROSTAT timely and in compliance with the *acquis*. Disaggregated data on energy consumption of households are not transmitted in time for dissemination.

Montenegro established a functional reporting system for monthly energy data in the Ministry of Economy. Monthly reports on electricity and solid fuels are transmitted to EUROSTAT. Monthly oil data were not transmitted in time for dissemination.

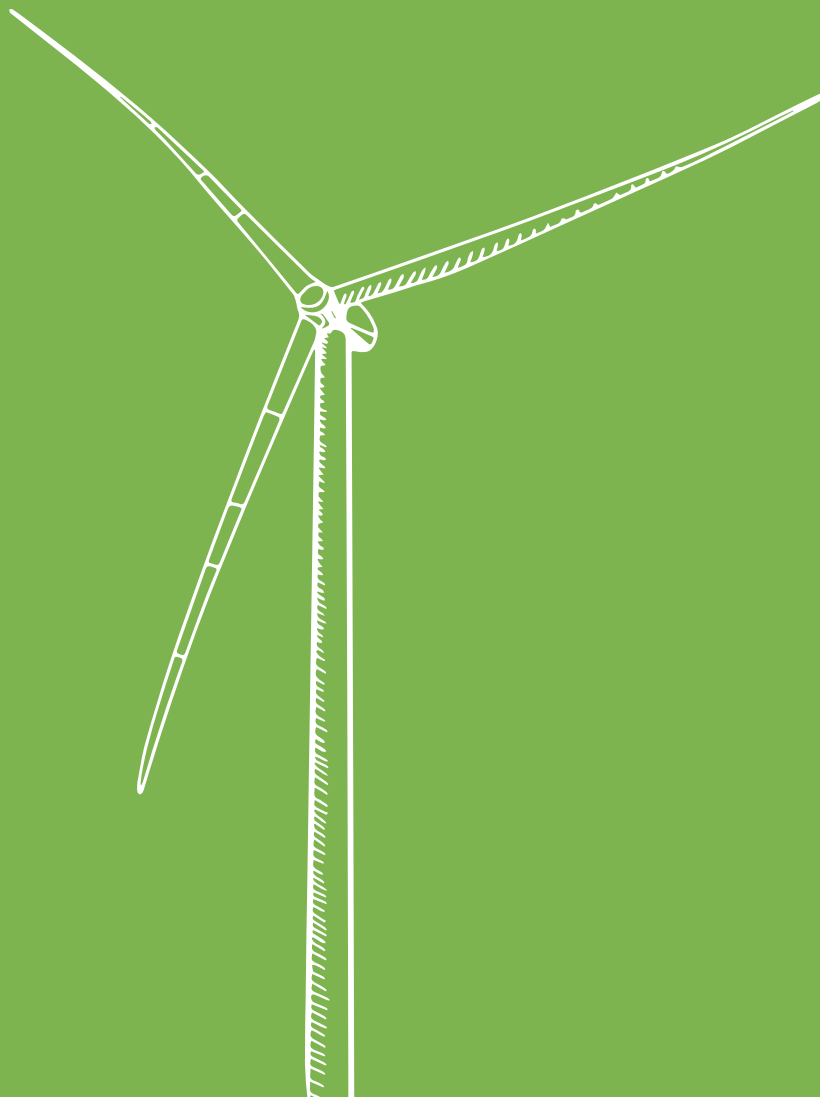
MONSTAT established a procedure to maintain the expected level of quality and submitted the report on the quality of transmitted data in the format defined by EUROSTAT.

Electricity prices, charged to industrial end-users and households broken down per consumption band and taxation level, as well as the breakdown of price components, in line with the *acquis*, are communicated to and subsequently published by EUROSTAT. Gas statistics are not applicable as Montenegro does not have a natural gas market at present.

In terms of electricity price statistics, Montenegro achieved compliance with the *acquis*. However, breakdown of residential energy consumption is still missing and there is still not sufficient progress to achieve compliance with the *acquis* related to monthly statistics.

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North Macedonia




















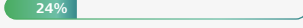


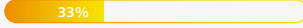





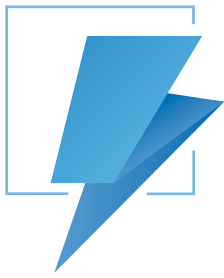




North Macedonia

Summary Implementation

Summary Indicators	Transposition Assessment	Implementation Status	Descriptions
 Electricity		 75%	Implementation in the electricity sector of North Macedonia is well advanced.
 Gas		 46%	Implementation in the gas sector of North Macedonia is moderately advanced.
 Oil		 58%	Implementation in the oil sector of North Macedonia is moderately advanced.
 Renewable Energy		 69%	Implementation in the renewable energy sector of North Macedonia is well advanced.
 Energy Efficiency		 49%	Implementation in the energy efficiency sector of North Macedonia is moderately advanced.
 Environment		 60%	Implementation in the environment sector of North Macedonia is moderately advanced.
 Climate		 24%	Implementation in the climate sector of North Macedonia is still at an early stage.
 Infrastructure		 33%	Implementation in the infrastructure sector of North Macedonia is still at an early stage.
 Statistics		 98%	Implementation in the statistics sector of North Macedonia is almost completed.



North Macedonia Electricity

Electricity Implementation

Electricity Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			The transmission system operator has completed ownership unbundling and is certified. The distribution system operator is legally and functionally unbundled.
Access to the networks			Tariffs are approved and published. The interconnection capacities are allocated in accordance with Auction Rules approved by the regulator, including auctions on one border conducted by SEE CAO.
Wholesale market			Wholesale prices are not regulated. A market operator is operational and licensed as a separate entity. The day-ahead market is yet to be established. Regulation (EU) 543/2013 on submission and publication of data in electricity markets is not transposed. Implementation of balancing rules was postponed.
Retail market			The new Law introduced eligibility for all customers. Retail prices for customers entitled to universal service and supply of last resort are determined in a competitive bidding procedure.
Regional integration			The implementation of a roadmap for coupling of North Macedonia and Bulgaria is pending the establishment of a day-ahead market in North Macedonia. The postponed implementation of balancing rules undermines regional balancing co-operation. Connection Network Codes are directly applicable.

Following the adoption of the Energy Law in May 2018, North Macedonia has been active in adopting and adapting its secondary legislation to ensure effective implementation of the Third Energy Package. The time schedules defined in the Law were maintained notably by the regulatory authority, ERC, whereas the Ministry and the Government were partly behind schedule. Unbundling and certification of the transmission system operator was completed in due course, taking full account of the Opinion of the Secretariat.

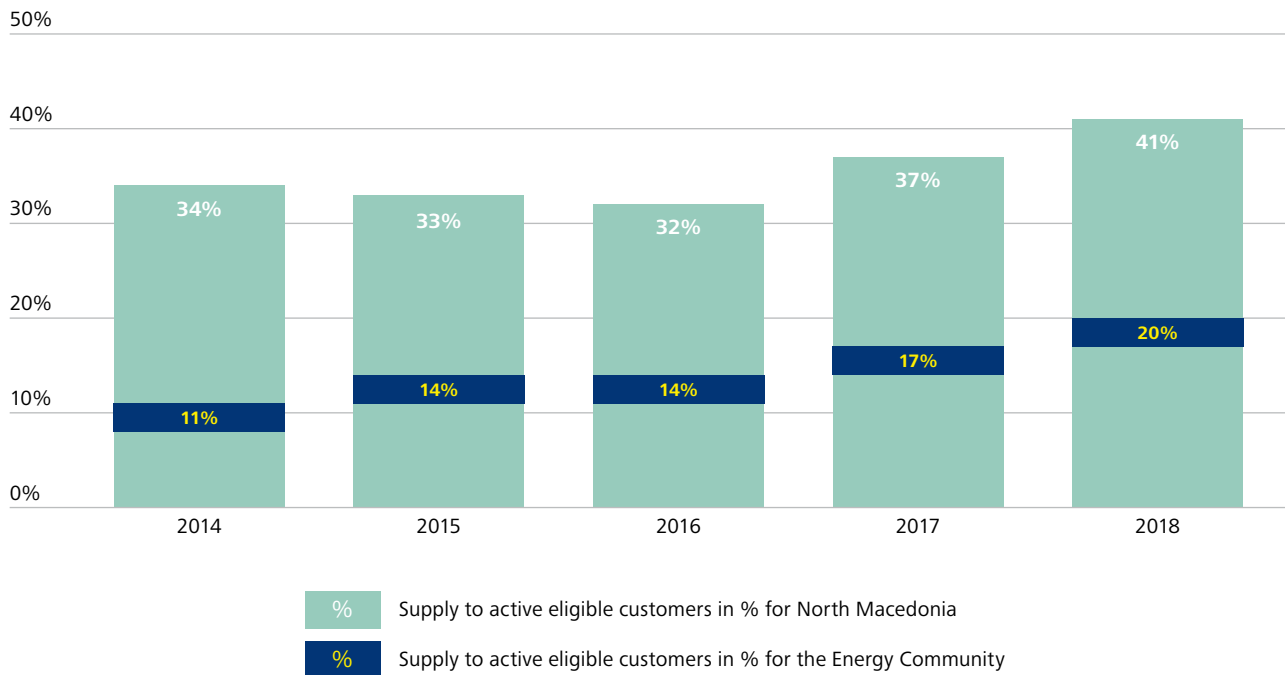
The unbundling of the main distribution system operator is also in accordance with the *acquis*. The second one serves less than 100.000 customers and is thus not subject to the same requirements.

Access to the system is regulated in line with the *acquis* and subject to published network tariffs. Access to the interconnectors is performed via the coordinated auction platform SEE CAO, or via joint auctioning.

The wholesale market was further liberalized with the introduction of an obligation of a public supplier, i.e. provider of universal and supply of last resort, to purchase electricity in the market. The incumbent power producer is not obliged to provide electricity to meet the needs of tariff customers at regulated prices any more. It must only submit its offers, in the minimum yearly volumes determined in the Law, in the procurement of electricity conducted by the public supplier.

The Macedonian Electricity Market Operator (MEMO), established as a spin-off of the transmission system operator in October 2018, became operational on 1 October 2019. Further to this, the Government's decree on operation of the organized market operator, including the necessary technical, staffing and financial conditions, was adopted on 29 October 2019. It will be followed by the Government's decision on the designation of an organized electricity market operator.

Retail Market Opening



Source: Ministry of Economy

New balancing rules were adopted, but their implementation was delayed until January 2020. Currently, the undertakings providing public services are exempted from balancing responsibility. This is against the *acquis*. In addition, balancing services are still provided at regulated prices.

The transmission system operator submits information to ENT-SO-E in accordance with Regulation (EU) 543/2013 on submission and publication of data in electricity markets, however, the Regulation is yet to be transposed. The deadline for approval by the regulator is December 2019.

The retail market is liberalized as of 1 July 2019, following adoption of the implementing acts required by the new Energy Law which grants eligibility to all customers. Universal supply and supply of last resort is performed by the supplier selected in a competitive procedure.

The revised supply rules introduce an obligation for suppliers to publish their prices on a platform maintained by the regulator. The existing rules on customer protection, and especially on the protection of vulnerable customers, have yet to be revised by the Government, as required by the Law.

Activities on market coupling between North Macedonia and Bulgaria are supported with the detailed roadmap, the implementation of which is pending the establishment of the day-ahead market in North Macedonia. Exemption from balancing responsibility and regulated balancing services undermine active participation in regional balancing.

The Network Codes are directly applicable according to the Energy Law. Incorporation of the Connection Network Codes into the national grid code is under way.



North Macedonia

Gas

Gas Implementation

Gas Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			The transmission system operator is not unbundled in line with the Third Energy Package. The possibility to exempt a distribution company from unbundling when there are less than 100.000 customers is implemented.
Access to the networks			Provisions on third party access and capacity allocation as well as an entry/exit transmission tariff methodology are in place. Certain information, which the transmission system operator is required to publish, is still missing, and overall transparency needs to be improved.
Wholesale market			Wholesale gas prices are fully deregulated. There is no virtual trading point and contracts are bilateral, conducted on a monthly or yearly basis. The market remains illiquid.
Retail market			All customers are formally eligible, and end-user gas prices are deregulated. There are six active retail suppliers.
Interconnectivity			A technical agreement with the Bulgarian system operator regarding the only inter-connection point is in place, but not aligned with the Network Code on Interoperability and Data Exchange. A Memorandum of Understanding was signed with the Greek operator on the future interconnection of the two systems.

North Macedonia has visibly shifted up a gear as regards the transposition of the Energy Community gas *acquis*. The new Energy Law, approved in June 2018, transposes the requirements of the Third Energy Package and clears the way towards ownership unbundling and certification of the country's transmission system operator. Several of the required secondary acts have been adopted during 2018.

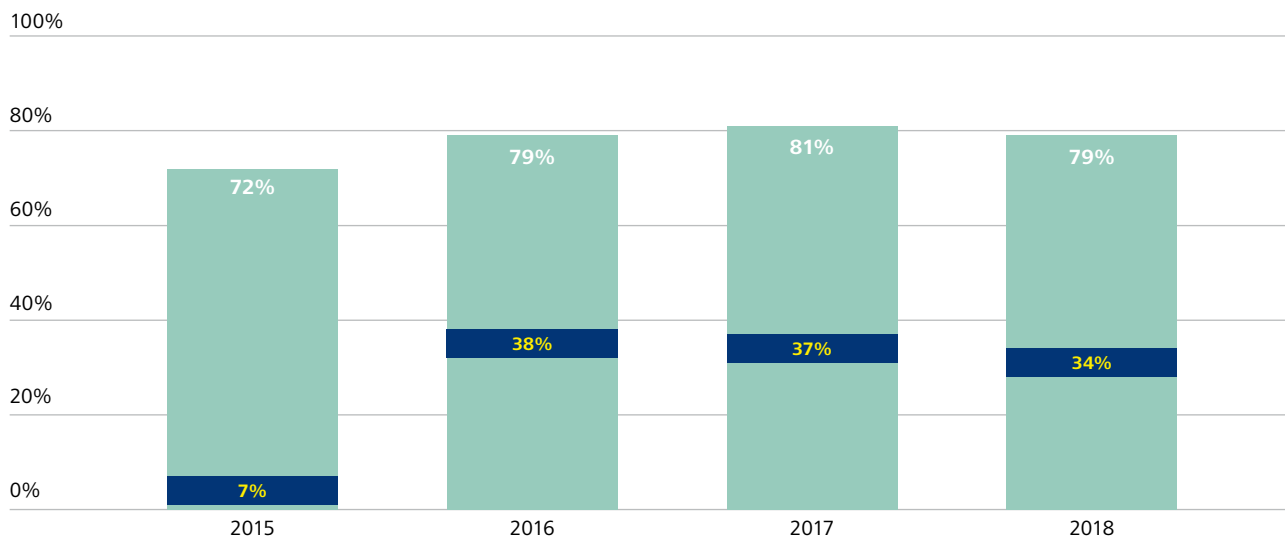
North Macedonia is the only Contracting Party with a fully deregulated wholesale and, because of the negligible share of households in gas consumption, retail market. As the supply market is dominated by one source – Russia's Gazprom - and is limited to bilateral trading agreements, the market is illiquid. The country's existing gas penetration ratio is still marginal, partly due to a long-standing dispute between the State and Makpetrol, the country's biggest gas importer and supplier, concerning

the ownership of the transmission system operator GA-MA. This affects unbundling. However, the company tasked to develop transmission infrastructure, Makedonija Energy Resources, is making good progress.

The first and utmost priority for North Macedonia is finally executing the appropriate transmission system operator unbundling model, for which the deadlocked relationship between the State and Makpetrol should be resolved. This will open up new possibilities for network and market development and foster interconnectivity of North Macedonia with its neighbours, in line with mandatory EU network codes.

The remaining priorities relate to ensuring that all relevant secondary legislation is in place. Several of the acts were adopted, but the transmission code is not even drafted.

Retail Market Opening



- % Gas supplied to active eligible customers as % of total supply in North Macedonia
- % Gas supplied to active eligible customers as % of total supply in the Energy Community

Source: Energy Regulatory Commission (ERC), compiled by the Energy Community Secretariat

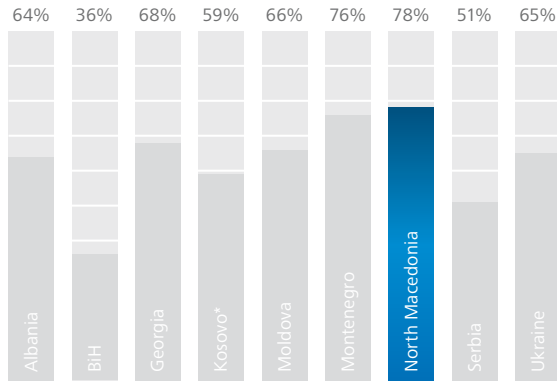


North Macedonia

National Authorities



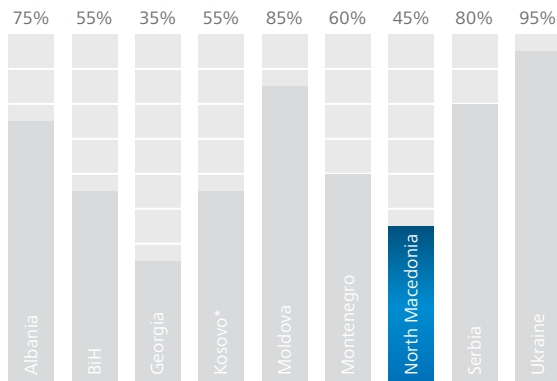
Regulatory Authority



The Energy Regulatory Commission (ERC) has proven capability and commitment to develop high quality regulatory rules under time pressure and made use of its independence status granted by law. Cutbacks to ERC's autonomy by intervention of other public authorities are however of continuous concern: the suggestion of a State Audit Office report to reduce salaries to public administration level and the intention to cut ERC's consultancy budget was an undue influence on the financial autonomy of the regulator and could be averted by intervention of the Secretariat. The necessary approval of ERC's annual employment plan and execution of human resources procedures by the Ministry of Information Society proved to be a barrier for hiring staff and has been criticised by the Secretariat from the point of view of functional independence.



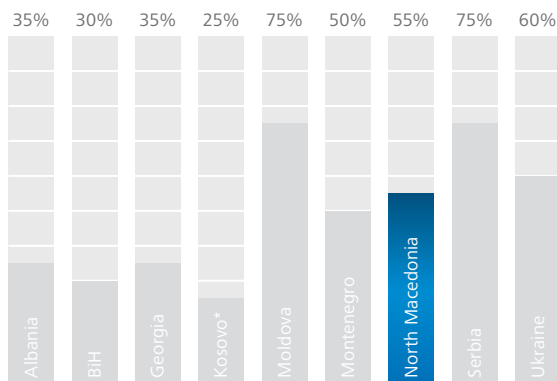
Competition Authority



The Commission for Protection of Competition (CPC) is responsible for competition enforcement. However, CPC did not render any decision in the area of competition, nor did it carry out any investigation in the energy sectors.



State Aid Authority



The CPC is also responsible for State aid enforcement. In January 2019, CPC adopted its first decision, approving secondary legislation on renewable energy support. However, further enforcement of the State aid *acquis* in the energy sectors is lacking.



North Macedonia Oil

Oil Implementation

Oil Indicators	Transposition Assessment	Implementation Status	Descriptions
Stockholding obligation			The Law on Compulsory Oil Reserves, adopted in 2014 is envisaged to finally enter into force by 1 January 2020. The approval of the necessary by-laws and action plans is in delay. In practice, the country's oil stocks corresponded to 74 days of average daily consumption in September 2019, an increase from August 2018 when stocks stood at 61 days.
Availability and accessibility			The Oil Reserves Agency is in charge of ensuring that the compulsory reserves are at all times available and physically accessible.
Reporting			The State Statistical Office supplies monthly oil data for the MOS Questionnaire. The Joint Organisations Data Initiative (JODI) Questionnaire is not prepared and submitted to the Secretariat. The Law foresees that the minister competent for energy, on a proposal of the Oil Reserves Agency, shall prescribe the rules for preparation and deadlines for the submission of statistical summaries.
Emergency procedures			The Law on Compulsory Oil Reserves foresees that in case of an emergency oil supply disruption, the Government shall adopt a decision on releasing the compulsory reserves into circulation. The Government shall also adopt an Intervention Plan to be used in case of an emergency disruption to the supply of the crude oil and oil derivatives on the market. The Intervention Plan was prepared but is not yet approved by the Government.

The new Law on Compulsory Oil Reserves, adopted in October 2014, is envisaged to enter into force as of 1 January 2020. The approval of the necessary by-laws and action plans is in delay.



North Macedonia

Renewable Energy

Renewable Energy Implementation

Renewable Energy Indicators	Transposition Assessment	Implementation Status	Descriptions
National Renewable Energy Action Plan			The legally binding renewable energy target was revised to 23% by the Ministerial Council in 2018. In 2017, the country achieved a 19,7% share of energy from renewable sources, lower than the 21% trajectory for the years 2017 and 2018.
Quality of support schemes			The 2018 Energy Law introduces support granted on a competitive basis. In 2019, the first renewable energy auctions were conducted but the results are still to be announced.
Grid integration			Priority access and dispatch are implemented in practice. Rules on connection to the grids are published by the transmission and distribution system operators. Rules on renewable energy self-consumption are not in place.
Administrative procedures			Investor guides for various renewable energy technologies are published. While a one-stop shop is yet to be established, a simplified procedure for solar PV installation on buildings is in place.
Renewable energy in transport			Articles 17 to 21 of Directive 2009/28/EC related to sustainability of biofuels are still not transposed. The actual renewable energy share in the domestic transport fuel market is negligible – 0,1%.

During this reporting period, several by-laws were adopted to enable the implementation of the 2018 Energy Law. The Law also includes requirements for a competitive bidding process to grant support to renewable energy producers as well as market integration of renewables in compliance with the Guidelines on State aid for environmental protection and energy 2014 - 2020. In 2019, the first rounds of auctions for solar PV to be built on public and private land totalling 62 MW took place. The announcement of the winners is pending.

The support scheme based on a feed-in premium is expected to be introduced once the day-ahead trading platform is in place. Until the establishment of the intraday market, the market operator, which is the single buyer of renewable energy under the support scheme, will continue to take balance responsibility for the entire portfolio of preferential producers. However, each producer must submit generation schedules and is financially responsible for deviations.

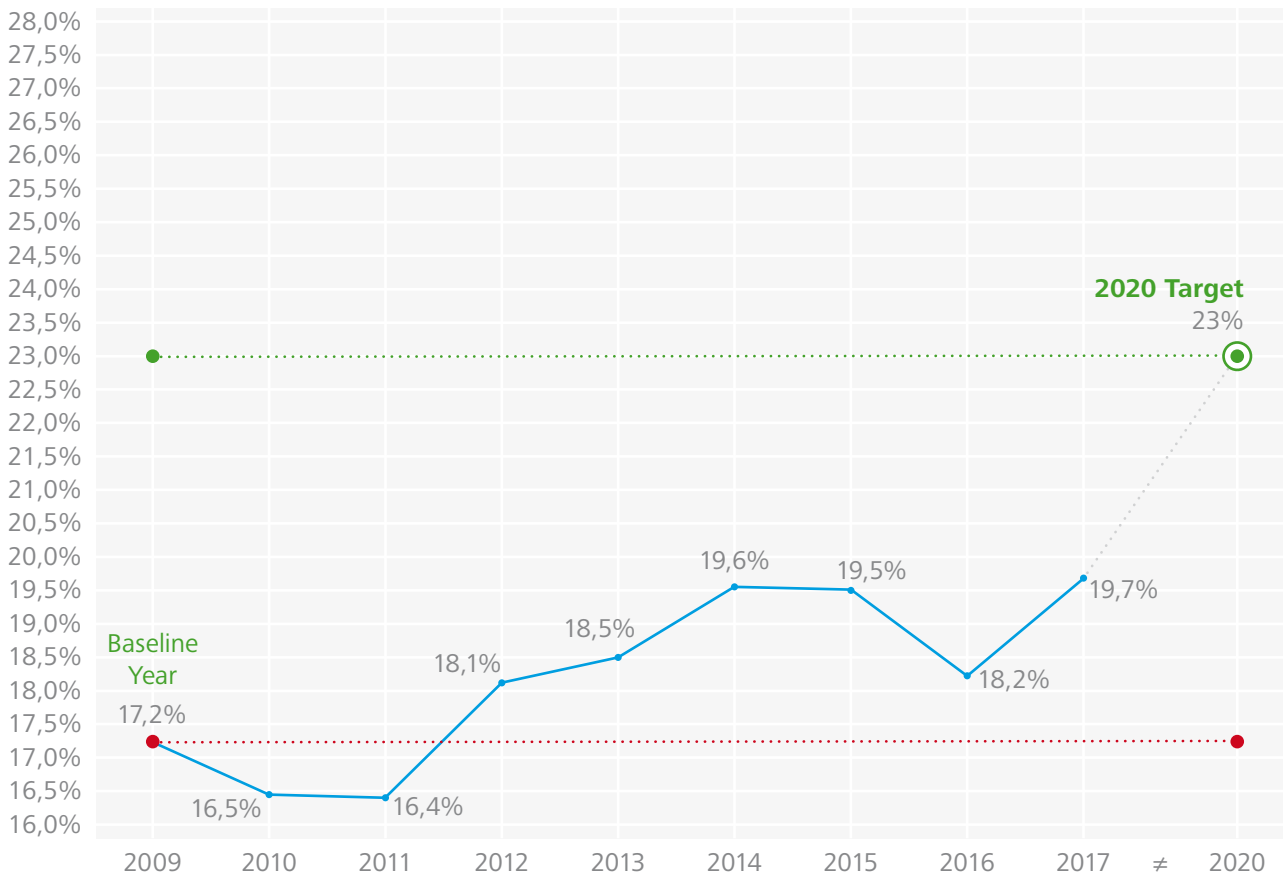
The regulator has to ensure that rules for connection and access to the networks are implemented in a non-discriminatory and

objective way for private and state companies, as currently the state companies are being treated with priority. A one-stop shop for all permit applications is yet to be established.

The system of issue, transfer and cancelation of guarantees of origin in compliance with the 2018 Energy Law has to be implemented. Compatibility with the standardised European Energy Certificate System and membership in the Association of Issuing Bodies (AIB) have not been achieved.

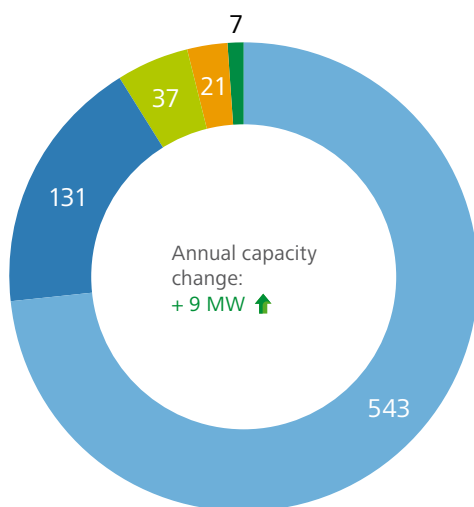
Provisions related to the sustainability of biofuels are still not transposed and the country's legal framework remains completely non-compliant with Directive 2009/28/EC in the transport sector. Without proper incentives and mandatory blending obligations in place, most of the biofuels currently produced in the country are exported under a voluntary industrial certification scheme recognised in the EU, instead of counting towards the fulfilment of the national target. The actual renewable energy share in the domestic transport fuel market is negligible – 0,1% - and far from the National Renewable Energy Action Plan trajectory.

Shares of Energy from Renewable Sources



Source: EUROSTAT and State Statistical Office (SSO)

Total Capacities of Renewable Energy 2018 (MW)



- Large hydropower
- Small hydropower <10 MW
- Wind
- Solar
- Biogas

Source: Ministry of Economy

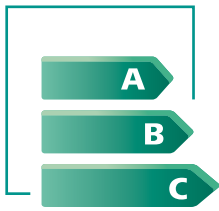
In 2017, North Macedonia achieved only a 19,7% share of renewable energy in gross final energy consumption, instead of its 21% median trajectory for 2017 - 2018. Due to a revision of biomass consumption data in compliance with EUROSTAT, the 2018 Ministerial Council revised the renewable energy target from 28% to 23%.

The current National Renewable Energy Action Plan is designed to achieve a renewable energy target of 24%. The capacity cap per type of renewable energy technology has to be removed enabling the cost-effective achievement of the 2020 renewable energy target.

By the end of 2018, 37 MW of wind, 18 MW of solar PV and 7 MW of biogas were commissioned and boosted the country's renewable energy share.

Total capacities of renewable energy (MW):

739



North Macedonia

Energy Efficiency

Energy Efficiency Implementation

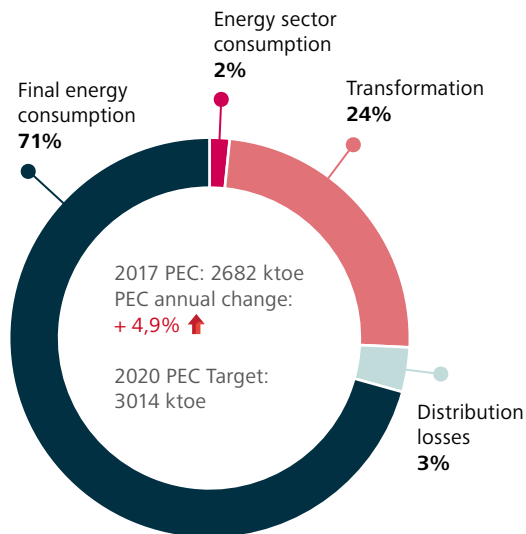
Energy Efficiency Indicators	Transposition Assessment	Implementation Status	Descriptions
National Energy Efficiency Action Plans and Targets			The Government did not adopt and submit the first NEEAP under the Energy Efficiency Directive by the 30 April 2019 deadline. North Macedonia submitted in October 2019 the third Annual Report, which reflects the progress towards meeting the 2020 target.
Energy efficiency in buildings			The current implementation status is poor as key secondary laws are either missing or outdated. A new Law on Energy Efficiency, which transposes the Energy Efficiency and the Energy Performance Directives, is in the final stages of preparation.
ESCO market development and financing			The energy services market is not yet developed and only very few projects with ESCO financing were implemented to date. In 2018, barriers to the implementation of energy performance contracts were assessed and, with technical assistance, model contracts for energy performance contracting and energy supply contracting were prepared in order to develop the energy services market.
Energy efficient products - labelling			The implementation status is reviewed by the State Market Inspectorate and Surveillance Body. It remains rather weak, and its reports are few and ad-hoc. Directive 2010/30/EU and its delegated acts were transposed with the adoption of the updated Rulebook on Labelling of Energy-Related Products in September 2016.
Institutional capacities			Since mid-2016, the Ministry of Economy's Department for Energy, as the state body responsible for energy efficiency, has one single expert covering energy efficiency and very little human resources in general. The Energy Agency should be given a more significant role in drafting energy efficiency by-laws and reporting to the Ministry of Economy and the Secretariat.

The drafting of a completely new Energy Efficiency Law that transposes all three flagship energy efficiency laws - the Energy Efficiency Directive, the Energy Performance of Buildings Directive and the framework Directive on Labelling of Energy-related Products – constitutes major progress during this reporting period. The Law was approved by the Cabinet of Ministers in October 2019, and its adoption by the Parliament is expected by the end of 2019. After that, many existing by-laws and rulebooks will have to be either amended or replaced to enable the implementation of the Law.

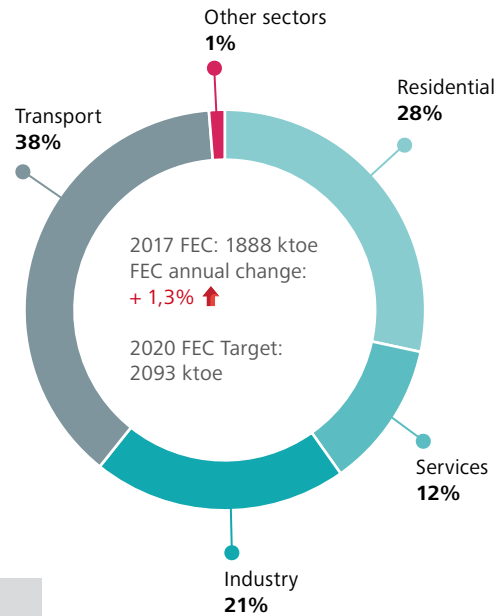
The lack of human capacity in the Ministry of Economy is acute (the sole employee responsible for energy efficiency also covers other energy policy issues), but many donors are supporting the preparation of legal and regulatory acts. The preparation and implementation of the subsequent secondary legislation remains a big challenge despite the technical assistance available. The Energy Agency has more technical expertise on hand, but the coordination and cooperation with the Ministry needs to be improved, especially in the light of the enhanced role of the Agency in the new legal framework.

Energy Efficiency Indicators

Primary Energy Consumption (PEC) in 2017 and trends



Final Energy Consumption (FEC) in 2017 and trends



Energy intensity, 2017 value and trends: 0,34 ktoe/mil EUR, +5,0% ↑

Source: EUROSTAT 2019 data and the Contracting Party's Annual Reports under Directive 2012/27/EU

Implementation of Energy Efficiency Product Regulation Overview

FRAMEWORK DIRECTIVE	Household dishwashers	Fridges and freezers	Household washing machines	Televisions	Air conditioners and fans	Household tumble driers	Electrical lamps and luminaires	Vacuum cleaners	Space heaters	Water heaters & storage tanks	Domestic ovens and range hoods
	●	●	●	●	●	●	●	●	●	●	●

● Adopted and implemented ● Adopted, implementation issues detected ● No progress with adoption/implementation

The new labelling package adopted by the Ministerial Council in November 2018 was not assessed, as the transposition deadline expires in January 2020.

Source: multiple sources of data (EECG reports, NEEAPs etc.), compiled by the Energy Community Secretariat



North Macedonia

Environment

Environment Implementation

Environment Indicators	Transposition Assessment	Implementation Status	Descriptions
Environmental impact assessment (EIA) and strategic environmental assessment (SEA)			Early and effective opportunities for public participation have to be ensured and consultation in the decision-making process needs to be strengthened. A systematic application of strategic environmental assessments for plans and programmes related to network energy is missing.
Sulphur in Fuels			The legislation is in line with the provisions of the Directive. Due to the lack of domestic production, fuels covered by the scope of the Directive are imported from Greece, with regular sampling and analysis taking place at the border.
Large combustions plants and industrial emissions			The NERP is being implemented since January 2018. The emission reductions indicated therein are yet to be carried out in accordance with the timeframes indicated in the NERP and the necessary emission abatement techniques still need to be installed. There are no plants operating under the opt-out regime in the Contracting Party.
Nature protection			Work on the designation of special protected areas has started and the annual programme for nature conservation for 2019 was adopted. Sustainable and long-term funding for protected areas is still missing.

With regard to environmental impact assessment (EIA), the amendments introduced by Directive 2014/52/EU are not transposed yet, including provisions on legally binding timeframes in public participation and decision-making, rules on quality control of EIA reports, provisions to avoid conflict of interest and penalties for non-compliance. The administrative capacities of North Macedonia are still in need of considerable reinforcement in order to be able to ensure that environmental impact assessments are taking place in accordance with the provisions of the Directive and that EIA reports assess the environmental impacts of projects properly.

With regard to strategic environmental assessment, the provisions of the Directive have been fully transposed into national legislation. As regards implementation, there is still no systematic application of strategic environmental assessments for plans and programmes related to network energy, which has to be addressed.

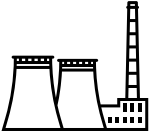
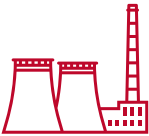

As regards the legislation on the sulphur content of liquid fuels, the competent authorities of North Macedonia implement the sampling and analysis of the fuels falling under the scope of the Directive at the border crossing points where fuels falling under the scope of the Directive are imported. The provisions on marine fuels do not apply to this Contracting Party.

In the area of large combustion plants, the key priority is the proper implementation of the National Emission Reduction Plan (NERP), which started in January 2018. In order to achieve compliance, adequate financing must be allocated for emissions abatement. North Macedonia complied with its emissions reporting obligations for the reporting year 2018. The current emissions from large combustion plants show compliance with the ceiling for nitrogen oxides, while in the case of sulphur dioxide and dust, there is significant non-compliance which has to be addressed.

With regard to the Wild Birds Directive, the Law on Nature Protection provides the rules for the designation of protected areas in North Macedonia and three potential special protected areas have been identified. These shall be designated and effective measures against the deliberate killing or hunting of wild birds, deliberate destruction or damaging nests and eggs and/or removal of their nests are to be established for the protection of endangered species therein. The country has nominated 35 Emerald sites under the Bern Convention. Ensuring the proper functioning of the Emerald Network by introducing and imple-




menting measures against prohibited means and methods of killing, capture and other forms of exploitation of protected species (by e.g. closed seasons or temporary or local prohibition of exploitation) would be beneficial for the future Natura 2000 classification process. Furthermore, whenever projects related to network energy (in particular hydropower projects) are being considered, the obligation to protect the habitats of wild birds has to be duly safeguarded in the environmental assessments of the projects.

Installations under the Large Combustion Plants Directive

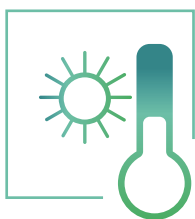
	# of plants falling under the LCPD	8
	of which opted out plants	0
	of which plants falling under the NERP	8

Source: compiled by the Energy Community Secretariat

Total emissions from Large Combustion Plants in 2018

	Total SO ₂ emissions	53.855 tonnes
	Total NO _x emissions	4.737 tonnes
	Total dust emissions	3.586 tonnes

Source: compiled by the Energy Community Secretariat



North Macedonia

Climate

Climate Indicators	Transposition Assessment	Implementation Status	Descriptions
National greenhouse gas emissions monitoring and reporting systems			The national inventory system for GHG emissions meets the reporting principles of the UNFCCC but lacks provisions defining competences. The drafting of a separate Law on Climate Action (including transposition of Regulation (EU) 525/2013) is expected to start by the end of 2019. Work on the Long-term Strategy on Climate Action, consistent with the EU 2030 framework, started in March 2019. A first draft is expected by May 2020.
National Energy and Climate Plans (NECPs)			In March 2019, North Macedonia created a national working group to work on the National Energy and Climate Plan (NECP). The working group meets regularly, its main objective being the harmonization of the country's energy strategy and the ongoing work on the climate strategy with the NECP requirements.

North Macedonia is a non-Annex I party to the United Nations Framework Convention on Climate Change (UNFCCC) and ratified the Paris Agreement in November 2017. It has so far submitted to the UNFCCC three National Communications on Climate Change and two Biennial Update Reports. Currently, the fourth National Communication and third Biennial Update Report to the UNFCCC are in preparation. They will be finalized by December 2019 and cover emissions up to 2016.

North Macedonia's Nationally Determined Contribution (NDC) includes a mitigation scenario with existing policies and measures (WEM) and an ambitious scenario with additional measures (WAM) such as natural gas and geothermal plants, phasing out incandescent light bulbs, and the electrification of transport. WEM indicates a 30% reduction of CO₂ emissions from fossil fuels by 2030, while WAM refers to a 36% CO₂ emissions reduction by 2030, both compared to the business-as-usual scenario.

Almost 80% of the total GHG emissions are CO₂ emissions originating from the energy, buildings and transport sectors. Due to the extensive use of fossil fuels and particularly the dominant share of lignite for electricity production, there is significant potential in the country for policies and measures leading to GHG emissions reduction. Vulnerable sectors and climate change adaptation measures will be addressed by revised future NDCs.

More clearly defined competences and responsibilities of the relevant institutions are necessary to align with the Monitoring Mechanism Regulation. The country should prepare and adopt an overarching Law on Climate Action with no further delay. Also, the results of the energy strategy and the ongoing work on the Long-Term Strategy on Climate Action should be closely coordinated between the Ministry of Economy and the Ministry of Environment and Physical Planning in order to identify synergies and prevent inconsistencies among national strategies on energy and climate. Efforts to mainstream climate action into other sectors need to be intensified.



North Macedonia Infrastructure

Infrastructure Implementation

Infrastructure Indicators	Transposition Assessment	Implementation Status	Descriptions
National competent authority			An analysis conducted by the Ministry of Economy recommended that either a new Council of Strategic Projects within the Government or a department within the Ministry of Transport and Infrastructure is designated as the competent authority.
Manual of procedures			A unified procedure for permitting of infrastructure projects exists. However, it is not in line with Regulation (EU) 347/2013. The manual of procedures, based on Regulation (EU) 347/2013, was drafted but it is yet to be adopted and published.
National regulatory authority involvement			The national regulatory authority did not publish the methodology and the relevant evaluation criteria for investments in electricity and gas infrastructure projects.

As North Macedonia did not transpose Regulation (EU) 347/2013 and failed to designate the national competent authority, it is currently in breach of the infrastructure *acquis*.

The Ministry shall, based on Secretariat's recommendations, prepare a legal act which will ensure transposition of Regulation (EU) 347/2013.

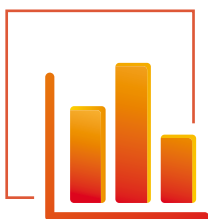
PECI/PMI projects

Electricity: 1

PECI: 1

PECI: 1
PMI: 1

Gas: 2



North Macedonia

Statistics

Statistics Implementation

Statistics Indicators	Transposition Assessment	Implementation Status	Descriptions
Annual statistics			The annual questionnaires for 2017 and the questionnaire on final energy consumption of households were transmitted to EUROSTAT.
Monthly statistics			All monthly data are transmitted in accordance with the <i>acquis</i> ; only short-term monthly data are not provided on time.
Quality report			The quality report on energy statistics was published.
Price statistics			Price statistics for electricity and natural gas for 2018 were compiled and transmitted in accordance with the <i>acquis</i> .

The State Statistical Office (SSO) is responsible for the compilation of official statistics and coordination of all statistical activities in the country. Annual data are compiled and disseminated in questionnaires for coal, oil, natural gas, electricity, heat and renewable energy.

The annual questionnaires are communicated to EUROSTAT timely and in compliance with the *acquis*.

Disaggregated data on residential consumption of energy for 2017 were reported and transmitted to EUROSTAT, but still not released in the EUROSTAT database.

SSO releases monthly energy statistics on electricity, natural gas, oil and petroleum products and solid fuels. SSO collects and submits to EUROSTAT monthly energy statistics which are subsequently published by EUROSTAT. North Macedonia is the only Contracting Party which collects and disseminates short-

term monthly data as defined in Annex D of the Regulation (EC) 1099/2008.

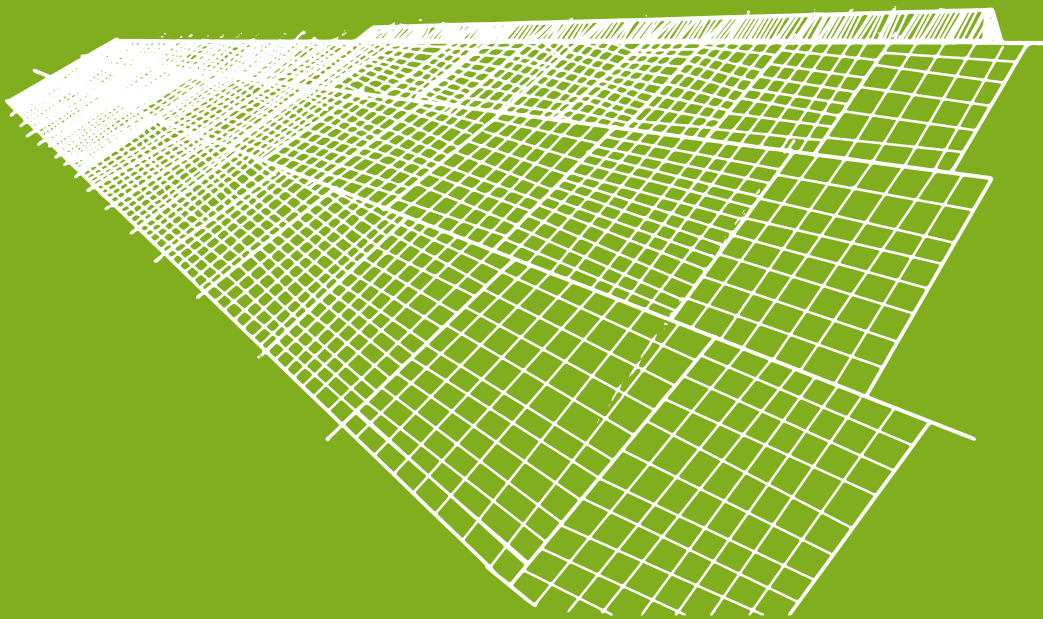
SSO has already established a quality system for producing quality reporting as required under the Energy Community Treaty and a corresponding quality report was submitted to EUROSTAT.

Prices of electricity charged to industrial end-users and households and prices of natural gas charged to industrial end-users are compiled and submitted to EUROSTAT, as well as the breakdown of prices per component, pursuant to the *acquis*.

North Macedonia has transposed and implemented key requirements of the energy statistics *acquis* whereas only timeliness of monthly data and quality of collections has to be permanently improved in accordance with best practices and statistical standards.

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Serbia






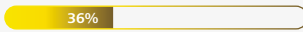














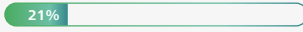












Serbia

Summary Implementation

Summary Indicators	Transposition Assessment	Implementation Status	Descriptions
 Electricity		 70%	Implementation in the electricity sector of Serbia is well advanced.
 Gas		 36%	Implementation in the gas sector of Serbia is still at an early stage.
 Oil		 58%	Implementation in the oil sector of Serbia is moderately advanced.
 Renewable Energy		 54%	Implementation in the renewable energy sector of Serbia is moderately advanced.
 Energy Efficiency		 73%	Implementation in the energy efficiency sector of Serbia is well advanced.
 Environment		 65%	Implementation in the environment sector of Serbia is well advanced.
 Climate		 21%	Implementation in the climate sector of Serbia is still at an early stage.
 Infrastructure		 46%	Implementation in the infrastructure sector of Serbia is moderately advanced.
 Statistics		 90%	Implementation in the statistics sector of Serbia is almost completed.

Overall number of cases: **5**

ECS-9/13S Gas

ECS-10/17 Gas

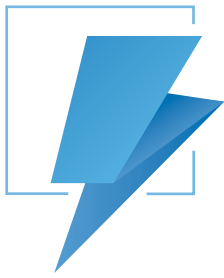
ECS-13/17 Gas

Procedure by Article **91**

Procedure by Article **92**

ECS-3/08S Electricity

ECS-4/13S Environment



Serbia Electricity

Electricity Implementation

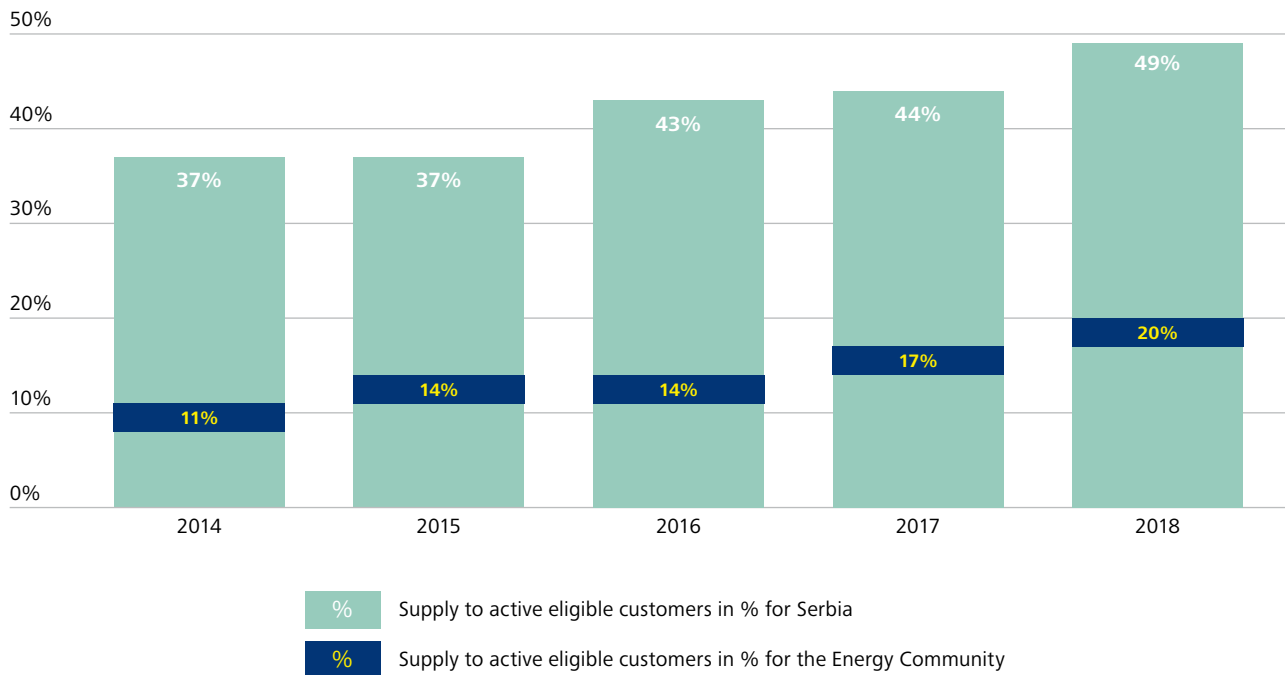
Electricity Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			The transmission and distribution system operator unbundling is still to be completed. The regulator's decision on certification is not in line with the Secretariat's Opinion and needs to be reviewed. Distribution is not functionally unbundled.
Access to the networks			Non-compliance with regard to usage of congestion income from allocation of capacities on the interconnectors with Albania, Montenegro and North Macedonia has been established by the Ministerial Council. Regionally coordinated capacity allocation does not apply, except for interconnections with Bulgaria and Croatia.
Wholesale market			The wholesale market is fully deregulated. Competition in the bilateral and the day-ahead market increased, whereas in the balancing market it is still to be developed.
Retail market			The retail market is formally open but still dominated by the incumbent. Only small customers and households are entitled to regulated prices, the level of which impedes the development of competition.
Regional integration			The resolution of the dispute between the transmission system operators of Serbia and Kosovo* is still pending. Cross-border exchange of balancing energy is implemented bilaterally. The Connection Network Codes have not been transposed yet.

Progress made by Serbia in the development of the electricity market and its integration remains limited due to the lack of progress in unbundling of system operators and in resolving the long-standing dispute between the transmission system operators of Serbia and Kosovo*, EMS and KOSTT. The dispute was expected to be resolved by the end of May 2019 according to the Ministerial Council's decision in Case ECS-3/08, requiring Serbia to rectify the breach of Energy Community law, and both Serbia and Kosovo* to make their best efforts to find a solution. However, the licensing of a Serbian supplier in Kosovo*, which is a precondition for the entry into force of the Connection Agreement between ENTSO-E and KOSTT, has not materialized and negotiations are currently blocked. EMS continues to allocate capacities on the interconnectors with Albania, Montenegro and North Macedonia in breach of the *acquis*. EMS is still not allocating cross-border transmission capacities through a regional platform for coordinated capacity allocation, except on the borders with Bulgaria and Croatia for which it is performed through the Joint Auction Office (JAO).

The regulator certified the transmission system operator EMS as compliant with ownership unbundling in breach of the Electricity Directive. The regulator has not reopened the certification procedure in order to allow the Secretariat to take into account an amendment to the Law on Ministries.

Legal unbundling of distribution system operator EPS Distribution from supply has been finalized, however, functional unbundling has not been completed yet. Consequently, the issuance of the license for distribution system operation by the country's regulator AERS is still pending. Since its annual compliance report of 30 June 2017, which concluded that independence of the distribution subsidiary of EPS in terms of organisation and decision-making still does not exist and that the compliance programme is still not implemented, no follow-up report has been published.

Retail Market Opening



Source: Ministry of Mining and Energy

Full deregulation of wholesale prices and a functional organised market, operated by the power exchange SEEPEX, resulted in notably improved competition and traded volumes. In the bilateral market, the Herfindahl-Hirschman index decreased to less than 700. In the day-ahead market, the trading volume increased by 174% in 2018. Futures for the Serbian market were introduced by EEX in 2019. The balancing market still lacks competition. The regulator's report set a basis for continuing the regulation of the balancing reserve price for this reason. No measures were undertaken to improve competition in the balancing market. New Rules on Publication of Key Market Data, transposing Regulation (EU) 543/2013 on submission and publication of data in electricity markets, are in force as of 1 September 2019. Full compliance with regard to publication of generation data will require amendments to the Energy Law.

The retail market is fully liberalised but still highly concentrated due to the dominant position of the incumbent supplier EPS, both on the free market, with a share of more than 96% of electricity supplied, and as a guaranteed supplier, which results in an overall share of more than 98% of total electricity supplied. EPS was appointed as a guaranteed supplier in a non-market-based

procedure and its supply prices are below a competitive and economically justifiable level. The gap between regulated and market prices, as well as the high share of absolute and energy poverty, were identified in the regulator's 2018 report on price regulation and used as a reasoning for continuing regulation of guaranteed supply.

Serbia is participating in a regional project for day-ahead market coupling with Montenegro, Albania and Italy, however, no tangible results have been made. In February 2019, a project for market coupling of Bulgaria, Croatia and Serbia was initiated. EMS is exchanging balancing energy from a manually activated frequency restoration reserve on a bilateral basis with the transmission system operators of Montenegro and Bosnia and Herzegovina.

The transposition of the Connection Network Codes requires adoption of an amendment to the Energy Law. However, the transmission system operator has attempted to partially include them into the draft Grid Code, submitted to the regulator for approval.



Serbia

Gas

Gas Implementation

Gas Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			The daughter company of Srbijagas, Transportgas Srbija, which was established with a view to becoming the transmission system operator, is not even unbundled under the Second Energy Package, let alone certifiable. The certification of the transmission system operator Yugorosgaz Transport was revoked and its proper unbundling is pending again. The distribution system operator regime is in line with the Third Energy Package de minimis clause.
Access to the networks			An entry/exit transmission tariff methodology with individual tariffs is implemented for both entry/exit zones in Serbia. Tariffs of Banatski Dvor are not applied. Srbijagas excluded the allocation of its capacities at the interconnection point Horgos with Hungary. Gastrans was exempted from third party access and tariffs in contravention of the <i>acquis</i> .
Wholesale market			The virtual trading point is not operational. The wholesale market is formally deregulated, yet fully monopolized by Gazprom and Srbijagas. No liquidity measures were adopted in the Exemption Decision on Gastrans.
Retail market			All customers are eligible, and supply prices are deregulated for all customers except prices of public supply for households and small customers. A security of gas supply by-laws package was adopted.
Interconnectivity			There are operational interconnection agreements with the Hungarian transmission system operator and with one of the transmission system operators in Bosnia and Herzegovina.

The majority of Third Energy Package provisions are transposed by the Energy Law of 2014. During this reporting period, nevertheless, the existing breaches of the core provisions of the *acquis* were further magnified, underlining Serbia's poor implementation record in the gas sector. The gap between the transposition of law and its implementation in Serbia is widening each year. On the positive side, Serbia adopted a package of security of supply by-laws going even beyond its current obligations under the Energy Community Treaty.

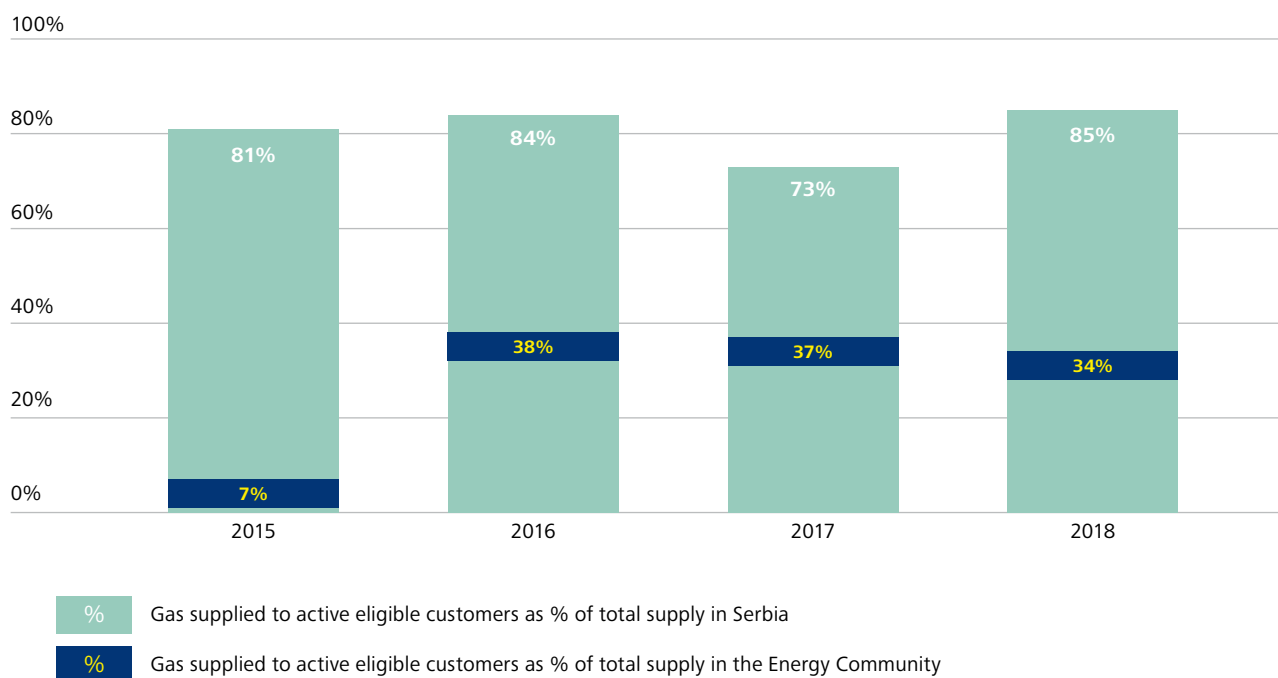
Srbijagas continues to be engaged in both supply and transmission. The failure of the numerous action plans on unbundling of Srbijagas is evident. This is confirmed by the rejection of the country's regulator AERS to issue a certification to Transportgas

Srbija, which acts as a shell company and is not functionally unbundled from its parent Srbijagas.

The regulator revoked the certification of Yugorosgaz Transport, which clearly demonstrated evident non-compliance with Third Energy Package principles. However, no other solution was found, and the lack of unbundling of this operator is subject to another infringement case.

Srbijagas excluded the allocation of capacities at the only interconnection point Horgos, without a relevant justification. This further forecloses an already highly concentrated gas market, and represents another outright breach of the *gas acquis*. Srbijagas continues to enjoy and abuse its excessive share in the

Retail Market Opening



Source: Energy Agency of the Republic of Serbia (AERS), compiled by the Energy Community Secretariat

wholesale and retail markets, where space for new entrants is virtually non-existent.

The majority of gas supply is imported under an intergovernmental agreement signed between Serbia and Russia in 2012 valid until 2021. The agreement included a destination clause, which constituted a restriction of the territory to which the gas may be sold. The Parliament approved the deletion of the destination clause on 27 September 2018 following infringement procedures by the Secretariat, thus removing a barrier to energy competition and trade in the region.

In retail gas supply, Srbijagas is also the dominant market player, accounting for some 87% of total natural gas sales in 2017. The second biggest supplier had only 3% of the retail market share. In principle, the retail market in Serbia is deregulated. The rest of the market (household customers and some small consumers) is supplied under regulated prices by 33 public suppliers. The percentage of total sales to customers who switched their supplier decreased from 3,7% in 2016 to 0,9% in 2017.

Gastrans, a company owned by South Stream Serbia (51% Gazprom, 49% Srbijagas), has been granted an exemption by the regulator from the provisions of the Third Energy Package related to unbundling, third party access and tariff regulation. In its Opinion, the Secretariat requested a number of conditions to ensure the project does not perpetuate foreclosure of the Serbian market. In particular, it called for the possibility for new market entrants to access a significant share of the pipeline capacity via auctions on a long-term basis and a gas release programme by the Gastrans shareholders. The national regulator's final exemption decision diverts from the Secretariat's Opinion by allowing the part of the non-exempted capacity to be accessible to booking only to participants in the non-binding market test, and by not requiring additional remedies. The gas market will remain foreclosed without such measures in place. Gastrans applied for certification and drafted a network code.

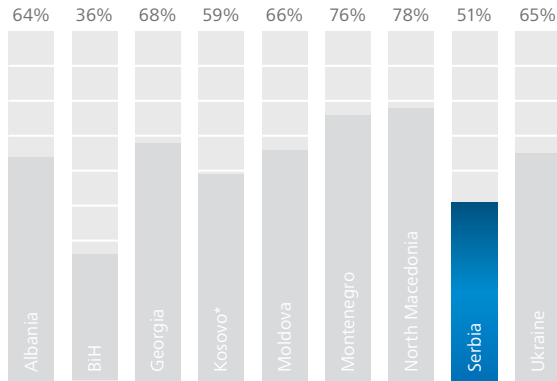


Serbia

National Authorities



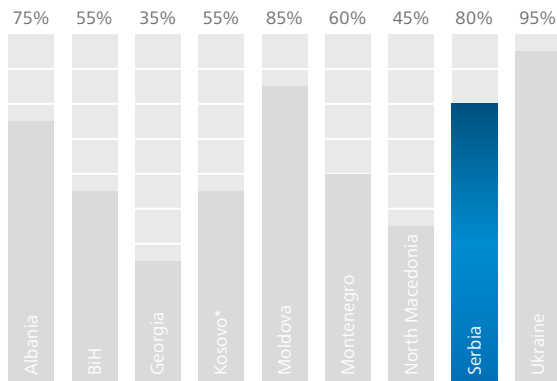
Regulatory Authority



The performance of the Energy Agency of the Republic of Serbia (AERS) is beyond doubt when it comes to technical aspects of market regulation. On regional level, AERS can look back on a stable history of active engagement in ECRB. Since 2015, however, AERS struggles to enforce unbundling of the incumbents Srbijagas, EMS and Yugorosgaz. Several positive certification decisions issued by the regulator despite clear non-compliance with the rules affect the regulator's performance. The withdrawal of the certification of Yugorosgaz is a positive signal but leaves the company operating without a valid license. In the gas sector, AERS fails to enforce third party access at the interconnection with Hungary. The exemption decision for Gastrans ignored key elements of the Secretariat's Opinion and leads to a situation where this section of the TurkStream II pipeline is operated in contravention of the *acquis*. AERS envisages to include the electricity Network Code Regulations into national rules even without formal transposition of these rules that would allow for enforcement by AERS.



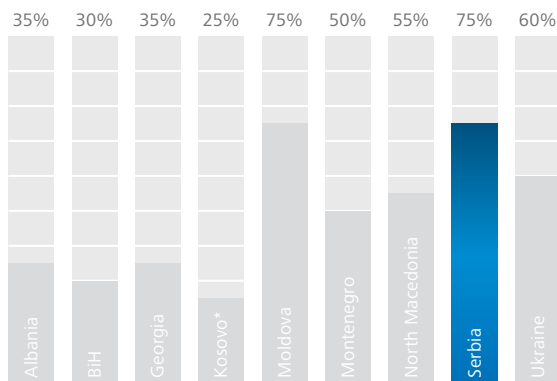
Competition Authority



Competition law in Serbia is enforced by the Commission for Protection of Competition (CPC). CPC conducted a sector inquiry into the oil derivatives retail market in 2017 and undertook an assessment of the competitive conditions on this market in 2019. However, no anti-competitive conduct was identified. Effective follow-up to these inquiries is lacking. CPC has not rendered any decisions regarding anti-competitive conduct in the energy sectors; in particular, there are no enforcement activities in the electricity and gas sectors.



State Aid Authority



The body in charge of the enforcement of State aid law is the Commission for State Aid Control. It is assisted by the Department for State Aid Control, established within the Ministry of Finance. In the reporting period, the Commission for State Aid Control reviewed and cleared the decree on incentive measures for electricity from renewable sources and high-efficiency electricity and heat production which need to be brought in line with the compatibility criteria of the Guidelines on State aid for environmental protection and energy 2014 - 2020. Apart from this decision, the Commission for State Aid Control has not rendered any decision in the energy sectors in the reporting period.



Serbia Oil

Oil Implementation

Oil Indicators	Transposition Assessment	Implementation Status	Descriptions
Stockholding obligation			The emergency oil stocks obligation in Serbia, calculated based on inland consumption, covers an estimated number of 19 days. During 2018 and 2019, activities on the formation of emergency oil stocks reserves continued with two public procurements taking place.
Availability and accessibility			The Law on Commodity Reserves stipulates that emergency stocks must be physically available at all times and cannot be subject to any measures that would limit their availability. Storages and infrastructure for receiving and shipment of emergency stocks must be functional and properly maintained at all times.
Reporting			There is no reporting information from Serbia despite an obligation in primary and secondary legislation. The Law on Commodity Reserves stipulates that the Ministry in charge of energy shall prescribe the content and manner of keeping the register, as well as the deadlines and manner of submitting data in compliance with international obligations. The Joint Organisations Data Initiative (JODI) Questionnaire is not submitted to the Secretariat.
Emergency procedures			The Emergency Response Plan was approved. It includes procedures and criteria for the identification of a supply disruption, the authority and responsibility to eliminate supply disruptions and the procedures for the normalization of supply to the Serbian market.

Emergency oil stocks in Serbia are regulated by the 2013 Commodity Reserves Law. With this Law, Serbia transposed the key provisions of the Oil Stocks Directive. Two new by-laws were adopted at the end of 2018 and in 2019, the Decree on Emergency Response Plan and the Rulebook on Defining the Yearly Programme of Emergency Oil. Establishing an emergency oil stocks register is in progress.

During 2018 and 2019, activities on the formation of emergency oil stocks reserves continued. Two public procurements took place, one on the purchase of crude oil in the amount of 16.000 tonnes and petroleum products (EURO Diesel) in the amount of 6.000 tonnes and one on the optional contract (ticket) for 50.000 tonnes of petroleum products. For now, the estimated number of days of emergency reserves calculated based on inland consumption is still the same as the previous year.

In April 2018, the Monthly Oil and Gas Questionnaire was adopted by EUROSTAT. All Energy Community Contracting Parties are included in the statistical methodology. According to the methodology, the Contracting Parties can hold emergency stocks only on the territory of other Contracting Parties in order to fulfill the obligation under the Oil Stocks Directive. Serbia will very likely not be able to fulfill its obligations without holding part of its emergency stocks outside the territory of the Energy Community Contracting Parties.

EUROSTAT's methodology is likely to amount to a barrier under Article 41 of the Treaty, by excluding contracts with EU Member States on the storage of oil stocks.



Serbia

Renewable Energy

Renewable Energy Implementation

Renewable Energy Indicators	Transposition Assessment	Implementation Status	Descriptions
National Renewable Energy Action Plan			Serbia might not recover from the delay in the implementation of its National Renewable Energy Action Plan, despite 247 MW of additional wind connected to the grid during 2018. In 2017, the share of energy from renewable sources was 20,6%, well below the 25% indicative trajectory for 2017 - 2018.
Quality of support schemes			The introduction of auctions is still pending. The support system remains based on feed-in tariffs and power purchase agreements signed between the market operator and the privileged producers for twelve years.
Grid integration			Guaranteed access for electricity or gas produced from renewable sources is not provided by the 2015 Energy Law. There are no rules on renewable energy self-consumption for distributed generation to encourage and enable customers to become prosumers.
Administrative procedures			The investors' guides for various renewable energy technologies have been updated. The administrative procedures for permitting, construction and licensing remain quite lengthy and burdensome despite several simplification rounds.
Renewable energy in transport			None of the relevant provisions of Directive 2009/28/EC have been transposed. Serbia is completely non-compliant with Directive 2009/28/EC in the transport sector. Only the 10% target is included in its National Renewable Energy Action Plan.

Serbia has not advanced the reform process of the renewable energy framework in the reporting period. More efforts to finalize the transposition of the renewables *acquis* and amend the Energy Law are necessary. Implementation in practice remains to be achieved.

As the only Contracting Party with an operational day-ahead market, Serbia could easily comply with the Guidelines on State aid for environmental protection and energy 2014 - 2020 enabling a swift transition to a feed-in premium support scheme. Amendments to the Energy Law are also needed to guarantee access to the grid for electricity produced from renewable sources.

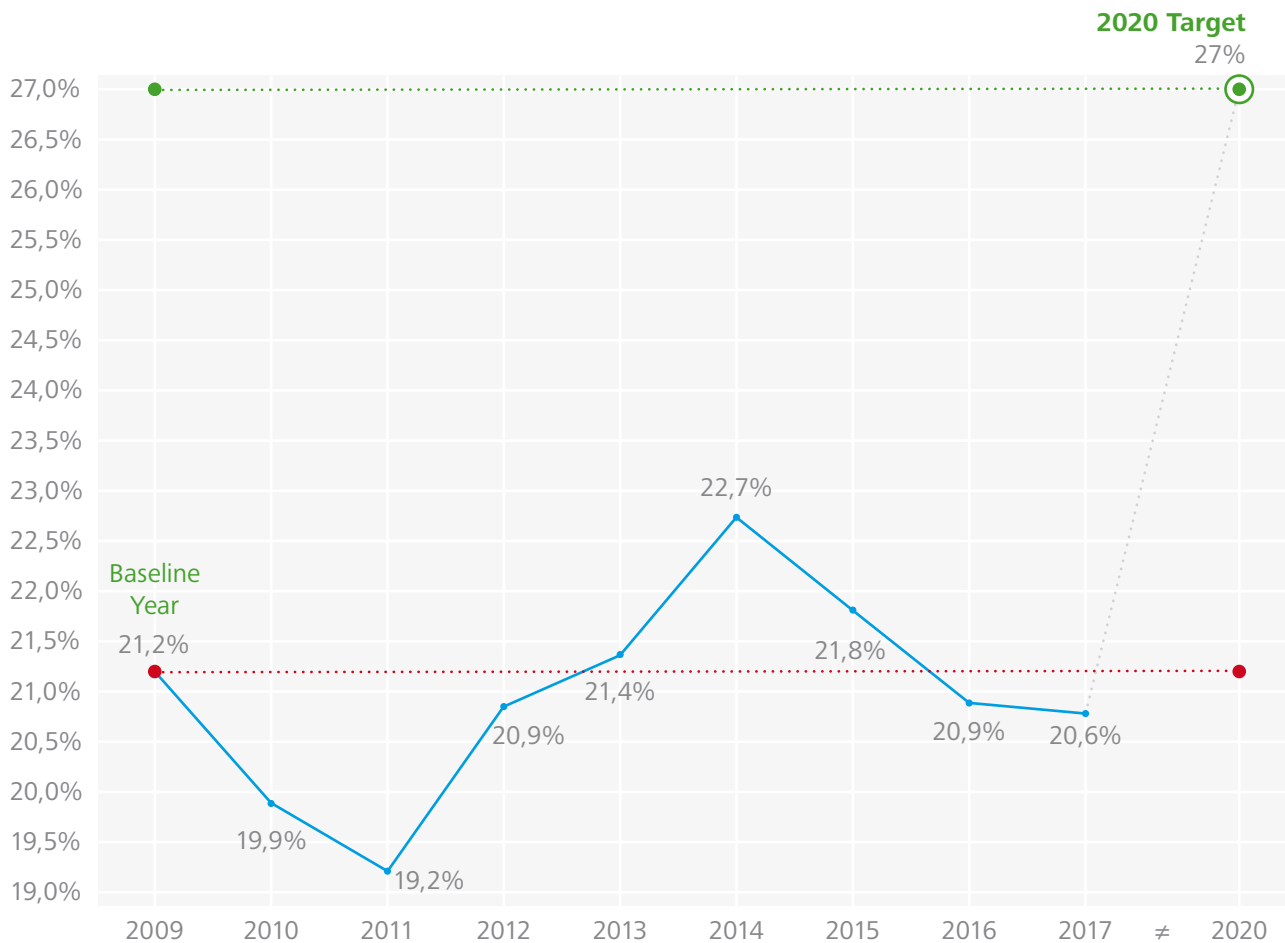
The administrative procedures for permitting, construction and licensing need to be coordinated and streamlined. Furthermore,

the system of issue, transfer and cancelation of guarantees of origin has to be fully implemented. Compatibility with the standardised European Energy Certificate System and membership in the Association of Issuing Bodies remains to be achieved.

Renewable energy self-consumption of distributed renewable generation has to be allowed under the legislation to encourage and enable customers to become prosumers.

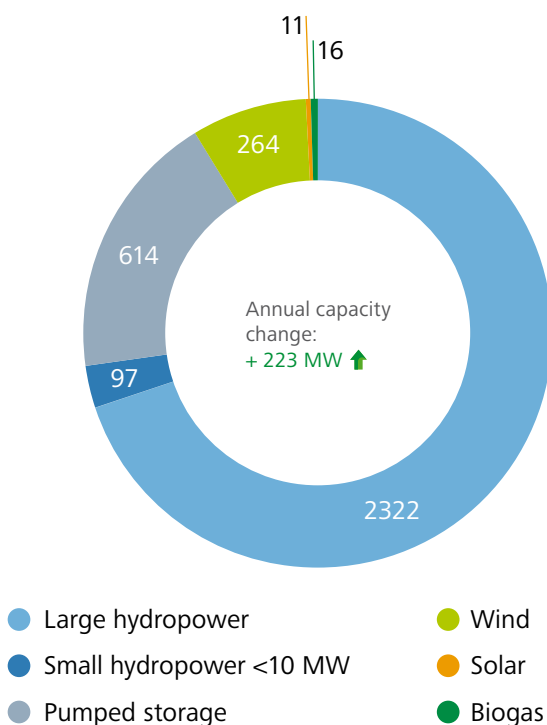
Despite being an obligation under the Energy Law, the sustainability criteria for biofuels have not been adopted. The actual share of energy from renewables in the transport sector, constituting 1,2% in 2017, comes exclusively from renewable electricity used in transport. The inter-sectoral working group created to develop the missing regulations has not finalised the drafts.

Shares of Energy from Renewable Sources



Source: EUROSTAT and Statistical Office of the Republic of Serbia (SORS)

Total Capacities of Renewable Energy 2018 (MW)



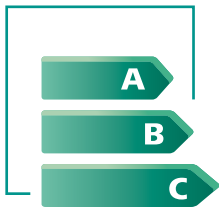
Source: Ministry of Mining and Energy

In 2017, Serbia achieved a mere 20,6% share of renewable energy in gross final energy consumption. This is not only below the 25% median trajectory for 2017 - 2018 but it is even lower than the renewable energy share of 21% in the 2009 baseline year. This is due to increased final energy consumption and delayed investments in newly added renewable energy capacities by the end of 2017.

To enable a cost-effective achievement of the 2020 renewable energy target, Serbia must introduce renewable energy auctions, if possible technology neutral, and disregard the capacity caps per technology included in its National Renewable Energy Action Plan. The decreased cost of renewable energy technologies in the past years could be captured to the benefit of Serbia's energy consumers and foster the clean energy transition.

Total capacities of renewable energy (MW):

3324



Serbia

Energy Efficiency

Energy Efficiency Implementation

Energy Efficiency Indicators	Transposition Assessment	Implementation Status	Descriptions
National Energy Efficiency Action Plans and Targets			The new NEEAP is still under preparation. The 2020 cap consumption target was reported in the first Annual Report under the Energy Efficiency Directive. While the Directive's Article 5 renovation target was officially adopted in August 2018, the adoption and official notification of the Article 7 target for obligation schemes is still pending.
Energy efficiency in buildings			Little progress has been achieved regarding the implementation of Directive 2010/31/EU. A revision of the current regulation is underway to achieve full compliance with the Energy Performance of Buildings Directive.
ESCO market development and financing			An enabling legal framework for energy performance contracting is in place and the implementation of energy service company (ESCO) projects in buildings, public lighting and district heating is ongoing. The state financing for energy efficiency has been improved.
Energy efficient products - labelling			The framework directive and eleven out of the twelve delegated acts are being implemented. In September 2018, the Rulebook for the energy labelling of water heaters, hot water storage tanks and packages of water heater and solar device was adopted.
Institutional capacities			The two ministries in charge have a clear division of responsibilities in the design and implementation of energy efficiency policy, and there is a plan to create a national fund for energy efficiency by the end of 2019. Implementation and enforcement capacities are still weak. Human resources dedicated to energy efficiency should be increased.

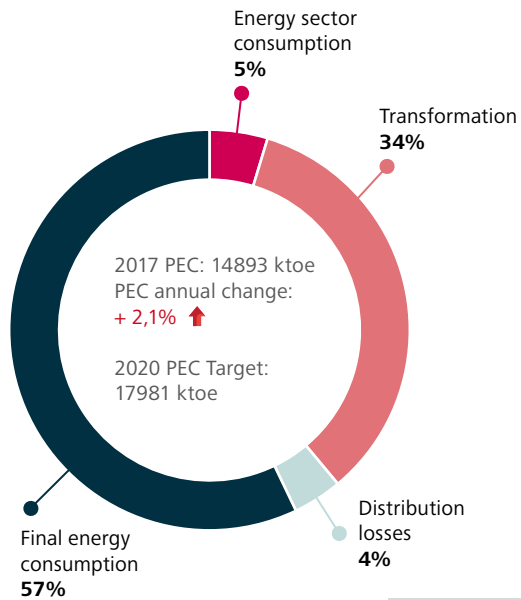
Serbia achieved certain progress towards the implementation of national energy efficiency legislation with the adoption of by-laws implementing the Law on Efficient Use of Energy and the regulations on labelling of certain energy related products. Nevertheless, additional secondary legislation, mainly linked to the buildings *acquis*, is still missing and should be adopted without delay.

The first priority for Serbia in the forthcoming period remains the transposition of the Energy Efficiency Directive, either through amending the Law on Efficient Use of Energy or through a new law on energy efficiency.

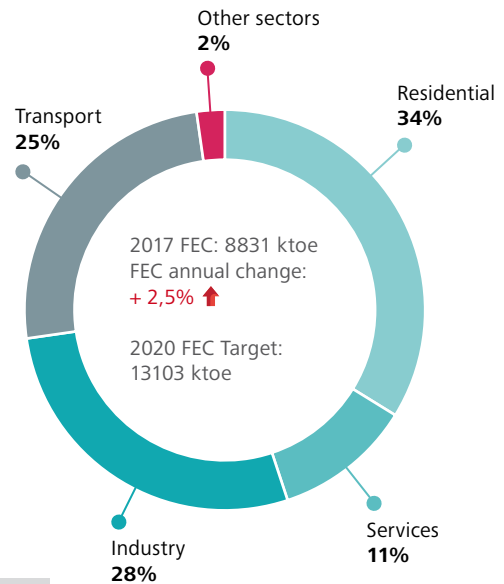
The second priority should be the full implementation of the Energy Performance of Buildings Directive and adoption of the remaining delegated regulations for labelling of energy-related products, in accordance with the Ministerial Council Decision of November 2018.

Energy Efficiency Indicators

Primary Energy Consumption (PEC) in 2017 and trends



Final Energy Consumption (FEC) in 2017 and trends



Energy intensity, 2017 value and trends:
0,45 ktoe/mil EUR, -0,04% ↓

Source: EUROSTAT 2019 data and the Contracting Party's Annual Reports under Directive 2012/27/EU

Implementation of Energy Efficiency Product Regulation Overview

FRAMEWORK DIRECTIVE	Household dishwashers	Fridges and freezers	Household washing machines	Televisions	Air conditioners and fans	Household tumble driers	Electrical lamps and luminaires	Vacuum cleaners	Space heaters	Water heaters & storage tanks	Domestic ovens and range hoods
	●	●	●	●	●	●	●	●	●	●	●

● Adopted and implemented ● Adopted, implementation issues detected ● No progress with adoption/implementation

The new labelling package adopted by the Ministerial Council in November 2018 was not assessed, as the transposition deadline expires in January 2020.

Source: multiple sources of data (EECG reports, NEEAPs etc.), compiled by the Energy Community Secretariat



Serbia Environment

Environment Implementation

Environment Indicators	Transposition Assessment	Implementation Status	Descriptions
Environmental impact assessment (EIA) and strategic environmental assessment (SEA)			Serbia has not yet transposed Directive 2014/52/EU. Quality control mechanisms of environmental reports need improvement and the authorities have to provide effective opportunities for the public to participate in decision-making. A systematic application of strategic environmental assessments is missing.
Sulphur in Fuels			Serbia is under infringement for not rectifying the breach confirmed by a Decision of the Ministerial Council fully.
Large combustions plants and industrial emissions			National legislation allows for the proper implementation of the Directives. The NERP is still not adopted by the Government, meaning that the plants have to comply with the Directive's emission limit values individually.
Nature protection			Implementation of the Wild Birds Directive is based on the Law on Nature Protection and carried out by the Ministry of Environmental Protection and the Institutes for Nature Conservation of Serbia and of the Vojvodina Province. Administrative capacities need substantial strengthening to effectively enforce the protective measures for wild birds.

Environmental assessments are carried out at the central and local level, with the Ministry of Environmental Protection responsible for procedures with a potential transboundary impact. The Ministry maintains a register of environmental impact and strategic environmental assessments on its website. The adoption of legislation on environmental impact assessment in order to comply with Directive 2014/52/EU, which was expected to be finalised by the end of 2018, was delayed.

With regard to strategic environmental assessment, carrying out the procedure for the National Emission Reduction Plan (NERP) was an important step for implementation. Yet the timeframes provided for public participation were not sufficient to comply with the Directive. Strategic environmental assessments are not being carried out in a systematic manner.

As regards the sulphur content of liquid fuels, Serbia has failed to comply with the decision of the Ministerial Council of 2016 and complete the transposition and ensure effective implementation of the 1.00% sulphur threshold for heavy fuel oil. The Ministerial Council established the existence of a serious and persistent breach of Energy Community Law by the Contracting Party in November 2018. At the same time, the transposing national legislation's provisions on heavy fuel will enter into force at the end of December 2019, thereby rectifying the breach.

Four large combustion plants are operating under the opt-out regime since 1 January 2018. These plants will be able to remain in operation for a maximum of 20.000 operational hours between 1 January 2018 and 31 December 2023. Based on their current load factor, three out of the four opted-out plants will reach the end of their 20.000 hours before December 2023. Serbia complied with its reporting obligations under the Large Combustion Plants Directive by submitting its emissions data to the European Environment Agency. Given the lack of adoption of the NERP, large combustion plants have to comply with the emission limit values of the Directive on an individual basis.




With regard to nature protection, Serbia has nominated 61 candidate sites under the Bern Convention during the last reporting period for inclusion in the Emerald Network. Following the adoption of these sites, ensuring their proper functioning by introducing and implementing measures against prohibited means and methods of killing, capture and other forms of exploitation of protected species (by e.g. closed seasons or temporary or local prohibition of exploitation) would be beneficial for their future Natura 2000 classification process. The inadequate planning and environmental assessments of small hydropower plants and other facilities in protected areas is a major problem also with regard to the implementation of nature protection legislation, which has to be addressed by the competent authorities.

Installations under the Large Combustion Plants Directive

	# of plants falling under the LCPD	17
	of which opted out plants	4
	of which plants falling under the NERP	13

Source: compiled by the Energy Community Secretariat

Total emissions from Large Combustion Plants in 2018

	Total SO ₂ emissions	358.481 tonnes
	Total NO _x emissions	40.631 tonnes
	Total dust emissions	9.723 tonnes

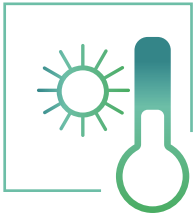
Source: compiled by the Energy Community Secretariat

Amount of operational hours used from opt-out period

Termoelektrana Morava 	Expected expiry of opt-out period:*	July 2022
	Remaining hours	15.579
	Operating hours consumed in 2018	4.421
Termoelektrana Kolubara A3 (boiler 1) 	Expected expiry of opt-out period	June 2022
	Remaining hours	15.513
	Operating hours consumed in 2018	4.487
Termoelektrana Kolubara A3 (boilers 3, 4, 5) 	Expected expiry of opt-out period	July 2021
	Remaining hours	14.356
	Operating hours consumed in 2018	5.644
Termoelektrana Kolubara A5 	Expected expiry of opt-out period	December 2023
	Remaining hours	17.325
	Operating hours consumed in 2018	2.675

*Calculations for the expected expiry of the opt-out period are based on the current load factor. 1 January 2018 marks the beginning of the opt-out period.

Source: compiled by the Energy Community Secretariat



Serbia Climate

Climate Indicators	Transposition Assessment	Implementation Status	Descriptions
National greenhouse gas emissions monitoring and reporting systems			Serbia's draft Climate Change Law is in line with the climate <i>acquis</i> and the Monitoring Mechanism Regulation contains specific provisions on the GHG inventory, low carbon development strategies as well as policies, measures and GHG projections. Its adoption is expected by the end of 2019. Adoption of the National Climate Change Strategy, supported by an action plan, which was drafted in July 2016 is planned by early 2020. The modelling exercise was completed in 2019.
National Energy and Climate Plans (NECPs)			A national working group on the NECP has not been set up yet and the preparatory work on the analytical and technical aspects of the NECP (reference and policy scenarios, templates) still needs to be launched.

Serbia is a non-Annex 1 member to the UNFCCC and ratified the Paris Agreement in May 2017. It submitted two National Communications on climate change (2010, 2017) and one Biennial Update Report in 2016. In its Nationally Determined Contribution (NDC), the country made a pledge to reduce greenhouse gas emissions by 9,8% by 2030 compared to 1990 levels. The NDC will be updated by 2021 (for the period 2021 - 2030) and informed by the National Climate Change Strategy of Serbia.

A Climate Change Law was drafted over the past year and is expected to be adopted by the end of 2019.

With regard to data quality and data availability for the GHG inventory, doubts remain on data verification, which is carried out mainly by the Environmental Protection Agency.

Some progress was made on the institutional side, since the new Ministry of Environmental Protection has now a dedicated Department on Climate Change with two units, one for mitigation and one for adaptation. Yet, the overall human resources dedicated to climate action have increased.

The timely adoption of climate change legislation and the finalization of the National Low Carbon Development Strategy represent the two key priorities for Serbia in the upcoming period. In addition, work on the preparation of the National Energy and Climate Plan (NECP) should be launched with no further delay. Coordination of national policies and strategies on energy and climate should be prioritized, in compliance with Recommendation 2018/01/MC-EnC, in order to identify synergies and prevent inconsistencies.



Serbia Infrastructure

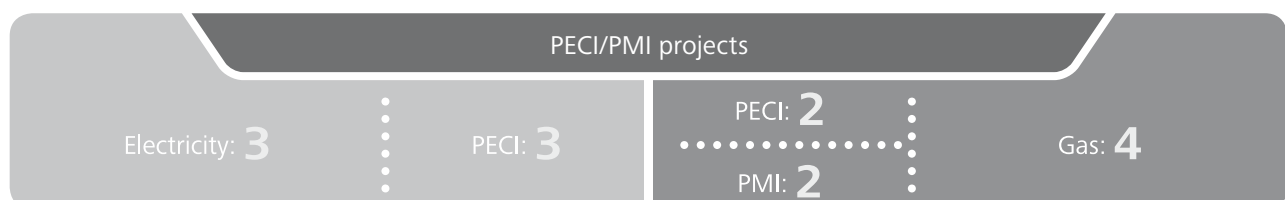
Infrastructure Implementation

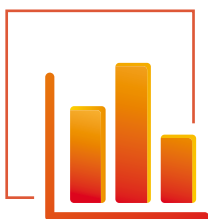
Infrastructure Indicators	Transposition Assessment	Implementation Status	Descriptions
National competent authority			The Programme for the Implementation of the Energy Development Strategy by 2025 defines the national competent authority as an inter-ministerial Working Group on Strategic Energy Projects.
Manual of procedures			Currently, there is no manual of procedures for the permitting process of Projects of Energy Community Interest or Projects of Mutual Interest.
National regulatory authority involvement			The regulator drafted but not yet adopted and published the methodology.

In October 2017, the Government adopted the Programme for the Implementation of the Energy Development Strategy by 2025 for the period 2017 - 2023 by which Regulation (EU) 347/2013 was transposed.

The national competent authority should start reporting on the

projects to the PECE Groups and the Secretariat immediately. It should also prepare and publish the manual of procedures as defined by Regulation (EU) 347/2013. The national regulatory authority AERS must adopt and publish the methodology and criteria to be used to evaluate investment in electricity and gas projects and the higher risks incurred by them without delay.





Serbia Statistics

Statistics Implementation

Statistics Indicators	Transposition Assessment	Implementation Status	Descriptions
Annual statistics			The five annual questionnaires and the questionnaire on final energy consumption of households for 2017 were transmitted to EUROSTAT.
Monthly statistics			Monthly oil data and short-term monthly data are not transmitted to EUROSTAT.
Quality report			The quality report on energy statistics was published.
Price statistics			Price statistics for electricity and natural gas for 2018 were compiled and transmitted in accordance with the <i>acquis</i> .

The central body responsible for energy statistics is the Statistical Office of the Republic of Serbia (SORS). SORS collects, compiles and disseminates annual energy statistics. Data is available on the website of SORS and is transmitted to EUROSTAT. Annual energy statistics are published by EUROSTAT. Disaggregated data on energy consumption of households are compiled and transmitted to EUROSTAT in due time.

SORS has established a quality management system based on written procedures and policies. The quality reports for statistical surveys are submitted to EUROSTAT.

SORS is responsible for disseminating monthly data. The monthly electricity, coal and natural gas data are collected and trans-

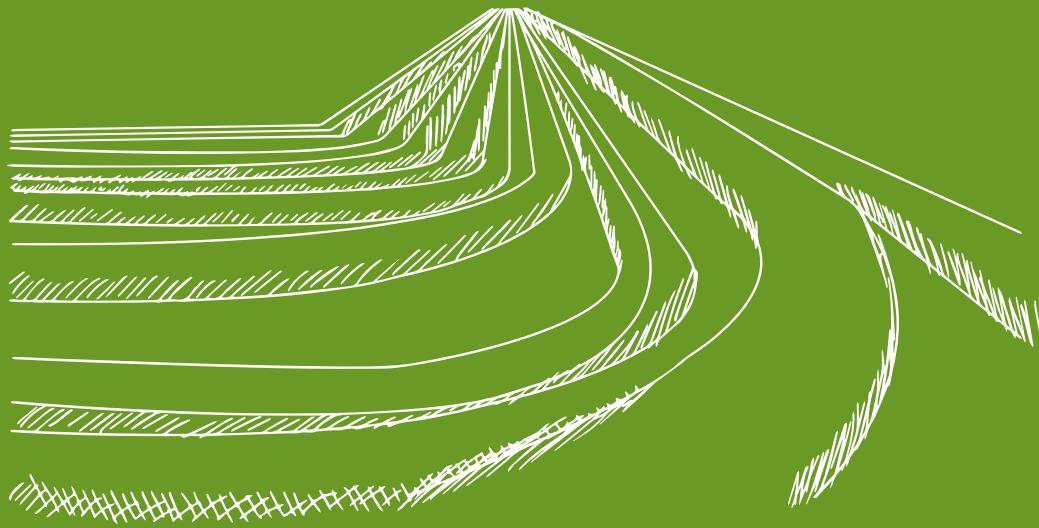
mitted to EUROSTAT. The monthly oil data are still not transmitted in line with the *acquis*. Short-term monthly collections on natural gas, oil and electricity are yet to be provided.

Questionnaires for collection of gas and electricity prices charged to industry and households were developed in accordance with EUROSTAT methodology. Prices of electricity and gas for industry and households per consumption band and price breakdown per component and level of taxation are submitted to EUROSTAT in accordance with Regulation (EU) 2016/1952.

To fully comply with the statistics *acquis*, Serbia must implement the reporting requirements in terms of monthly data collections in oil and gas.

11

Ukraine









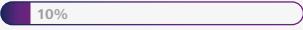











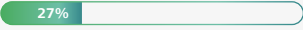


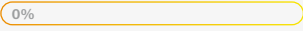









Ukraine

Summary Implementation

Summary Indicators	Transposition Assessment	Implementation Status	Descriptions
 Electricity		 50%	Implementation in the electricity sector of Ukraine is moderately advanced.
 Gas		 48%	Implementation in the gas sector of Ukraine is moderately advanced.
 Oil		 10%	Implementation in the oil sector of Ukraine is yet to begin.
 Renewable Energy		 63%	Implementation in the renewable energy sector of Ukraine is well advanced.
 Energy Efficiency		 74%	Implementation in the energy efficiency sector of Ukraine is well advanced.
 Environment		 61%	Implementation in the environment sector of Ukraine is well advanced.
 Climate		 27%	Implementation in the climate sector of Ukraine is still at an early stage.
 Infrastructure		 0%	Implementation in the infrastructure sector of Ukraine is yet to begin.
 Statistics		 69%	Implementation in the statistics sector of Ukraine is well advanced.

Overall number of cases: **5**

ECS-2/17 Gas

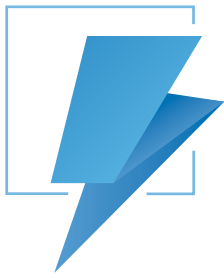
ECS-6/17 Electricity

ECS-8/14 State aid

ECS-1/18 Energy efficiency

ECS-4/18 Infrastructure

Procedure by Article **91**



Ukraine Electricity

Electricity Implementation

Electricity Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			The regulator issued a preliminary decision on the certification of the transmission system operator. The decision is not in line with the <i>acquis</i> . The distribution system operators are legally unbundled, functional unbundling is still to be completed.
Access to the networks			Network tariffs are public and applied also to generators. Cross-border capacities are allocated in a market-based procedure, however not in a coordinated manner and only Ukrainian market participants can take part.
Wholesale market			The wholesale market was formally opened, bilateral, day-ahead, intraday and balancing markets were launched. Excessive public service obligations for state-owned generation companies keep the market largely foreclosed.
Retail market			The retail market is formally open. Universal service supply is provided to households under regulated non-cost-reflective tariffs. It is extended also to customers connected to up to 150 kV, which are entitled to universal supply under cost reflective prices until end 2020.
Regional integration			Regional integration of the Ukrainian electricity market is pending due to a lack of harmonisation of Ukrainian legislation with its neighbouring countries. The Connection Network Codes are included in the national grid code.

Ukraine made significant progress in the implementation of the Third Energy Package by the replacement, since 1 July 2019, of the previous single buyer model with a market model based on bilateral, day-ahead and intraday markets, as well as a balancing market and a market of ancillary services. The new model, subject to strong regulation through various price caps set by the national regulatory authority and public service obligations imposed by the Cabinet of Ministers, is likely to keep the market largely foreclosed in practice.

The regulator issued a preliminary decision on the certification of the transmission system operator Ukrenergo on 7 October 2019 under the ownership unbundling model. Yet, amendments to the primary legislation are needed to meet the requirements of ownership unbundling.

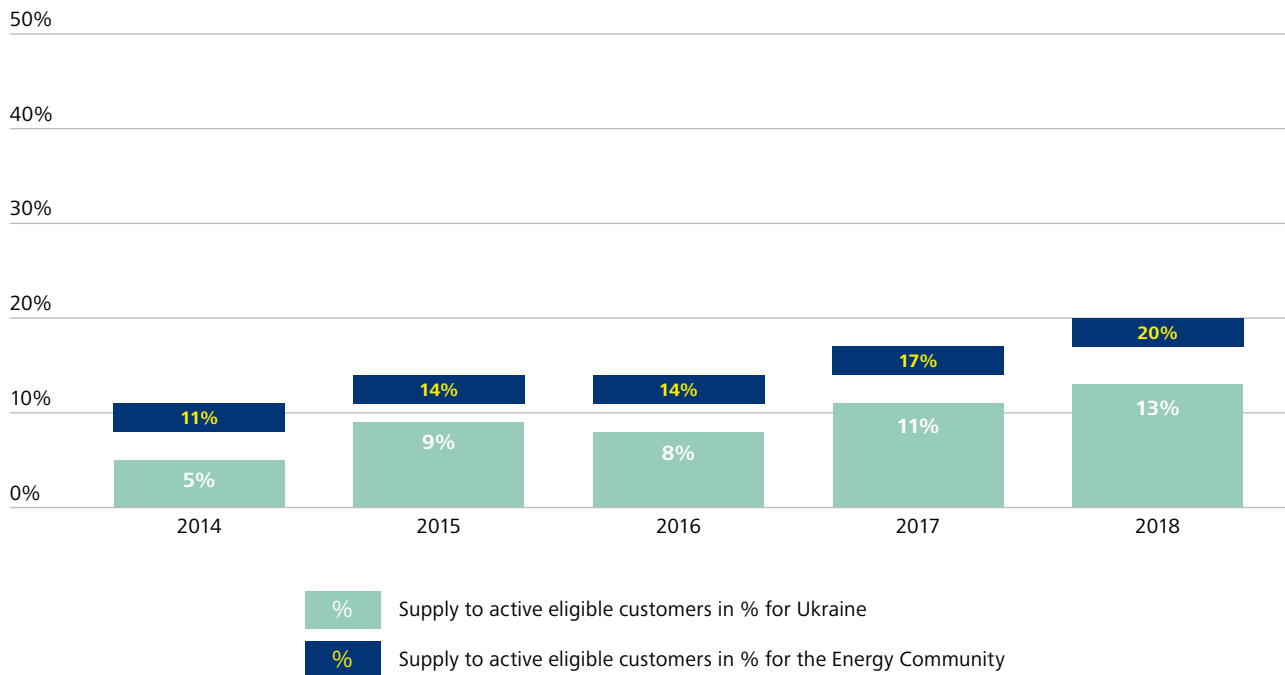
Legal unbundling of the distribution system operators from supply activities is in effect as of 1 January 2019, whereas functional unbundling is still to be completed. The law requires distribution

system operators to be unbundled from production, supply and transmission also in terms of ownership by 11 June 2020.

Ukraine made progress in rectifying breaches related to capacity auction procedures applied for the purpose of import and transit of electricity. The capacity allocation is performed in a market-based manner, however, it is not coordinated. According to the Electricity Market Law, Ukrenergo should implement coordinated auctions for cross-border capacity allocation not later than for the 2019 annual auctions, a process that is still pending. Finalisation of this process depends on the adoption of amendments to the Electricity Market Law necessary to allow foreign market participants to take part in the auctions.

Regulation (EU) 543/2013 on submission and publication of data in electricity markets was transposed by a resolution on 19 June 2018 by the regulator NEURC, but its implementation is delayed. Ukrenergo has not started publishing data on the ENTSO-E Transparency Platform yet.

Retail Market Opening



Source: Ministry of Energy and Coal Industry

Ukraine's retail electricity market opened on 1 January 2019. Prices of services for universal service suppliers and suppliers of last resort are regulated based on the methodologies adopted by the regulator in October 2018.

According to the Law, NEURC was required to phase out cross-subsidization between different categories of consumers before market opening on 1 July 2019. However, the prices for households remain the same and do not cover the costs of the universal service suppliers. The difference is covered by the guaranteed buyer (state-owned trader) through public service obligations.

Until 1 January 2021, the incumbent suppliers will perform the functions of universal service suppliers. According to the provisions of the Electricity Market Law, the Government shall organise a tender procedure for the universal service suppliers before 1 July 2020.

The provisions of Directive 2009/72/EC on vulnerable customer protection were transposed by the Electricity Market Law. A governmental act, which shall define the vulnerability criteria for customers, is missing.

Regional integration of the Ukrainian electricity market is pending. Coordinated auctions for cross-border capacity allocation were not implemented in 2019 (despite requirements of the Electricity Market Law). The implementation of an inter-transmission system operator compensation mechanism is also delayed. The Electricity Market Law does not allow electricity trading licenses issued in another Contracting Party to be recognised in Ukraine based on the reciprocity principle.

The Connection Network Codes were included in the national grid code by the adoption of the Transmission Network Code. Still under consideration are the provisions related to the application of the requirements for grid connection of existing generators and a derogation period for them.



Ukraine

Gas

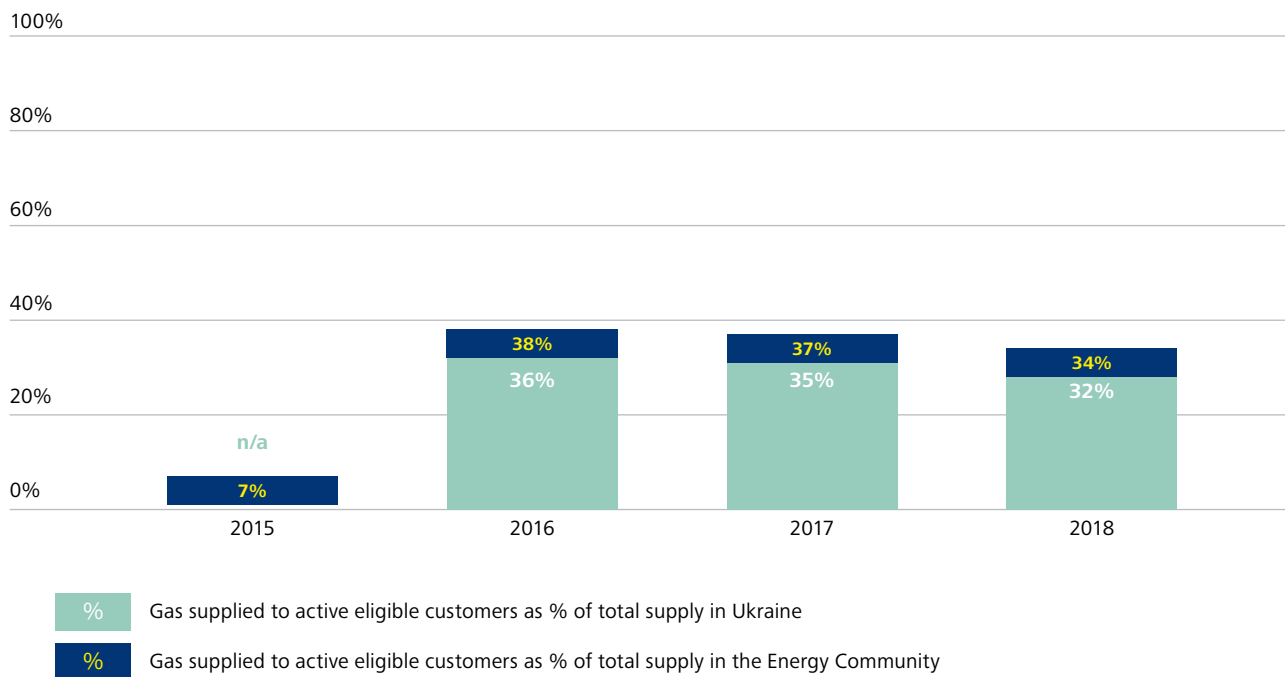
Gas Implementation

Gas Indicators	Transposition Assessment	Implementation Status	Descriptions
Unbundling			The transmission (and storage) system operator is not unbundled in line with the Third Energy Package. The distribution system operators are unbundled and in compliance when it comes to legal, information and accounts unbundling, only functional unbundling is not proven in all cases.
Access to the networks			Third party access, including transmission, storage and distribution tariffs, is in place. However, cost reflectivity and differentiation of short and long-term products should be better reflected within the methodologies. Congestion management principles are not implemented properly.
Wholesale market			The wholesale gas market comprises regulated and non-regulated segments. Around 300 traders are active since 2017. A virtual trading point is in operation. A daily balancing regime was introduced on 1 March 2019, albeit with poor payment discipline for imbalances. Moreover, a significant share of total gas is still being delivered under the public service obligation by Naftogaz, which is not in compliance with the <i>acquis</i> .
Retail market			All customers are formally eligible, but de facto eligibility is limited to non-household customers. Household prices are regulated under the Public Service Obligation Decree and largely covered by budgetary subsidies.
Interconnectivity			The gas transmission system is well interconnected with vast capacity on all country borders. Different communication and cooperation protocols with adjacent transmission system operators are in place, the majority of them are still to be aligned with the Network Code on Interoperability and Data Exchange.

While the state-owned incumbent Naftogaz continues to be the dominant gas producer, accounting together with its two daughter companies for almost 80% of total national production and totalling 21 Bcm in 2018, its share in gas imports is continuously decreasing. In 2018, imports decreased by 3,5 Bcm in comparison to 2017. Sixty-five European traders, in comparison to 34 in 2016, imported gas to Ukraine in 2018, which amounts to 34% of overall gas imports. Import is managed exclusively from western interconnection points with Slovakia, Hungary and Poland. Transit flow towards Europe remains at a high level. It reached 86,8 Bcm in 2018, which is comparable with the levels of transit before Ukrainian/Russian relations deteriorated in 2014.

Ukraine is yet to live up to the commitments made under the Energy Community Treaty as regards the modernization of its gas sector and its Gas Law. The two main issues still unresolved during the last reporting period are the deregulation of prices and independence of the transmission system operator. One of the positive achievements during this reporting period is the introduction of a daily balancing regime under mediation of the Secretariat's Dispute Resolution and Negotiation Centre. Fully functional daily balancing, establishment of a proper gas exchange and cost reflective network tariffs and their adequate implementation on entry/exit points, including the interface between the transmission and distribution systems, are yet to take place.

Retail Market Opening



Source: National Electricity Regulatory Commission (NEURC), compiled by the Energy Community Secretariat

The gas supply price for households and district heating companies (16,5 Bcm out of the total 32,3 Bcm consumed in 2018) remains regulated although certain mechanisms reflecting market prices were introduced in June 2019. The Public Service Obligation Act, which was meant to be a short-term transitory tool towards long-awaited market liberalisation, continues to be prolonged by the Government. This effectively forecloses the market.

The transmission system operator is not unbundled yet. Since September 2019, however, when the new Government decided to change the unbundling model to an independent system operator and submitted a Law on Unbundling to Parliament, the process has started in a meaningful manner for the first time in years.

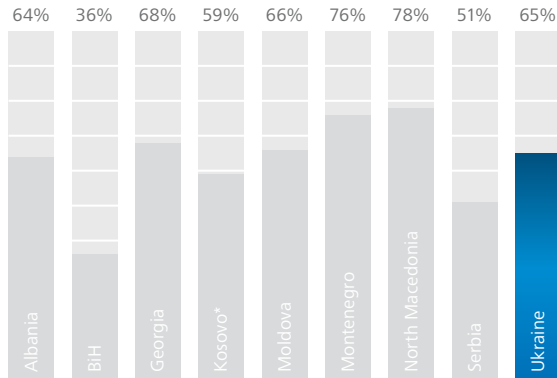


Ukraine

National Authorities



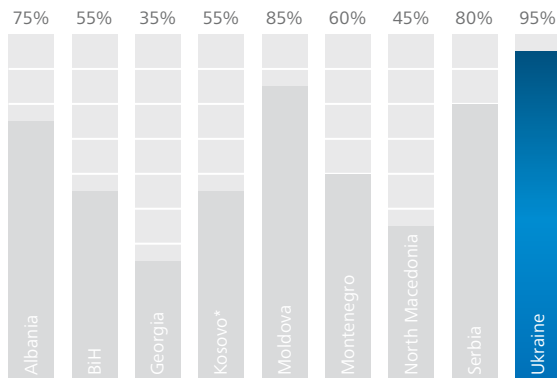
Regulatory Authority



Independence of the National Energy and Utilities Regulatory Commission of Ukraine (NEURC) is currently at stake following a ruling of the constitutional court that declared the regulator's independent status a breach of the constitution. By the end of 2019, NEURC will lack a legal basis for operation. Draft legislation meant to continue NEURC's operation at the expense of its independence was heavily criticized by the Secretariat and other international partners. On 9 October 2019, NEURC lost its decision-making quorum due to two commissioners stepping down. This came at a moment when a number of strategic market design decisions have to be taken and where the Secretariat positively observed increasing independence and market reform ambitions of the authority. The deadlock was preliminarily overcome by appointment of four Commissioners on 29 October 2019 by the President. Full budgetary autonomy of NEURC still requires amendments of the Budget Code and the practice of delaying the entry into force of decisions by postponing their publication in the Official Gazette continued to be an obstacle.



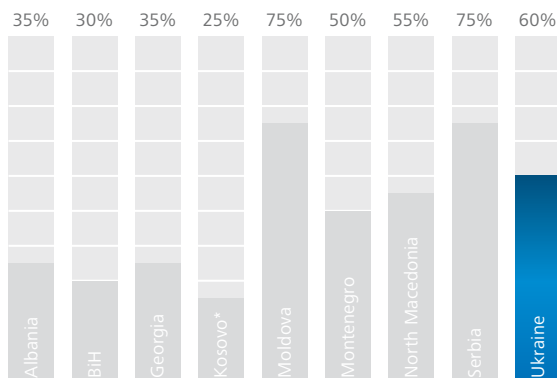
Competition Authority



The Antimonopoly Committee of Ukraine (AMCU) is the body in charge of enforcing competition law. AMCU is one of the most active and rigorous enforcers of competition law in the Energy Community. It mainly focuses on investigating abuses of dominance, such as exclusionary conducts, which foreclose the market and harm consumers. In the reporting period, AMCU rendered its decision in the DTEK case. Although it found that the company possesses certain market power, it concluded that the electricity company DTEK could not have abused its market power because during the period investigated (2015 - 2017) the electricity market was regulated. This decision will have to be reviewed.



State Aid Authority



The Antimonopoly Committee of Ukraine (AMCU) is also responsible for enforcing State aid law. AMCU has started to actively review and monitor potential State aid measures. However, no decision has been taken in the energy sectors.



Ukraine Oil

Oil Implementation

Oil Indicators	Transposition Assessment	Implementation Status	Descriptions
Stockholding obligation			There is no emergency oil stocks policy in place. A draft resolution of the Cabinet of Ministers was prepared, along with the draft Law on Minimum Oil and Petroleum Products, the provisions of the Central Inventory Management Company and the Oil and Petroleum Products Market Crisis Plan. The draft Law is pending approval by the Ministry of Economic Development and the executive authorities involved.
Availability and accessibility			There are no emergency oil stocks available.
Reporting			No legislation is in place and reporting obligations do not exist. The Joint Organisations Data Initiative (JODI) Questionnaire is not submitted. Some data are provided by the State Statistical Service of Ukraine as part of the annual energy balances. The State Statistical Service is currently working on collecting data for the Monthly Oil Statistics (MOS).
Emergency procedures			No emergency procedures in compliance with Directive 2009/119/EC are in place.

In May 2018, the Ministry of Energy and Coal Industry approved the model for oil stocks establishment, maintenance and financing in Ukraine, which was sent to the Ministry of Economy. Furthermore, a draft resolution of the Cabinet of Ministers on approval of the model of formation of minimum stocks of crude oil and/or petroleum products and its financing in Ukraine was prepared and agreed with the Ministry of Economic Development and Trade of Ukraine and additional executive authorities. At the time of publication of this Report, the draft resolution was being reviewed by the Ministry of Justice.

Concurrently, in the last quarter of 2018 and beginning of 2019, the State Reserve Agency drafted the Law on Minimum Oil and Petroleum Products, the provisions of the Central Inventory Management Company and the Oil and Petroleum Products Market Crisis Plan. The draft Law is currently undergoing approval by the Ministry of Economic Development and Trade and the executive authorities involved.



Ukraine

Renewable Energy

Renewable Energy Implementation

Renewable Energy Indicators	Transposition Assessment	Implementation Status	Descriptions
National Renewable Energy Action Plan			The calculation of the 2017 renewable energy share has not been submitted to EUROSTAT. In 2016, Ukraine reached only a 5,8% share of energy from renewable sources, well below the trajectory of 8,0%. A revised National Renewable Energy Action Plan, due by 30 June 2018, was neither submitted nor adopted.
Quality of support schemes			Auctions partially in line with the <i>acquis</i> on State aid have been introduced. A system based on feed-in tariffs remains in place for existing projects and those smaller than 20 MW.
Grid integration			Guaranteed access and gradual balance responsibility for large renewable energy producers in compliance with the renewable energy <i>acquis</i> is introduced in the new Electricity Market Law. Self-consumption of electricity from renewable energy sources acknowledged in the legislation is not implemented yet.
Administrative procedures			The existing national measures are only partially in compliance with Article 13 of Directive 2009/28/EC as not all administrative procedures are transparent, streamlined and expedited at the appropriate administrative level. There is no one-stop shop for permits and licenses, and pre-construction procedures may be lengthy. Coordination and communication between the authorities must be improved.
Renewable energy in transport			The amendments to the Law on Alternative Fuels cover the main principles of Articles 17 to 21 of Directive 2009/28/EC. However, their adoption is pending in the Parliament for more than a year, and additional secondary acts, once in place, are required to ensure compliance with the mandatory <i>acquis</i> . The current share of renewables in the transport sector is at the level of 1%.

The system of promotion of renewable energy in Ukraine was changed to mandatory auction scheme for renewable energy projects larger than 1 MW solar PV and 5 MW wind with the adoption of amendments to the Law on Alternative Sources and Electricity Market Law. The new scheme yet to be introduced is partially compliant with State aid requirements and is expected to increase cost-effectiveness and reduce the overcompensation currently given to solar power producers. The feed-in tariff for each generator of electricity from renewable energy sources per type of renewable energy source and per power plant until 1 January 2030 remains in force as adopted by the regulator for smaller units.

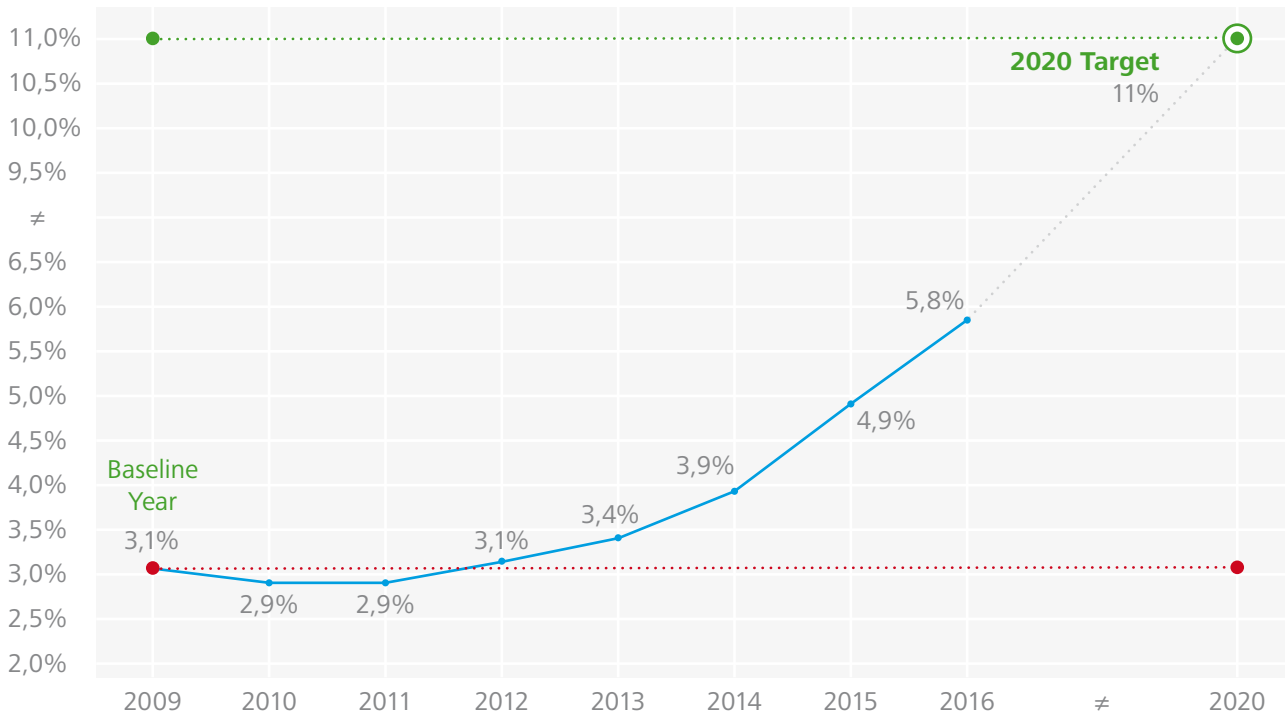
A revised NREAP was due by 30 June 2018, owing to a lower share of energy from renewable sources than the projected trajectory. It is neither submitted nor adopted.

The new Electricity Market Law introduced guaranteed access and gradual balance responsibility for large renewable energy producers in compliance with the renewable energy *acquis*. A system of compensating for curtailments remains to be implemented. Following the adoption of the methodology on grid connection charges by the regulator at the end of 2018, transmission and distribution system operators have to ensure that the technical specifications are transparent and clear. Network operators must develop network investment plans to be ap-

proved by the regulator in order to accommodate future increases of renewable energy. Self-consumption of electricity from renewable energy sources acknowledged in the legislation is not implemented yet.

Coordination among various institutions as well as clarification and simplification of procedures for both small and large renewable energy developers must continue to create a conducive climate for investors.

Shares of Energy from Renewable Sources

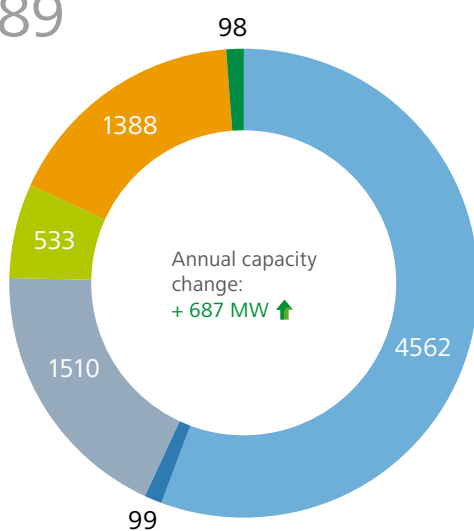


Source: EUROSTAT and State Statistical Service of Ukraine (SSSU)

Total Capacities of Renewable Energy 2018 (MW)

Total capacities (MW):

8189



Annual capacity change:
+ 687 MW ↑

- Large hydropower
- Small hydropower <10 MW
- Pumped storage
- Wind
- Solar
- Biogas

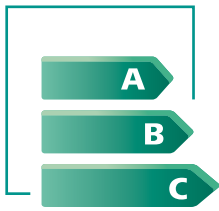
Source: State Agency on Energy Efficiency and Energy Saving of Ukraine (SAEE)

Despite the introduction of measures for promotion of renewable energy in heating and cooling by private households, sufficient coherence to promote heat production from renewable sources in district heating does not exist yet. The adoption of the Law on Energy Performance of Buildings in June 2017, which includes measures for the promotion of energy from renewable sources in the building sector, has to be followed by implementing measures.

The amendments to the Law on Alternative Fuels transposing the main principles of Articles 17 to 21 of Directive 2009/28/EC must be adopted without delay.

In spite of all shortcomings, the country increased its renewable energy capacities year by year and the contribution of renewable energy to final energy consumption. By the end of 2018, 533 MW of wind, 1388 MW of solar and 98 MW of biomass and biogas were in operation.

However, the current share of renewables in the transport sector is only at the level of 1%, far from the planned National Renewable Energy Action Plan trajectory.



Ukraine

Energy Efficiency

Energy Efficiency Implementation

Energy Efficiency Indicators	Transposition Assessment	Implementation Status	Descriptions
National Energy Efficiency Action Plans and Targets			In 2019, Ukraine drafted the new National Energy Efficiency Action Plan (NEEAP) for 2019 - 2030 that goes beyond the three-year requirement of the Energy Efficiency Directive. It includes a reporting deadline on achievements in 2021, in order to be aligned with the other Contracting Parties. The Plan needs to be adopted by the Cabinet of Ministers.
Energy efficiency in buildings			Thirteen of the fourteen by-laws needed to implement the Buildings Directive were adopted by the Cabinet of Ministers. The remaining one is prepared but not adopted yet.
ESCO market development and financing			The energy services market is significantly more developed than in any other Contracting Parties. Energy service company (ESCO) projects for buildings renovation are progressing. The Energy Efficiency Fund was registered as a legal entity in June 2018, and the necessary secondary legislation for launching the Fund was passed. The Ukrainian Government as well as donors have pledged significant financial contributions to the Fund.
Energy efficient products - labelling			All energy labelling regulations were adopted, except for the one on space heaters that was drafted in 2019. Ukraine has drafted four out of the five new regulations due in January 2020.
Institutional capacities			Following the most recent Government reshuffle, the competences on energy efficiency are split between the Ministry responsible for energy efficiency in buildings (Ministry of Development of Communities and Territories), the Agency on Energy Efficiency and the Ministry of Energy and Environmental Protection. The institutions will require significant institutional capacity building, especially in their legal departments.

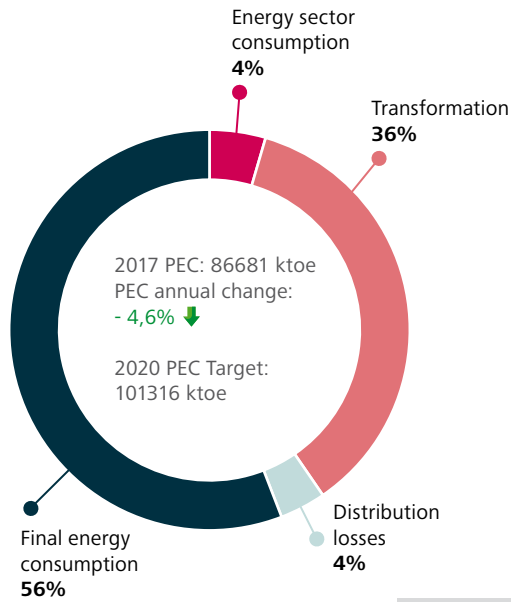
In the past year, Ukraine has made progress in preparing the Energy Efficiency Law under the leadership of the former Ministry for Regional Development, Construction and Public Housing and Utilities and conducted also the necessary inter-ministerial consultations. In the new Government, the Ministry of Energy and Environmental Protection will have an energy efficiency department led by a deputy minister, bringing energy efficiency to a higher political level, and is expected to take the lead on

the Energy Efficiency Law. The draft Law will need to be put in inter-ministerial consultation once again. The timeline for its adoption was not known at the time of publication of this Report.

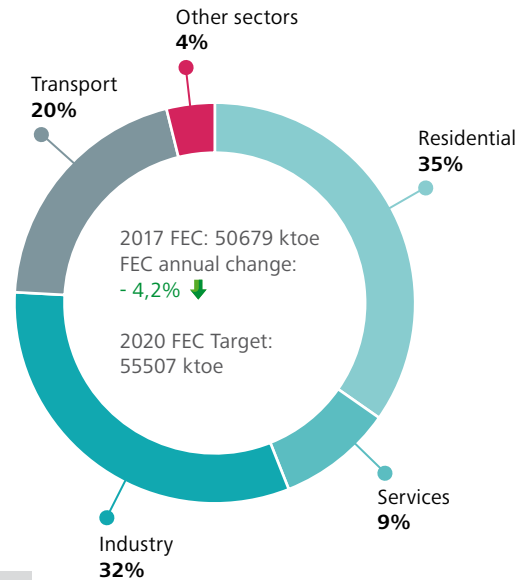
The adoption of the Energy Efficiency Law in compliance with Directive 2012/27/EU remains the utmost priority for Ukraine.

Energy Efficiency Indicators

Primary Energy Consumption (PEC) in 2017 and trends



Final Energy Consumption (FEC) in 2017 and trends



Energy intensity, 2017 value and trends:
0,93 ktoe/mil EUR, -7,1% ↓

Source: EUROSTAT 2019 data and the Contracting Party's Annual Reports under Directive 2012/27/EU

Implementation of Energy Efficiency Product Regulation Overview

FRAMEWORK DIRECTIVE	Household dishwashers	Fridges and freezers	Household washing machines	Televisions	Air conditioners and fans	Household tumble driers	Electrical lamps and luminaires	Vacuum cleaners	Space heaters	Water heaters & storage tanks	Domestic ovens and range hoods
	●	●	●	●	●	●	●	●	●	●	●

● Adopted and implemented ● Adopted, implementation issues detected ● No progress with adoption/implementation

The new labelling package adopted by the Ministerial Council in November 2018 was not assessed, as the transposition deadline expires in January 2020.

Source: multiple sources of data (EECG reports, NEEAPs etc.), compiled by the Energy Community Secretariat



Ukraine Environment

Environment Implementation

Environment Indicators	Transposition Assessment	Implementation Status	Descriptions
Environmental impact assessment (EIA) and strategic environmental assessment (SEA)			The provisions on transboundary environmental assessments have to be adopted without delay.
Sulphur in Fuels			Ukraine has rectified the breach identified by Decision 2016/05/MC-EnC of the Ministerial Council. The provisions on marine fuels have to be adopted.
Large combustions plants and industrial emissions			Implementation of the National Emission Reduction Plan (NERP) is ongoing since 1 January 2018. A total of 63 large combustion plants are operating under an opt-out regime. The lack of finance dedicated to the implementation of the NERP remains problematic.
Nature protection			The biodiversity protection system is still weak. There is no effective control or monitoring mechanism in place for protected areas.

With regard to environmental impact assessment (EIA), Ukraine continued with capacity building. In 2018, a single register for environmental impact assessments was set up. This public online register contains the relevant regulatory and legal framework as well as information on more than 4.000 EIA procedures, including 358 projects related to network energy carried out in the last reporting period. The Government Resolution on transboundary EIAs is not yet adopted. The Law on Strategic Environmental Assessment entered into force in October 2018 and is compliant with the provisions of the Directive. The Law provides a derogation for short-term regional socio-economic development programmes until 1 January 2020.

As regards legislation on the sulphur content of liquid fuels, Ukraine complied with the Decision of the Ministerial Council under Article 92 of the Treaty establishing a serious and persistent breach and completed the transposition of the 1,00% sulphur threshold for heavy fuel oil and the 0,10% threshold for gas oil. In 2019, amendments to the transposing legislation were drafted and submitted to the Government of Ukraine for approval with the aim to transpose the Directive's provisions on marine fuels. These amendments are not adopted yet.

With regard to large combustion plants, the key priority for Ukraine is the implementation of the National Emission Reduction

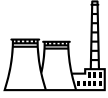


Plan (NERP), for which adequate financing has to be ensured by the operators. With the establishment of the Ministry of Energy and Environmental Protection in the new governmental structure, the responsibility for the implementation of the NERP has become clear. In July 2019, amendments to the NERP were adopted to update the emission reduction measures (installation of emission abatement technologies) from large combustion plants covered by the NERP. The amendments do not change the annual emission limits stipulated in the NERP or the emission contributions of individual combustion plants. The current emissions from large combustion plants under the NERP show compliance with the ceiling for all three pollutants. At the same time, investments in emissions abatement is still needed to comply with the ceilings for upcoming years.

Nineteen large combustion plants started their opt-out on 1 January 2018. Furthermore, a total of 44 plants fall under the scope of Decision 2015/07/MC-EnC of the Ministerial Council, meaning that those plants may remain in operation for a maximum of 40.000 hours until 31 December 2033 at the latest. The registration of the operating hours of the plants concerned by any of the opt-out mechanisms commenced on 1 January 2018. Ukraine complied with its reporting obligations under the Large Combustion Plants Directive in June 2019 by submitting its emissions data to the European Environment Agency.

With regard to nature protection, 106 new sites were nominated in addition to the 271 already designated Emerald sites. Ensuring the proper functioning of the Emerald Network by introducing and implementing measures against prohibited means and methods of killing, capture and other forms of exploitation of protected species (by e.g. closed seasons or temporary or local prohibition of exploitation), would be beneficial for the future Natura 2000

classification process. Furthermore, in September 2019, Ukraine named eleven new wetlands of international importance (“Ramsar Sites”). It now has 50 sites in total, covering an area of over 800.000 hectares. Implementation of legislation and measures in the area of nature protection often faces difficulties due to the lack of administrative capacities in the field.




Installations under the Large Combustion Plants Directive

	# of plants falling under the LCPD	147
	of which opted out plants	19 + 61*
	of which plants falling under the NERP	67

* Under Decision 2015/07/MC-EnC, certain plants in Ukraine are entitled to use 40.000 hours for opted-out plants. 61 plants fall into that category.



Source: compiled by the Energy Community Secretariat

Total emissions from Large Combustion Plants in 2018

	Total SO ₂ emissions	478.432 tonnes
	Total NO _x emissions	105.061 tonnes
	Total dust emissions	148.098 tonnes

Source: compiled by the Energy Community Secretariat

Amount of operational hours used from opt-out period⁴

Average of plants under Decision 2013/05/MC-EnC ⁵ 	Expected expiry of opt-out period:*	December 2023
	Remaining hours	17.171
	Operating hours consumed in 2018	2.829
Average of plants under Decision 2015/07/MC-EnC ⁶ 	Expected expiry of opt-out period	October 2032
	Remaining hours	37.462
	Operating hours consumed in 2018	2.538

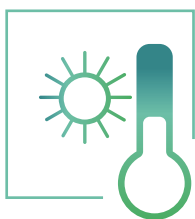
*Calculations for the expected expiry of the opt-out period are based on the current load factor. 1 January 2018 marks the beginning of the opt-out period.

Source: compiled by the Energy Community Secretariat

4 Due to the large number of plants under the opt-out regime in Ukraine, an average for both opt-out regimes is being provided. The expected expiry of the opt-out is also provided based on this average. It varies on a plant-by-plant basis.

5 Under the regime of Decision 2013/05/MC-EnC, opted-out plants can remain in operation for a total of 20.000 operational hours until 31 December 2023.

6 Under the regime of Decision 2015/07/MC-EnC, which amended Decision 2013/05/MC-EnC to reflect the special situation of Ukraine, certain opted-out plants can remain in operation for a total of 40.000 operational hours until 31 December 2033. The list of plants was adopted by Decision 2016/19/MC-EnC.



Ukraine Climate

Climate Indicators	Transposition Assessment	Implementation Status	Descriptions
National greenhouse gas emissions monitoring and reporting systems			Provisions on the creation and maintenance of national inventory systems are included in two governmental decrees of 2006 and 2008. To be in line with Regulation (EU) 525/2013, it is necessary to create a single registry of controlled substances. A legislative package on the monitoring, reporting and verification (MRV) of GHG emissions is scheduled for adoption by the end of 2019. Ukraine's Low Emission Development Strategy up to 2050, adopted in July 2018, is overall in line with the <i>acquis</i> .
National Energy and Climate Plans (NECPs)			Ukraine has set up a national working group to prepare the National Energy and Climate Plan (NECP) in July 2019. Because of institutional changes in the new Government, the activities of this working group are on standby. However, the Government declared approving a comprehensive 2021 - 2030 NECP a priority.

Ukraine, an Annex I party to the UNFCCC, ratified the Paris Agreement in 2016. The country's Nationally Determined Contribution (NDC) includes a target of reducing greenhouse gas emissions by at least 40% below 1990 levels by 2030, including, inter alia, via removals from land use, land-use change and forestry. Ukraine submitted six National Communications and the first Biannual Update Report, as well as its greenhouse gas inventory in 2016. The seventh National Communication and the joint second and third Biennial Report have not yet been submitted.

The Law on Ozone Depleting Substances and Fluorinated Greenhouse Gases and the Law on Monitoring, Reporting and Verification of GHG Emissions are expected to be adopted by the end of 2019. These provisions lay the groundwork for Ukraine's planned emissions trading system, in line with its obligations under the *acquis* on climate contained in the EU-Ukraine Association Agreement.

Carbon pricing was introduced in Ukraine already in 2011 through an environmental tax on air pollution from stationary sources. Collected based on the use of fossil fuels and paid on a quarterly basis, it is covering 70% of the nation's GHG emissions, mainly in the industrial sector (including metal and coke production, chemical and petrochemical, cement and food industries), the power sector and the buildings sector.

The Concept for the Implementation of State Policy in the Field of Climate Change up to 2030 was adopted in December 2017. It is the first holistic policy document on climate action, focusing on strengthening institutional capacity, climate change mitigation, and transition to low emission development as well as adaptation and reduction of climate related risks. It establishes the main principles of state policy in the field of climate change, including 49 measures, among them the development of two national strategic documents: a Low Emission Development Strategy and a National Adaptation Strategy. According to the Low Emission Development Strategy, adopted in July 2018, the indicative GHG emissions target is 31 - 34% by 2050 (compared to 1990 levels).

Due to the fact that Ukraine's climate change and energy provisions are scattered across several laws, resolutions and governmental decrees, the country should consider merging them into one legislative text. This would also facilitate the process of integrating climate and energy policies in Ukraine, which, to comply with Recommendation 2018/01/MC-EnC, should start with no further delay. A special agency on monitoring, reporting and verification of greenhouse gas emissions and emissions trading should be created.



Ukraine Infrastructure

Infrastructure Implementation

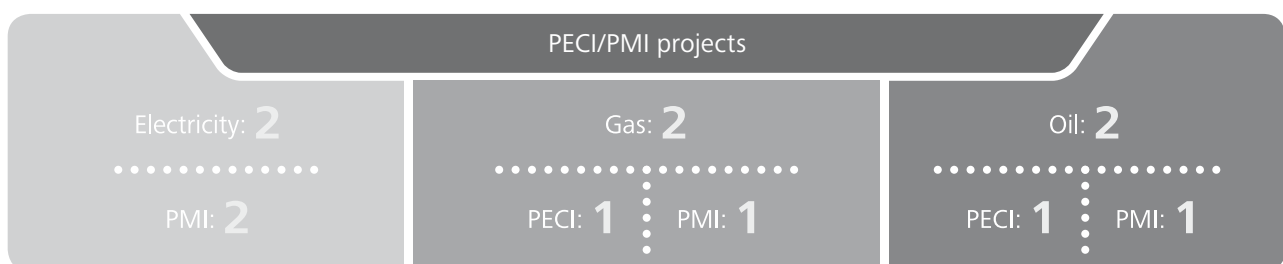
Infrastructure Indicators	Transposition Assessment	Implementation Status	Descriptions
National competent authority		<input type="text" value="0%"/>	No decision was taken on the designation of the competent authority.
Manual of procedures		<input type="text" value="0%"/>	The manual of procedures, as defined by Regulation (EU) 347/2013, is yet to be drafted.
National regulatory authority involvement		<input type="text" value="0%"/>	The Ukrainian national regulatory agency has not published the methodology and criteria as required by the Regulation.

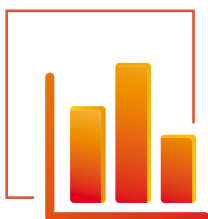
As Ukraine did not transpose Regulation (EU) 347/2013 and failed to designate the national competent authority, it is currently in breach of the infrastructure *acquis*.

The national competent authority shall be designated and operational and shall publish a manual of procedures for the permit granting process applicable for Projects of Energy Community Interest and Projects of Mutual Interest. The national regulatory authority NEURC shall publish the methodology and criteria used to evaluate investment in electricity and gas projects and the higher risks incurred by them without delay.

On 22 June 2018, a Reasoned Request against Ukraine was submitted to the Ministerial Council and consequently Ukraine was infringed for the non-transposition of Regulation (EU) 347/2013.

Ukraine, a Contracting Party with a relatively high number of Energy Community infrastructure projects, stands to benefit at large from the implementation of the Regulation. This is especially relevant regarding the strategic infrastructure projects related to the synchronization of Ukraine to the Continental European power system.





Ukraine Statistics

Statistics Implementation

Statistics Indicators	Transposition Assessment	Implementation Status	Descriptions
Annual statistics			The questionnaire on final energy consumption of households was not transmitted as required by the <i>acquis</i> . The five annual questionnaires were submitted.
Monthly statistics			Monthly oil data and natural gas data are compiled and published, but not transmitted to EUROSTAT. Short-term monthly data are not reported yet.
Quality report			The quality report on energy statistics was published.
Price statistics			Price statistics do not include the breakdown per price component of prices charged to end-users, as defined in the <i>acquis</i> .

The State Statistical Service of Ukraine (SSSU) is the central statistical institution responsible for production of energy statistics. Annual questionnaires are transmitted timely to EUROSTAT and published in the respective databases. The quality report on annual statistics is transmitted to EUROSTAT in accordance with Regulation (EC) 1099/2008. The breakdown of the energy consumption of households per final use is not reported as required by the *acquis*.

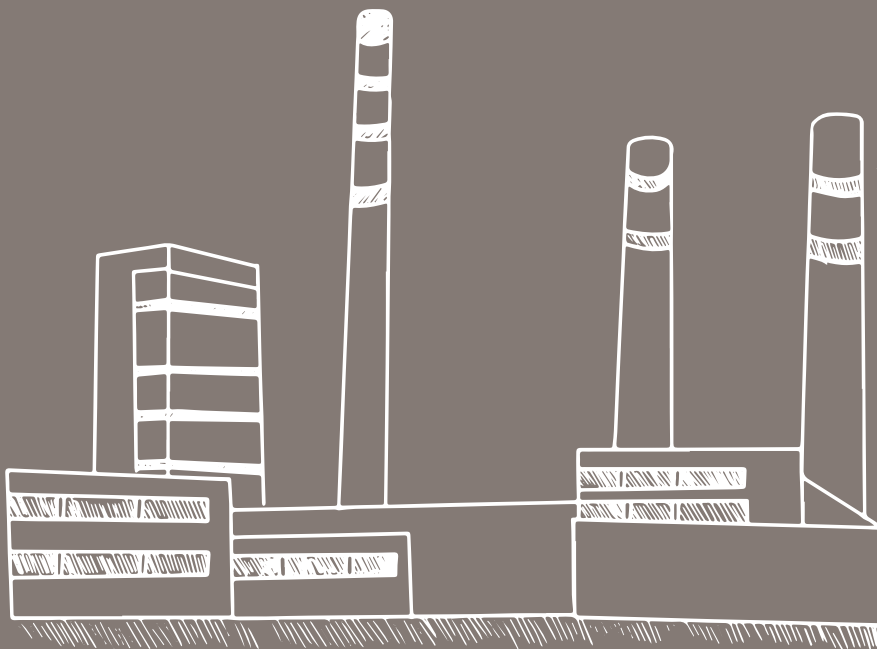
SSSU compiles monthly energy statistics and ensures their timely dissemination. Monthly coal and electricity data are transmitted to EUROSTAT. Oil and natural gas monthly statistics are compiled and available in the JODI database, but still not transmitted to EUROSTAT.

Average gas and electricity prices charged to industrial customers and to households, disaggregated per taxation level, are compiled and transmitted to EUROSTAT. Components of electricity and natural gas prices charged to end-users are not reported yet and hence Ukraine has still not achieved full compliance with the *acquis* on electricity and gas prices.

SSSU is expected to transmit monthly data to EUROSTAT and to complete monthly collections in line with Regulation (EC) 1099/2008. The reporting and compilation system for electricity and gas prices has to be implemented without delay.

12-15

Annexes







12 Annual Report

Annual Report on the Activities of the Energy Community 2018 - 2019

This Annual Report on the activities of the Energy Community outlines key actions and achievements in the period from 1 September 2018 to 1 October 2019 following the requirements of Article 52 of the Energy Community Treaty. It summarizes the results of key activities set out in the Energy Community Work Programme for 2018 and 2019. A detailed overview of Energy Community *acquis* implementation is provided in the Annual Implementation Report 2019.

a. Key activities

Steering towards a successful energy and climate transition in the Energy Community

The Energy Community continued to focus on assisting the Contracting Parties in the clean energy transition. Under the direction of the Ministerial Council, which convened under the Presidency of North Macedonia in Skopje on 29 November

2018, the organization continued to work on establishing a methodology for setting 2030 targets on energy efficiency, renewables and greenhouse gas emission reduction for the Energy Community. In coordination with the European Commission and with inputs from all Contracting Parties, the Secretariat finalized the study on 2030 targets for the Energy Community. The Informal Ministerial Council, gathering ministers of Contracting Parties responsible for energy, climate and environment and senior officials of the European Commission in Hainburg an der Donau, provided a stage for high-level exchanges on the targets. The informal meeting also focused on amendments to the Energy Community Treaty.

The Secretariat helped to boost the Contracting Parties' capacities for effective multi-level climate governance, including support for the preparation of integrated Energy and Climate Plans. Some Contracting Parties made progress in preparing climate change legislation and/or adopting relevant strategies and action plans. Scaling up energy from renewable sources in a sustainable way also took centre stage. Albania, Montenegro and North Macedonia became leaders in implementing



Energy Community Ministerial Council, 29 November 2018, Skopje, North Macedonia

market-based support schemes for the promotion of renewable energy. Moldova and Ukraine made progress by adopting a law on auctions for the support of electricity produced from renewable energy sources.

Renewable energy was also in the focus of the work of the Energy Community Parliamentary Plenum in 2019. The body adopted a Joint Report on Strengthening the Promotion of Energy from Renewable Sources.

Cooperating closely with donors to ensure that Contracting Parties' needs are matched with adequate financing, the Secretariat worked with the Contracting Parties to transform legal obligations into practical energy efficiency policies and measures.

To kick-start a viable economic and technological energy transformation, the Secretariat organized several high profile regional events. This was crowned by the High-Level Policy Talk on "Coal Regions in Transition and the Energy Community", which brought together some 80 key stakeholders on 13 September in Natolin, Warsaw, including Ministers and Deputy Ministers, mayors, governors and other representatives of local governments from coal regions, industry, NGOs, social partners and academia from the Energy Community and the European Union. The event was co-organized with the European Commission, World Bank and the College of Europe under the auspices of the COP24 Polish Presidency.



High-Level Policy Talk on "Coal Regions in Transition and the Energy Community", 13 September 2019, Natolin, Warsaw, Poland

Recognizing their pivotal role in the energy transition, the Secretariat also launched a platform for coal-based electricity generation companies - the "GENEnC Platform". The platform seeks to address the challenges of the energy transition in a cost-effective, socially acceptable and *acquis*-compliant way, while enabling the best use of new market opportunities.

The 2019 Sustainability Forum not only discussed pathways for a decarbonized future in the Energy Community, but also featured a technical workshop on small hydropower development in the Western Balkans - an issue which has become increasingly important for the public at large. The Secretariat received and has been assessing a number of complaints in this field. The workshop outlined the proper safeguards when such

investments are being considered in the Contracting Parties in a manner compliant with Energy Community law, with particular regard to the proper and compliant conduct of environmental impact assessments of small hydropower projects.

Following the Energy Community's admittance as an observer to the 24th Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), the Secretariat hosted a side-event "Shifting to a low-carbon economy: Just transition pathways in the Energy Community and beyond" on 10 December 2018 in Katowice, Poland, chaired by former EU Commissioner for Climate Action Connie Hedegaard and opened by COP24 President Michal Kurtyka.

To support informed policy-making based on reliable data, the Secretariat published in June 2019 the final study on coal subsidies. The study underlined the serious situation in the coal sector of the Energy Community Contracting Parties and concluded that the resulting market distortions and unsustainable consumption patterns are putting the region's energy transition at risk and in many instances breach European State aid rules without enforcement. The publication triggered a wide-reaching stakeholder discussion.

Implementation of energy market legislation continues

The Energy Community continued to focus on the implementation of the Third Energy Package, including its network codes. The Secretariat assisted the Contracting Parties in major tasks such as unbundling and certification of transmission system operators, unbundling of distribution system operators, full market opening and strengthening of their national regulatory authorities and other institutions. The Secretariat gave its Opinion on the exemption granted by the Energy Agency of Serbia to the national section of the TurkStream II natural gas pipeline project, which was not followed by the Serbian regulator. It also opined on the certification of the transmission system operators for electricity of North Macedonia, MEPSO, and of Kosovo*, KOSTT. Ukraine has recently accelerated the process of unbundling of its transmission system operator for gas. In cooperation with the Secretariat, the necessary acts which would enable the certification to happen by the crucial end of 2019 have been prepared. But they are yet to be adopted and implemented on time.

To offer additional assistance to the Contracting Parties, the Secretariat issued Policy Guidelines 01/2019-ECS on Increasing Competition and Liquidity of Wholesale Electricity Markets, including Power Exchanges. They set out legal and regulatory measures to boost competition on national wholesale markets. The Secretariat also continued to monitor the independence and effectiveness of national regulatory authorities for energy and sounded the alarm in June 2019 when the independence of the Ukrainian regulator was abandoned.

During this reporting period, the Secretariat brought enforcement actions to the Ministerial Council in two cases against Serbia for failure to comply with its obligations under the Treaty in the certification of Yugorosgaz-Transport as a gas transmission system operator and for failure to grant third party access to a gas interconnection point with Hungary. Another case referred to the Ministerial Council concerns the lack of transposition of the Large Combustion Plants Directive by Kosovo*. The Secretariat also proceeded with a case against Albania for the lack of effective unbundling of the country's electricity distribution system operator, OShEE, and opened a case against Bosnia and Herzegovina for violation of State aid rules in case of the Tuzla 7 Power Plant. Bosnia and Herzegovina as well as Serbia will be asked to rectify a number of serious and persistent breaches or face measures under Article 92 of the Energy Community Treaty this year.

The Gas and Electricity Fora continued to be the leading platforms in their respective areas for discussing the implementation of the Third Energy Package as well as the current challenges facing electricity and gas markets. A series of targeted workshops focused on preparing the Contracting Parties for the implementation of Third Energy Package network codes.

Outside of the legal domain, the Secretariat worked to promote concrete national projects and regional energy market integration initiatives, including electricity market integration between Ukraine and Moldova, starting with a system of joint cross-border capacity, and the regional energy market integration of the Western Balkans.

The Secretariat's Dispute Resolution and Negotiation Centre continued to be involved in the settlement of disputes in the Energy Community Contracting Parties, ensuring regulatory stability and respect for the rule of law. For example, a dispute between the Ukrainian transmission system operator for gas and the Ukrainian energy regulatory authority regarding amendments to the Ukrainian Gas Transmission Code was successfully settled by a team of experts from the Secretariat. Other disputes, including between an investor and Albania or between the transmission system operators of Serbia and Kosovo*, are still pending.

Western Balkan 6 moves ahead with creating a regional electricity market

The so-called WB6 Initiative from 2016 is financially supported by the Grant Contract to "Technical Assistance to Connectivity in the Western Balkans - Component 2: Regional Energy Market", which is funded by the European Union and implemented by the Secretariat.

During the reporting period, notable progress was made in putting in place the national and regional preconditions for regional electricity market integration in the "Western Balkan 6". Regional projects for day-ahead market integration, cross-border balancing and coordinated capacity calculation, were completed. Implementation of the supporting agreements, roadmaps and methodologies developed under these projects by the Contracting Parties is still to follow.

Day-ahead electricity markets, a necessary precondition for market coupling, started to take shape. Activities to establish power exchanges in Albania, Montenegro and North Macedonia advanced and are expected to lead to their launch in the first half of 2020. Support via the WB6 technical assistance will contribute to the further development of the ongoing market coupling projects between Bulgaria and North Macedonia and between Albania, Italy, Montenegro and Serbia. Cooperation with the Multi-Regional Coupling (MRC) project was initiated in order to explore preconditions for the WB6 to join the project. To ensure a harmonised regulatory framework for market coupling between EU Member States and Western Balkan 6 Contracting Parties, a toolkit for the early implementation of the Guideline on Capacity Allocation and Congestion Management was developed.

The Regulatory Board: Enhancing alignment of regulatory rules beyond the Contracting Parties and preparing for upcoming regulatory challenges

In the reporting period, the Energy Community Regulatory Board (ECRB) – the regional body of energy regulators in the Energy Community – continued its efforts to provide a harmonised regional regulatory framework that promotes integration of the Contracting Parties' electricity and gas sectors with EU neighbouring markets and beyond.

A cooperation arrangement signed between ECRB, the Council of European Energy Regulators (CEER) and the Association of the Mediterranean Energy Regulators (MEDREG) in December 2018 paved the way for further alignment of regulatory rules beyond the Contracting Parties. The ongoing preparation of a joint report on gas transparency with MEDREG and a trilateral benchmarking activity on quality of supply proves that the established common reporting practices are a success. The organisation of a joint consumer conference confirmed the commitment of the three regional regulatory bodies to cooperation on consumer protection.

ECRB also continued its international cooperation with the Agency for the Cooperation of Energy Regulators (ACER): data provided by ECRB members on electricity wholesale and gas and electricity retail markets contributed to ACER's annual market

monitoring report and the two institutions held joint events on electricity day-ahead market integration.

In the reporting period, ECRB also joined for the first time the European Commission and CEER in their efforts to align regulatory rules in Eastern Partnership countries. Focusing on the emerging new roles for regulators in the context of digitalisation of the energy sector and cybersecurity, this common activity complemented other activities that ECRB took on board to address upcoming regulatory challenges such as net-metering and renewables integration.

ECRB continued to deliver Opinions on network codes and preliminary certification decisions and prepared for upcoming monitoring duties in the context of the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) and network codes. As in previous years, market monitoring remained a core area of ECRB activities, targeting wholesale and retail market developments for electricity and gas and transparency. Sector specific ECRB activities focused, among others, on reviewing complaint handling and distribution tariff methodologies.

The Energy Community Regulatory School that kicked-off in late 2017 developed into an educational platform for Contracting Parties' regulators that provides tailor-made courses on contemporary regulatory challenges stemming from new legislative requirements and market developments.



Joint ECRB-CEER-Eastern Partnership Workshop for Energy Regulatory Bodies, 21 May 2019, Minsk, Belarus



Energy Community prepares to address the cybersecurity challenge

Cybersecurity is among the key challenges posed by the energy transition and enhanced digitalization. The Energy Community follows the European Union's core rules in the area. In interconnected electricity and gas systems, increased cooperation at the Energy Community level will not only help protect the Contracting Parties but also make the European Union less vulnerable. In April 2019, the first Energy Community Cybersecurity Day opened a new chapter in the activities of the Energy Community which will endeavour to answer the needs of the Contracting Parties in ensuring safe and secure energy system operation.

The event kicked off the preparation of a cybersecurity study, the aim of which is to identify the state of cybersecurity in the energy domain in the Energy Community Contracting Parties. The Secretariat also partnered up with the European Network and Information Security Agency (ENISA) in order to extend the standards and rules applying in the European Union to the Contracting Parties.

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

The Energy Community Secretariat is one of the implementing partners of the “EU4Energy Governance” technical assistance project, funded by the European Union, under the EU4Energy Initiative. Within this project, the Secretariat delivers technical assistance to Georgia, Moldova and Ukraine to improve the legislative and regulatory environment of their energy sectors in line with their EU and Energy Community Treaty obligations and promotes multi-stakeholder dialogue, inter alia, to support the adoption of energy efficiency legislation. Support for the identification of key regional energy infrastructure projects, with the aim of fostering trade and improving security of supply, also covers Armenia, Azerbaijan and Belarus.

Over 55 regulatory drafts were prepared for Georgia, Moldova and Ukraine since the launch of the project. 119 workshops and ten high-level policy talks were organized in order to facilitate implementation of the legislation. These were attended by over 800 officials from the three beneficiary countries. The project runs for four years, from June 2016 to December 2020.

b. Events

On top of the events organized under the umbrella of the EU4Energy Governance project, the Secretariat organized 98 official meetings, which were attended by approximately 2.700 participants during this reporting period. This year’s highlights include the Seventh Vienna Forum on European Energy Law with over 200 participants. Kicking off with an insightful evening debate on the impact of Chinese investments on the European energy sectors, the Forum focused on the legal and economic aspects of the energy transition, as well as on traditional topics such as the future of gas transit through Ukraine and Nordstream and South Stream under the Third Energy Package. Organized back-to-back, the Second Dispute Resolution Forum discussed the potential impacts of the energy transition on the world of energy disputes, arbitration and international law and provided insights into high-stake energy disputes and recent investment arbitration cases.

The clean energy transition was also at the heart of this year’s Energy Community Summer School taking place in Kraków, Poland. In order to reduce the carbon footprint of the event and demonstrate the importance of taking ambitious actions to mitigate climate change, a small team of experts of the Energy Community Secretariat undertook the 460-kilometre journey from Vienna to Kraków by bicycle. Building on their efforts, the majority of this year’s Summer School speakers travelled to the event venue by train instead of using aerial transport.



Seventh Vienna Forum on European Energy Law, 19-20 September 2019, Vienna, Austria

c. Communication

With more than 72.000 website visitors during this reporting period, the website continued to serve as the key reference point for stakeholders. The Secretariat continued to provide up-to-date information via its regular news as well as specific web sections. For example, the Secretariat updated the Energy Community Transparency Platform – PLIMA, which provides information to potential investors and other stakeholders about the Projects of Energy Community Interest and Projects of Mutual Interest. Furthermore, it highlights the future development schedule, along with the approximate routing on an interactive map.

Keeping abreast of latest communication trends, the Secretariat continued to aim to enhance the Energy Community's presence on social media. The Energy Community's social media channels have a rapidly growing audience. The Energy Community has more than 2.400 followers on Twitter, 2.300 on Facebook and 2.100 on LinkedIn.

To make its communication more dynamic, the Secretariat focused on developing several targeted videos that were shared on its social media channels. To raise greater awareness of the organization, the Secretariat launched the first ever promotional video about the Energy Community. The two-minute video presented the main achievements of the Energy Community and explained, in an easy to understand way, its main objectives. The video targeted energy professionals as well as the public at large. In addition, the Secretariat produced two e-learning videos on topical issues presented by its members of staff.

d. Publications

Meeting its reporting tasks under the *acquis*, the Secretariat published a report on the implementation of chapters II to V of Regulation (EU) 703/2015 establishing a network code on interoperability and data exchange rules in the Energy Community. The Secretariat also published two monitoring reports on the Western Balkan 6 regional electricity market and Policy Guidelines 01/2019-ECS on Increasing Competition and Liquidity of Wholesale Electricity Markets and on the Design and Implementation of an Energy Efficiency Obligation Scheme in line with the Energy Efficiency Directive. The Secretariat's Analysis of Direct and Selected Hidden Subsidies to Coal Electricity Production "Rocking the Boat: What is Keeping the Energy Community's Coal Sector Afloat?" drew widespread attention at the Energy Community and EU level.

e. Staff

During the reporting period, the Energy Community Secretariat consisted of 35 permanently employed professionals, covering diverse expertise from all areas covered by the Energy Community Treaty. In addition to its permanent staff members, the Secretariat also employed 14 temporary personnel (11 interns, 2 secondees and 1 temporary staff member).

f. Budget 2018

The Energy Community is funded by contributions from the Parties to the Energy Community Treaty. The final budget for 2018 amounted to EUR 4.761.931 (2017: EUR 4.586.931).



13 Investment Report

In line with Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructure, the Energy Community Secretariat carried out the second selection procedure for Projects of Energy Community Interest (PECI) and Projects of Mutual Interest (PMI) during the course of 2018. The process is similar to the EU selection of Projects of Common Interest (PCI).

The Contracting Parties' Electricity and Gas-Oil Groups were assisted in assessing candidate Projects of Energy Community Interest (PECI) and Projects of Mutual Interest (PMI) in electricity, gas and oil infrastructure and smart grids deployment. The objective of the technical support was to utilize electricity and gas market models for the assessment of PEGI and PMI candidates using a methodology that includes a cost-benefit analysis and a multi-criteria assessment.

Methodology behind the PECIs and PMIs

According to the benefit categories defined in the Regulation, the methodology assesses market integration, sustainability and security of supply for both electricity and gas projects and, additionally, competition improvement for gas projects only. These categories are assessed with the application of a gas and an electricity market modelling tool, where the electricity and gas markets are analysed with and without the projects and the difference between these are the impacts (benefits) generated by the projects. The methodology also features a feedback loop between the electricity and gas models to ensure coherence of the results.

In the project assessment, the so-called multi-criteria analysis method is used and consists of a number of indicators that are calculated based on the modelling results for each individual project. For gas projects, these indicators include: the net present value, import route diversification index, system reliability index and the implementation progress indicator. For electricity projects, the indicators include: the net present value, enhancement of competition, improvement of system adequacy and project maturity. The net present value is a monetized indicator and represents the socio-economic welfare impact of the projects, whereas the other indicators are non-monetized but are calculated based on physical values.

Each indicator is assigned a weight from ten to sixty percent, whereas the four indicators represent one hundred percent in total. Furthermore, the results of each indicator are normalized on a scale from zero to ten, thus ensuring their comparability and additivity. The results of each project are calculated based on the sum of the weighted normalized score, resulting in a relative ranking of the projects. This relative ranking serves as a basis for compiling the electricity and gas lists. Once the PEGI and PMI lists are approved, the ranking does not play a role and each project has the same importance, in line with the provisions of the Regulation.

The methodology applied for the assessment of the oil projects is simpler and is based on a multi-criteria assessment without modelling.

The Secretariat called for candidate project submissions from project promoters and data collection from Contracting Parties in October-November 2017. Eligible categories included gas and electricity storages, smart grid projects, liquefied natural gas terminals and gas and electricity transport infrastructures, in line with Regulation (EU) 347/2013.







In parallel, the consultant prepared a methodological guidance document for the Gas-Oil and Electricity Groups. Meeting regularly during the first half of 2018, the groups discussed and finalized the methodology and the input data for the project assessment modelling exercise. Based on the assessment results, the Gas-Oil and Electricity Groups proposed the PEGI and PMI project draft preliminary lists.

The Secretariat also carried out a public consultation on the submitted project candidates during the spring of 2018. The target groups for the public consultation process were public authorities, companies, industry associations, small and medium sized enterprises, consumer organisations, trade unions, non-governmental organisations, environmental organisations, consultancies, workers and employers' federations, other relevant stakeholders and citizens.

The Energy Community Regulatory Board submitted its positive opinion on the draft preliminary lists in June 2018, which were agreed by consensus by the Permanent High Level Group of the Energy Community on 28 November 2018.

The Ministerial Council approved the Projects of Energy Community Interest list by Decision 2018/11/MC-EnC⁷ on 29 October 2018. The Ministerial Council furthermore approved the Projects of Mutual Interest list by Recommendation 2018/01/MC-EnC⁸.

The following tables summarize the PECI and PMI lists for electricity, gas and oil projects.

 PECI					
Project Code	Map Index	Project Name	CAPEX [MEUR]	Status	Commissioning year
EL_01a	1	Transbalkan corridor - New 400 kV OHL SS in Serbia Kragujevac 2 (RS) – SS Kraljevo 3 (RS), with voltage level upgrade in SS Kraljevo 3 (RS) to 400 kV voltage level	29,6		2021
EL_01b	2	Transbalkan corridor - New double circuit 400 kV OHL SS in Serbia Obrenovac (RS) – SS Bajina Basta (RS) with upgrade of SS Bajina Basta (RS) to 400 kV	58,95		2024
EL_01c	3	Transbalkan corridor - New 400 kV interconnection between SS Bajina Basta (RS) - Visegrad (BA) - Pljevlja (ME)	49,8	 *	2026
EL_01d	4	Transbalkan corridor - section in Montenegro (OHL 400 kV Čevo-Pljevlja, OHL 2x400 kV and 400 kV Lastva-Čevo, SS 400/110/35 kV Lastva)	127,122		2020
EL_02	5	400 kV OHL North Macedonia (Bitola) - Albania (Elbasan)	119		2022

 PMI					
Project Code	Map Index	Project Name	CAPEX [MEUR]	Status	Commissioning year
EL_06	6	400 kV OHL Moldova (Vulcanesti) - Romania (Issacea)	271,5		N/A
EL_07	7	400 kV Ukraine (Mukacheve) – Slovakia (V. Kapusany) OHL rehabilitation	29	 **	N/A
EL_09	8	750 kV Pivdenoukrainska NPP (UA) – Isaccea (RO) OHL rehabilitation and modernisation	231	 ***	N/A

 Investment on time
  Rescheduled
  Delayed













* Financing delayed / Rescheduled









** Under consideration

*** Project initiated in 2018

7 https://www.energy-community.org/dam/jcr:d9dc16f7-ca43-439e-9b74-c685835584f5/Decision_2018_11_MC-EnC_list_projects_112018.pdf.

8 https://www.energy-community.org/dam/jcr:5c4a96a7-2b28-4325-baec-b0dd1ab8e31b/REC_2018_01_MC-EnC_projects_112018.pdf.

 PMI					
Project Code	Map Index	Project Name	CAPEX [MEUR]	Status	Commissioning year
Gas_01	9	Interconnection Pipeline Bosnia and Herzegovina - Croatia - North (Slobodnica-Brod-Zenica)	94		2023
Gas_02	10	Western Interconnection Bosnia and Herzegovina - Croatia (Rakovica - Trzac - B. Krupa with sections for Bihac and Velika Kladusa)	49		2027
Gas_03	11	Southern Interconnection Bosnia and Herzegovina - Croatia (Zagvozd - Imotski - Posušje - Novi Travnik / Travnik with Mostar section)	116	 	2023
Gas_04B	12	Gas Interconnection Greece - North Macedonia	103		N/A
Gas_08	13	Gas Interconnector Serbia - Romania	64		N/A - 2020
Gas_10	15	Gas Interconnector Serbia - Croatia - (Slobodnica - Sotin; Sotin - Bačko Novo Selo)	144		2026
Gas_14	18	Gas Interconnection - Reverse Flow Poland - Ukraine	-		2022
Gas_16	19	Ionian Adriatic Pipeline - IAP	586		2026
Gas_18	20	Romania (Ungheni) - Moldova (Chisinau) gas pipeline, extension of the Iasi - Ungheni gas interconnector and NTS developments in North-East Romania	257	 	2020

 PECI					
Project Code	Map Index	Project Name	CAPEX [MEUR]	Status	Commissioning year
Gas_09	14	Gas Interconnector Serbia - Bulgaria	133,5		2022
Gas_11	16	Gas Interconnector Serbia - North Macedonia	30,8		N/A
Gas_13	17	Albania – Kosovo* Gas Pipeline - ALKOGAP	215		2027
Gas_20_21_22	21/22	PECI Cluster of integrated, dedicated and scalable transport infrastructure and associated equipment for the transportation of natural gas from new sources from the Caspian Region, crossing Azerbaijan, Georgia and Turkey and reaching markets in Georgia and Albania (via Trans-Adriatic Pipeline), including the following PECIs: - Cluster of Trans-Caspian Pipeline and South Caucasus Pipeline (further) Expansion (Gas 22); - Cluster of Trans-Anatolia Pipeline and South Caucasus Pipeline Expansion (Gas_20-21)	~ 9000	  	2019-2021-2022
Gas_25	23	Trans-Balkan Corridor Bi-directional Flow between Moldova and Ukraine	-		2024

 Investment on time
  Rescheduled
  Delayed



* Rescheduled/Delayed in one country; Investment on time in the other, as reported by the project promoters.

** Project promoters reported that the investment is on time; the Secretariat's evaluation is however that the project is delayed, due to the lack of or vaguely documented progress.

† As reported by the project promoters.

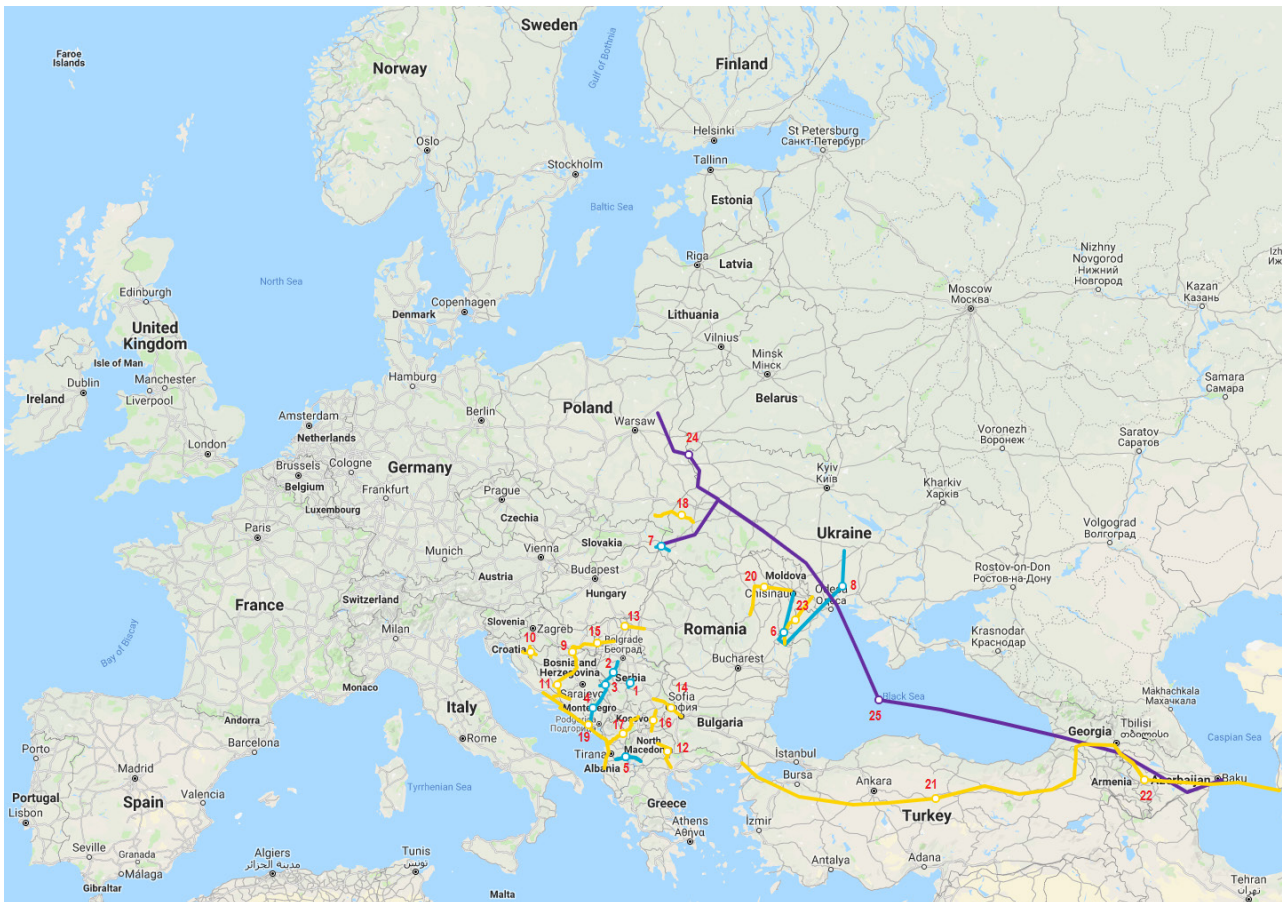
†† Only one project promoter reported on the status of the project.

 PECI					
Project Code	Map Index	Project Name	CAPEX [MEUR]	Status	Commissioning year
Oil_01	24	Poland (Adamowo) - Ukraine (Brody) Oil Pipeline	359,9		2023

 PMI					
Project Code	Map Index	Project Name	CAPEX [MEUR]	Status	Commissioning year
Oil_02	25	Transportation of different crudes of oil via Southern Druzhba pipeline	0 - N/A		N/A

 Investment on time
  Rescheduled
  Delayed

The following map visualises the locations of the projects on the PECI and PMI lists.



Source: compiled by the Energy Community Secretariat



14 Report on Enforcement and Dispute Resolution Activities

Based on Article 67(b) of the Treaty establishing the Energy Community, the Secretariat shall review the proper implementation by the Parties of their obligations under the Treaty and initiates dispute settlement procedures where 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 together with Article 19(2) of the DSR 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 of the Secretariat and is divided in three parts: activities related to the dispute settlement cases (Part I), activities based on Article 2 of the Dispute Settlement Rules related to cooperation with national authorities (Part II) and activities of the Dispute Resolution and Negotiation Centre (Part III).

Part I: Dispute Settlement Report

By the time of drafting the present Report, fifteen cases were open under Article 91 of the Treaty⁹ and six cases were open under Article 92 of the Treaty.¹⁰

Eight cases were pending for a Ministerial Council decision in 2019, three of which under Article 91 of the Treaty and five under Article 92 of the Treaty.

Reasoned Requests submitted to the Ministerial Council and decisions adopted by the Ministerial Council under Article 91 of the Treaty

Three Reasoned Requests have been submitted to the Ministerial Council in 2019, pending a decision under Article 91 of the Treaty.

On 25 April 2019, a Reasoned Request was submitted to the Ministerial Council **against Serbia in Case ECS-10/17**, for certification of Yugorosgaz-Transport under the independent system operator model without fulfilling the requirements. On 11 October 2019, the Advisory Committee gave an opinion sup-

porting the request of the Secretariat by finding that Republic of Serbia failed to comply with its obligations for unbundling of its gas transmission system operator as incorporated in the Energy Community.

On 12 July 2019, two more Reasoned Requests were submitted to the Ministerial Council under Article 91 of the Treaty. They concern **Case ECS-13/17 against Serbia** related to failure of Serbia to ensure third party access to Horgoš interconnection point between Serbia and Hungary; and **Case ECS-6/18 against Kosovo*** related to failure of Kosovo* to transpose and implement certain provisions of Directives 2001/80/EC and 2010/75/EU.

Reasoned Requests submitted to the Ministerial Council and decisions adopted by Ministerial Council under Article 92 of the Treaty

On 11 October 2019, the Secretariat submitted Requests to the Ministerial Council for decision under Article 92 of the Treaty at its meeting in 2019, requesting the Ministerial Council to extend measures imposed against Bosnia and Herzegovina and to impose measures against Serbia:

a) against Bosnia and Herzegovina in cases:

- **ECS-8/11 S** (concerning lack of compliance with the provisions of the gas *acquis* from the Second Energy Package) and failing to implement Ministerial Council Decisions (Decision 2013/04/MC-EnC under Article 91 and four Decisions under Article 92: 2014/04/MC-EnC, 2015/10/MC-EnC, 2016/16/MC-EnC and 2018/17/1MC-EnC);
- **ECS-6/16 S** (concerning lack of transposition of the Third Energy Package) and failing to implement Ministerial Council Decisions 2016/07/MC-EnC in Case ECS-6/16 and 2018/16/MC-EnC in Case ECS-6/16 S;
- **ECS-2/13 S** (concerning lack of transposition and implementation of some provisions of Directive 1999/32/EC) and failing to implement Ministerial Council Decisions 2016/03/MC-EnC in Case ECS-2/13 and 2018/13/MC-EnC in Case ECS-2/13 S.

b) against Republic of Serbia in cases:

- **ECS-3/08 S** (concerning failure to comply with Article 6 of Regulation (EC) 1228/2003 by not using the revenues resulting from the allocation of interconnection capacity on the interconnectors with Albania, North Macedonia and Montenegro for one or more of the purposes specified in Article 6(6) of the Regulation) and failing to implement Ministerial Council Decisions 2016/02/MC-EnC in Case ECS-3/08 and 2018/12/MC-EnC in Case ECS-3/08 S;
- **ECS-9/13 S** (concerning failure to transpose and implement

⁹ The Ministerial Council has not adopted a decision in these cases.

¹⁰ The Ministerial Council has adopted one or several decisions under Article 92, but the breaches has not been rectified.

certain provisions of the Energy Community *acquis communautaire* related to gas) and failing to implement Ministerial Council Decisions 2014/03/MC-EnC in Case ECS-9/13 and 2016/17/MC-EnC in Case ECS-9/13 S.

These requests follow adoption of Ministerial Council's decisions under Article 92 on 29 November 2018. In addition to the abovementioned decisions, on 29 November 2018, the Ministerial Council also adopted Decisions establishing serious and persistent breaches in Cases **ECS-4/13 S against Serbia** and **ECS-5/13 S against Ukraine** for failure to comply with some provisions of Directive 1999/32/EC. Ukraine has complied with its obligations and has thus rectified the breach established in Case ECS-5/13 S, and Serbia is expected to comply by 31 December 2019 in Case ECS-4/13 S. Therefore, the Secretariat has not followed up with further requests under Article 92 in these two cases.

Other cases where breaches have been established by the Ministerial Council

On 29 November 2018, the Ministerial Council adopted **five decisions under Article 91**, establishing failures by Contracting Parties to comply with the Treaty.

Three cases (**ECS-2/18 against Albania**, **ECS-3/18 against Bosnia and Herzegovina** and **ECS-4/18 against Ukraine**) concern non-transposition of Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructure. Albania has rectified the breach established by the Ministerial Council, whereas Bosnia and Herzegovina and Ukraine - even though not compliant yet - are working on transposing the Regulation at national level.

Two other cases in which the Ministerial Council adopted a decision under Article 91 on 29 November 2018 concern Ukraine. **Case ECS-8/15 against Ukraine** concerns non-compliance of Ukraine with the Treaty related to the regime for allocation of cross-border capacity for transit of electricity. With the change of the electricity market model, Ukraine has complied with its obligations under the Treaty by allowing non-discriminatory capacity allocation for the purpose of transit. **Case ECS-1/18 against Ukraine** concerns non-transposition of Directive 2012/27/EU on energy efficiency. After the decision of the Ministerial Council establishing a breach, some progress was made with the preparation of a draft law transposing the Directive.

On 2 February 2018, the Ministerial Council adopted three more decisions under Article 91 of the Treaty establishing breaches in the following cases: **Case ECS-10/13 against Albania** and **Case ECS-1/14 against Bosnia and Herzegovina** concerning lack of transposition and implementation of Directive 2006/32/EC on energy end-use efficiency and energy services. In both Contracting Parties, activities aimed at rectifying the breach have been taken even though compliance has not been achieved and the Directive is not fully transposed. **Case ECS-1/12 against Ukraine** is related to applying discriminatory cross-border ca-

capacity allocation related to electricity imports. Ukraine complied with its obligations as of 1 July 2019, when with the change of the electricity market model non-discriminatory capacity allocation for the purpose of import was ensured.

Open dispute settlement cases in a preliminary procedure in 2019

From the application of the Energy Community Dispute Settlement Rules of 2008 until 1 October 2019, the Secretariat has investigated 103 cases under Article 91 of the Treaty, 76 of which are closed in different stages of procedure, 15 are open and 12 are registered. Thirty-two of the cases closed have not resulted in a formal preliminary procedure because they have been either complied with, or the Secretariat did not find a breach of Energy Community law. In 22 of the remaining 44 closed cases that have been dealt with in a preliminary procedure the Ministerial Council has adopted a decision establishing a breach under Article 91 of the Treaty, which closes the procedure under Article 91 of the Treaty. In ten of those cases, the Contracting Parties complied, thus rectifying the breaches established by the Ministerial Council. In seven other cases, the Ministerial Council has established serious and persistent breaches under Article 92 of the Treaty, out of which the breaches in question have been rectified only in one case, ECS-5/13 against Ukraine, whereas in the other six cases the breaches have not been rectified yet and the procedures under Article 92 are still open.¹¹ Five cases in which the Ministerial Council has adopted a decision under Article 91 of the Treaty have not been rectified yet.¹²

In Case ECS-8/11 S against Bosnia and Herzegovina, the Ministerial Council has imposed measures and has extended these measures twice.

Other information

Ten more cases are currently registered by the Secretariat, but dispute settlement procedures have not yet been opened. All of these cases are complaints lodged to the Secretariat, two of them concerning an environmental issue and eight of them concerning State aid and competition issues.

There are currently no open cases against Georgia, Montenegro and North Macedonia.

Part II: Report on Article 2 Dispute Settlement Procedures

Article 2 of the Dispute Settlement Procedures 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 year, this mechanism has been used three times in order to assist national authorities.

In Albania, the Secretariat agreed to cooperate with the competition authority in the investigation regarding alleged anti-com-

11 Those are: Cases ECS-8/11 S, ECS-2/13 S and ECS-6/16 S against Bosnia and Herzegovina and Cases ECS-3/18 S, ECS-4/13 S and ECS-9/13 S against Serbia.

12 Case ECS-10/13 against Albania, Cases ECS-1/14 and ECS-3/18 against Bosnia and Herzegovina, Cases ECS-1/18 and ECS-4/18 against Ukraine.

petitive conduct on the Albanian electricity market by KESH through manipulation of tender procedures and implementation of two exclusive contracts. The Secretariat assisted the Albanian Competition Authority with its assessment of the allegations contained in the complaint and in particular the application of competition law to these facts.

In Bosnia and Herzegovina, after adoption of a decision finding that the guarantee provided by Federation of Bosnia and Herzegovina for the loan of EUR 614 million from the Chinese Export-Import-Bank to “Elektroprivreda BiH” for the Tuzla 7 project does not entail State aid, and the submission of a complaint, the State Aid Council asked the Secretariat for its interpretation of the criteria excluding State aid contained in the European Commission’s Notice on guarantees.

In Kosovo*, the State Aid Commission engaged in consultation with the Secretariat regarding potential State aid elements of the contractual framework for the Kosova e Re project. The Secretariat has shared its assessment of the various State aid aspects of the agreements publicly available. The project’s contractual framework and its lack of State aid clearance is also subject to a complaint to the Secretariat.

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 Energy Community Contracting Parties, increasing regulatory stability for the sake of investors and governments alike, and supporting compliance with the *acquis*.

The mediation proceedings between JSC Ukrtransgaz (the Ukrainian gas transmission system operator) and the Ukrainian National Energy and Utilities Regulatory Commission continued throughout the entire reporting period. The Centre has been facilitating their negotiations over implementation of the amendments to the Ukrainian Gas Transmission Code. On 1 March 2019, the amendments to the Transmission Code, as agreed between the parties and approved by NEURC on 25 September 2018, after several postponements, finally entered into force. In practical terms, daily balancing (a crucial activity for further gas market development) has started due to the mediation. Overall, the parties found solutions to six out of the seven disputed issues (financial guarantees, trade notifications, transport service termination, capacity allocation agreement, balancing groups and balancing neutrality). The negotiations were mediated by Karolina Cegir of the Energy Community Secretariat.

In the dispute between Ashta, a project company of Verbund and EVN, and various state authorities from Albania, the negotiations commenced in September 2018. The dispute relates to the balancing liabilities for deviations from scheduled energy

production. In December 2018, key principles for a technical solution were agreed with all the stakeholders. Later on, the parties drafted a Protocol Agreement, including the detailed design of a solution. The parties agreed that several provisions related to the activities of the transmission system operator should become part of the balancing mechanism in Albania. An annex to the Transitional Balancing Rules has also been drafted and will soon be approved by ERE. This will represent the final phase of resolving the dispute. The negotiations are mediated by Dirk Buschle, Arben Kllokoqi and Rozeta Karova of the Energy Community Secretariat.

With regard to the dispute between the transmission system operators of Kosovo* and Serbia, the Ministerial Council of the Energy Community established in its Decision 2016/02/MC-EnC dated 14 October 2016 that by “not using the revenues resulting from the allocation of interconnection capacity of the interconnectors with Albania, North Macedonia and Montenegro for one or more of the purposes specified in Article 6(6) of Regulation (EC) 1228/2003, Republic of Serbia, to which the actions and non-actions of its state-owned transmission system operator are imputable, has failed to comply with Article 6 of Regulation (EC) 1228/2003.” On 29 November 2018, the Ministerial Council adopted Decision 2018/12/MC-EnC which stated that “[u]nless Republic of Serbia rectifies the breaches identified in Ministerial Council Decision 2016/02/MC-EnC within six months from the present Decision, the failure by Serbia to implement Decision 2016/02/MC-EnC will be considered a serious and persistent breach within the meaning of Article 92(1) of the Treaty. Both, Serbia and Kosovo* will make their best efforts to find a solution.” In order to support the process of finding a solution, in May 2019, Andreas Pointvogel was appointed by the Dispute Resolution and Negotiation Centre to mediate the negotiations. Proposals for solutions were exchanged through the Energy Community Secretariat. On 26 July 2019, the Secretariat submitted a draft agreement to both parties on the sharing of congestion revenue on the relevant borders. The proposal, as well as the actual scope of the negotiations, are subject to ongoing discussions.

Bosnia and Herzegovina requested the Secretariat to engage in mediation regarding an ongoing dispute settlement proceeding, Case ECS-10/18. Dr Herman Verbist, from the Energy Community Panel of Mediators, was appointed as mediator in this case. The case concerns a public guarantee granted by Federation of Bosnia and Herzegovina in favour of the Export-Import Bank of China for a loan by the latter to the public utility Elektroprivreda BiH d.d. Sarajevo for the Tuzla 7 project. In its Opening Letter from 26 March 2019, the Secretariat came to the preliminary conclusion that the State Aid Council’s assessment does not comply with the State aid *acquis* and the guarantee for the Tuzla 7 project constitutes State aid in the sense of Article 18(1)(c) of the Treaty. The proceedings are currently ongoing.



15 Methodology Used For Calculating Implementation Indicators

Background

For its assessment underpinning the findings of this Report, the Secretariat used specific indicators for the assessment of transposition and implementation, and a methodology to calculate the summary indicators and the overall implementation score. The implementation indicator tables are based on a methodology quantifying the Contracting Parties' success in transposing and implementing the *acquis* and having in place effective institutions. It is based on standardised assumptions and evaluations, cases under the Energy Community's dispute settlement mechanism, country missions, review of legislation, market analysis, expert interviews and desk research. The quantification of all figures used to measure implementation was performed by experts of the Energy Community Secretariat.

The final data set entailed more than 2.000 individual values that were used to produce 37 key implementation indicators across the nine sectors assessed by this Implementation Report.

Approach

The transposition assessment is presented by using an easy to understand traffic light system (red - no transposition, orange - partial transposition with ongoing activities and green - full transposition).

The implementation assessment is based on a system of indicators. Performance indicators are presented on three levels:

1. Sectoral sub-indicators – a total of 37 implementation sub-indicators per each Contracting Party across the nine sectors assessed (electricity, gas, oil, renewable energy, energy efficiency, environment, climate, infrastructure and statistics) based on the weighting explained in the table below;

2. Sectoral indicators – nine implementation indicators aggregating the values of the sub-indicators at sectoral level produced per Contracting Party;

3. Summary indicators – the overall implementation score for each Contracting Party and overall (average) implementation score for the Energy Community calculated based on the sectoral indicators (see pages 7 and 8 of this Report);

All of the values are normalised to percentages between 0% and 100%, where 100% implies full implementation.

For the Contracting Parties where certain indicators are not applicable (for example due to the lack of a gas market in Kosovo* and Montenegro), these indicators were not taken into account in the overall score, but the remaining indicators were increased in weight, where justifiable.

Implementation indicator structure and weighting

Indicator name	Indicator weight
Overall Implementation Indicator	1,00
1. Electricity	0,27
Unbundling	0,20
Access to the networks	0,20
Wholesale market	0,20
Retail market	0,20
Regional integration	0,20
2. Gas	0,27
Unbundling	0,25
Access to the networks	0,25
Wholesale market	0,20
Retail market	0,20
Interconnectivity	0,10
3. Oil	0,09
Stockholding obligation	0,25
Availability and accessibility	0,25
Reporting	0,25
Emergency procedures	0,25

4. Sustainability	0,27
4.1. Renewable Energy	0,30
National Renewable Energy Action Plan	0,35
Quality of support schemes	0,28
Grid integration	0,12
Administrative procedures	0,15
Renewable energy in transport	0,10
4.2. Energy Efficiency	0,30
National Energy Efficiency Action Plans and targets	0,35
Energy efficiency in buildings	0,28
ESCO market development and financing	0,10
Energy efficient products - labelling	0,12
Institutional capacities	0,15
4.3. Environment	0,30
Environmental impact assessment (EIA) and strategic environmental assessment (SEA)	0,35
Sulphur in fuels	0,20
Large combustions plants and industrial emissions	0,30
Nature protection	0,15
4.4. Climate	0,10
National greenhouse gas emissions monitoring and reporting systems	0,50
National Energy and Climate Plans (NECPs)	0,50
5. Institutions	0,05
Regulatory authority	0,50
Competition authority	0,25
State Aid authority	0,25
6. Infrastructure	0,025
National competent authority	0,50
Manual of procedures	0,25
National regulatory authority involvement	0,25
7. Statistics	0,025
Annual statistics	0,25
Monthly statistics	0,25
Quality report	0,25
Price statistics	0,25

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