

*Presentation on State of Energy
Community Acquis Implementation
2016 and Future Work*

Energy Community Parliamentary Plenum Meeting

Parliamentary Assembly of Bosnia and Herzegovina,
Sarajevo, 13 October 2016



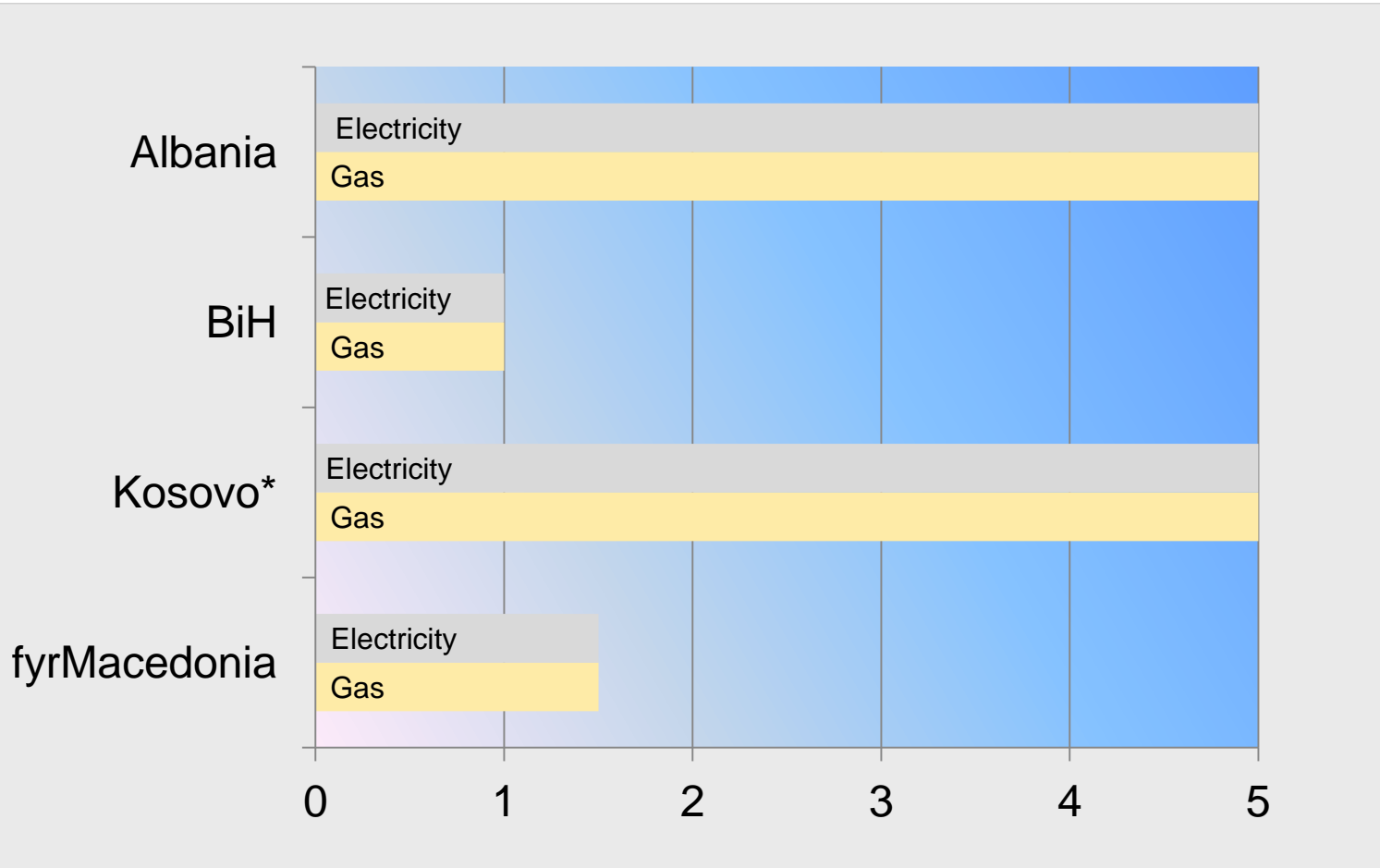
State of Acquis Implementation

- Key results of 2016 report
- Regional overview

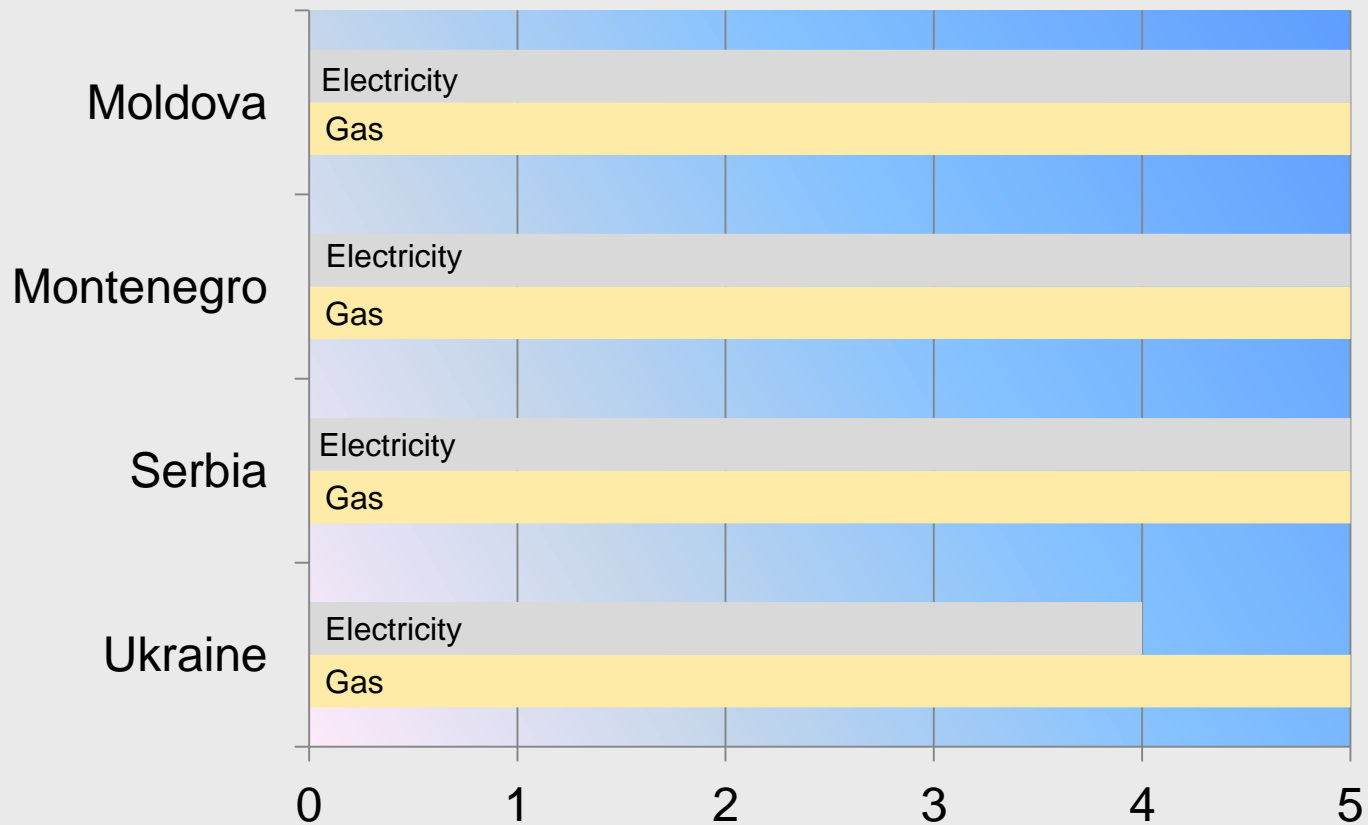


- 2016 Annual Implementation Report published on 27 September 2016
- Albania, Kosovo*, Moldova, Montenegro, Serbia and partially Ukraine transposed the Third Energy Package; Bosnia and Herzegovina and former Yugoslav Republic of Macedonia have not (dispute settlement procedures ongoing)
- Serbia and Montenegro leaders in sustainability acquis (energy efficiency, environment and renewables)
- Montenegro and Bosnia and Herzegovina have already surpassed their 2020 renewable energy targets, while Serbia and Albania are closely following their indicative pathway to reach the final target
- Transposition is the weakest in the sphere of energy efficiency, several Contracting Parties are yet to transpose the Energy Performance of Buildings Directive (Albania, Kosovo* and Ukraine) and Energy Services Directive (Albania and Ukraine)

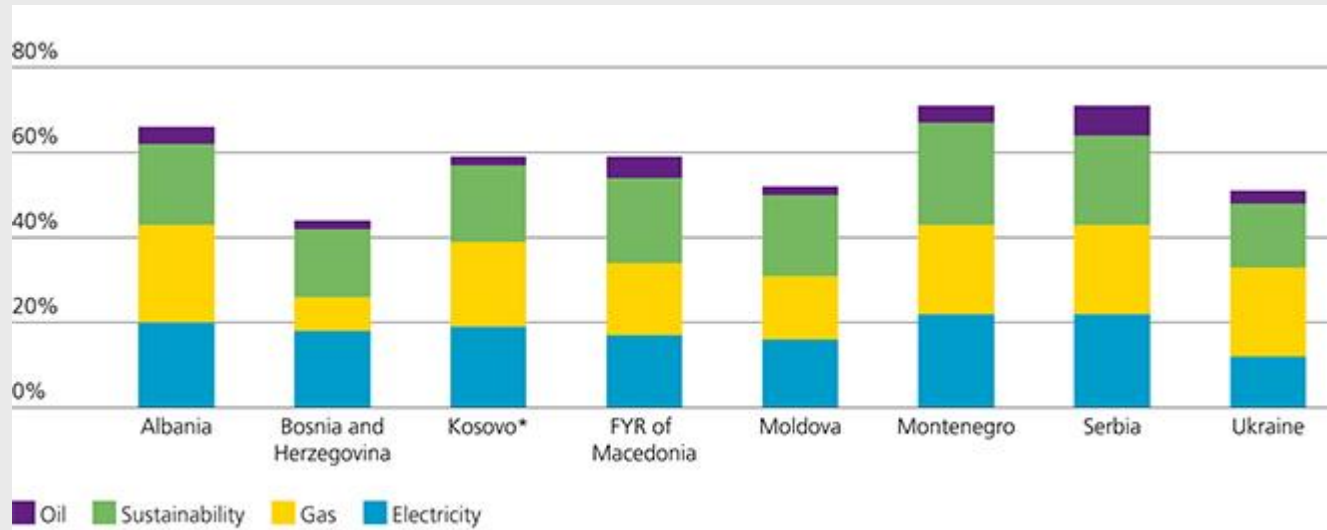
Third Package Transposition in Contracting Parties (I)



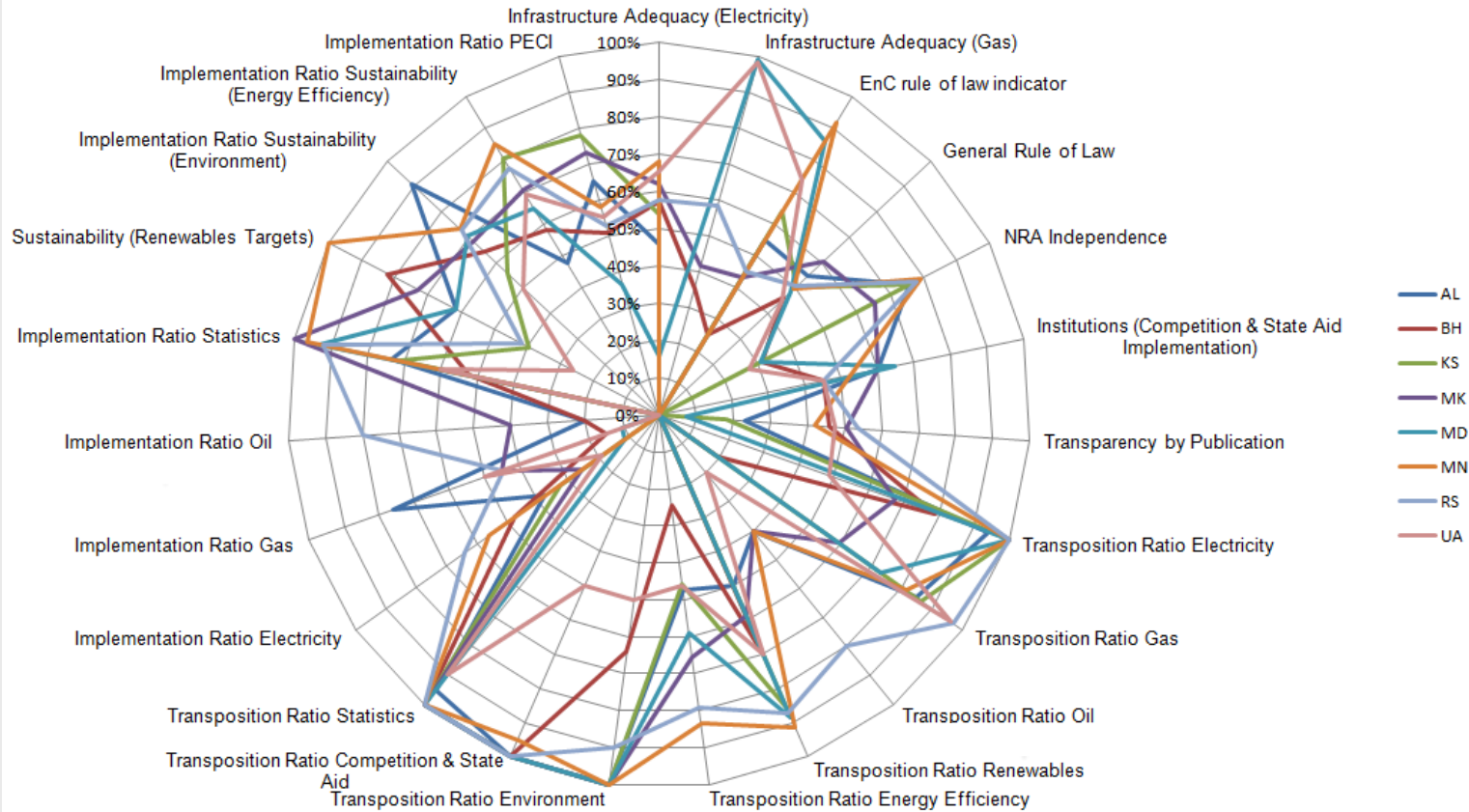
Third Package Transposition in Contracting Parties (2)



Overview of Implementation Performance by Contracting Parties



Contracting Parties' Implementation Indicators Radar





Regional Initiatives

- Western Balkans 6
- Sustainability Charter
- CESEC
- Projects of Energy Community Interest



- 2015 WB6 Vienna Summit commitment to speed up development of regional electricity market
- Memorandum of Understanding of Western Balkan 6 on Regional Electricity Market Development and Establishing a Framework for future cooperation signed on 27 April 2016 in Vienna
- Signatories: the transmission system operators, national regulatory authorities, ministries of energy and power exchanges of WB6 countries
- Regional electricity market roadmap
 - Adhere to a power exchange (decision by January 2017)
 - Market coupling with at least one neighbor (by July 2018)
- Grant Contract between the European Commission and the Energy Community Secretariat for provision of technical assistance to support the development of a regional energy market in the Western Balkans



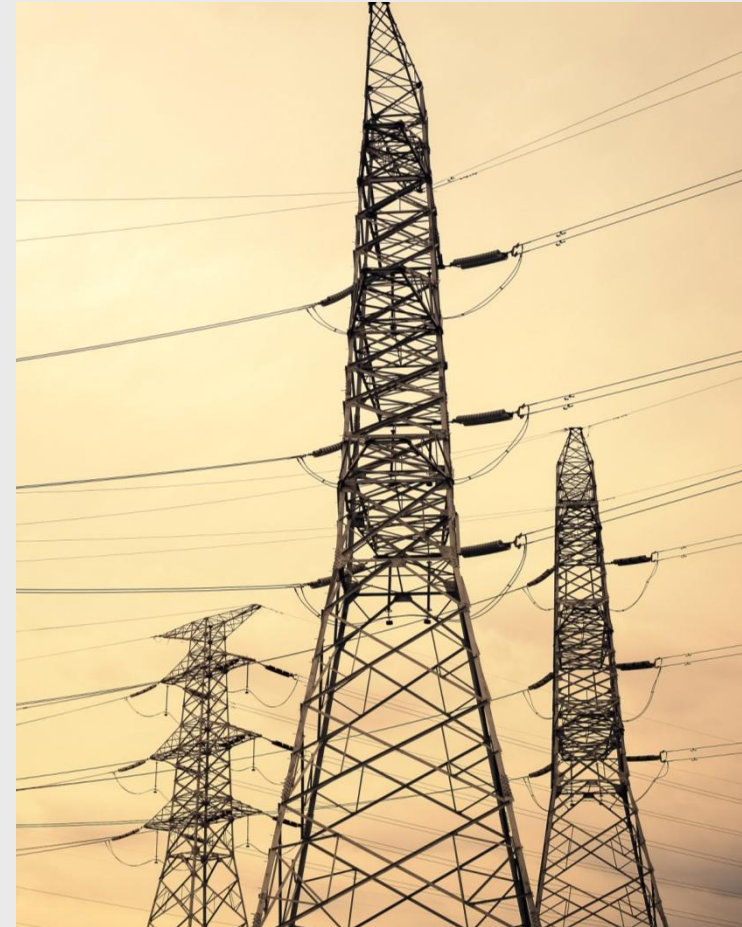
- 2016 WB6 Paris Summit commitment to tap into energy savings and renewable energy generation potential
- Energy Community Treaty obligations + EU funding
 - **Governance for energy efficiency**
 - Energy Service Companies (ESCOs)
 - Energy Performance of Buildings Directive & Energy Efficiency Directive implementation
 - Renewables heating programs
 - Energy efficiency funds
 - **Development of smart support measures**
 - Support schemes, education + qualification programs, waste to energy strategy
 - **Climate action**
 - Transposition of Regulation 525/2013 on a mechanism for monitoring and reporting greenhouse gas emissions
- National indicative roadmaps

CESEC - Central-South Eastern Europe Gas Connectivity

- CESEC Memorandum of Understanding signed on 10 July 2016
- Signatories: Ministries of Albania, FYR of Macedonia, Moldova, Serbia and Ukraine + EU Member States
- Aims
 - Selecting a limited number of key projects benefitting the CESEC region
 - Identifying and addressing project-specific challenges
 - Financing aspects, including the role of the EIB and the EBRD
 - Addressing market integration challenges
- Energy Community focusing on legislation („soft“ measures)



- Projects of Energy Community Interest (PECI) adopted by Ministerial Council in Oct 2013
- First list of priority projects in electricity, gas and oil infrastructure based on Regulation 347/2013 to be adopted by 2016 Ministerial Council (+ Projects of Mutual Interest (PMI))
- PECIs may benefit from streamlined permitting, regulatory incentives, cross-border cost allocation procedures and funding under the EU's Instrument for Pre- Accession Assistance and the Neighbourhood Investment Facility
- Recommendation to extend these benefits also to PMIs





Legislation in the Pipeline

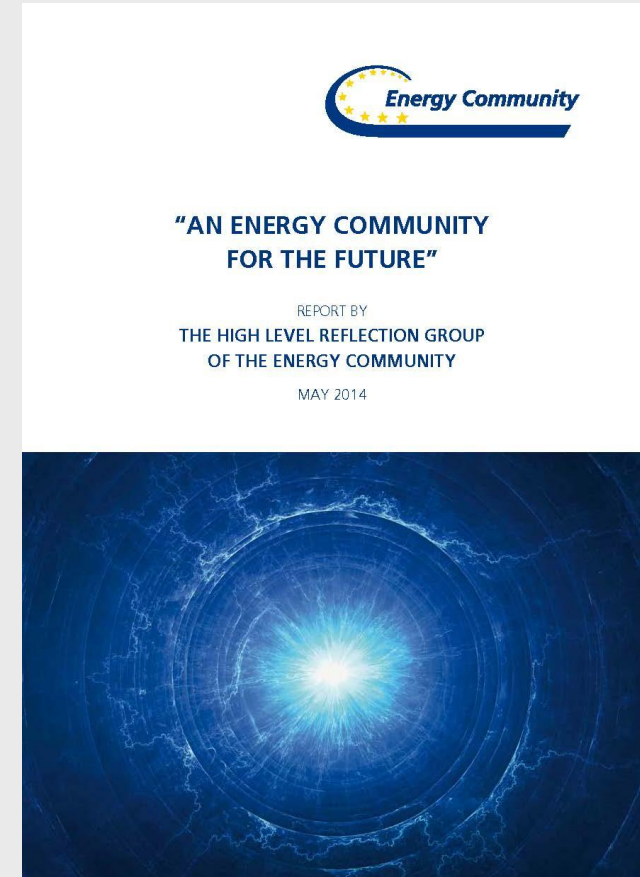
- Background
- Environment
- Public procurement
- Value added tax

An Energy Community for the Future



Proposed upgrades:

- Establishment of a Parliamentary Plenum ✓
- Strengthening the role of civil society ✓
- Making existing institutions more efficient ⇒
- Improving effectiveness of dispute settlement ⇒
- 30% higher budget ✓
- Adoption of additional acquis ⇒
 - **Environment**
 - **Public procurement**
 - **VAT**



New Environmental Acquis



- 2016: “Year of Environment”
- 2016 Energy Community Ministerial Council to adopt:
 - Strategic Environmental Assessment Directive
 - Environmental Liability Directive
 - Update of Sulphur in Fuels Directive
 - Update of Environmental Impact Assessment Directive
 - Recommendation on the adoption of Regulation (EU) No 525/2013 on a mechanism for monitoring and reporting greenhouse gas emissions

- Objective to identify and remove obstacles to market competition where such exist, stemming from the rules governing the public procurement and purchase of products and services in the network energy businesses (electricity and gas), providing public services (in electricity and gas) in the Contracting Parties in line with the rules applicable in the EU to the extent possible.
- ***Harmonization will bring a level playing field not only in electricity and gas markets in their final stage, i.e. supply to end customers, but more importantly in the conditions governing entry of new players in the supply market on production and wholesale side and harmonization of rules governing network businesses.***
- FIRST STEP – RECOMMENDATION - the CPs adjust the implementation according to the development of their energy markets, taking into account already made commitments (SAA, GPA, DCFTA, CEFTA)
 - The effect on competition may be achieved by a soft law approach; the EnC Secretariat or appropriate EnC authority may issue a recommendation to the CPs to implement the procurement rules to the selected energy related procurements.
- SECOND STEP – FULL IMPLEMENTATION - include new obligation of full transposition and implementation of the Directives in the Energy Community as a whole.

- Different VAT rules and lack of coordination and harmonization in the pending process of market opening increase the risk of tax frauds in cross border trade, of double taxation or non taxation of cross border services and will likely prove detrimental for emerging competitive markets of the Energy Community
 - Common capacity allocation procedure (e.g. Operation of CAO SEE)
 - Access of eligible customers to a foreign supplier
 - Provision of balancing service
 - Operation of organized markets and market coupling
- ***Harmonization of rules within the Energy Community using EU experience and practice to remove barriers and fight tax evasion will contribute to successful integration of internal market within Energy Community***
- *The Secretariat published **Guidelines for treatment of Value Added Tax** on transactions related to cross border trade of electricity in the Contracting Parties of the Energy Community*
- *The Secretariat launched **the study to examine the implementation of the EU acquis on value added tax in the Energy Community legal order** (in progress, expected completion by November 2016)*

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

*Thank you
for your attention!*

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