

**PROCEDURAL ACT OF
THE MINISTERIAL COUNCIL OF THE ENERGY COMMUNITY**

2021/PA/01/MC-EnC: On the adoption of the Budget of the Energy Community for the years 2022-2023 and on the contributions by the Parties to the budget

The Ministerial Council of the Energy Community,

Having regard to the Treaty Establishing the Energy Community, and in particular Articles 73,74,86 and 88 thereof,

Having regard to the Commission Decision of 24 September 2021 on establishing the Commission's proposal to the Ministerial Council of the Energy Community on the Budget of the Energy Community for the period 2022-2023,

Having regard to Articles 24 and 25 of the Energy Community procedures for the establishment and implementation of Budget, Auditing and Inspection,

Whereas the Ministerial Council shall adopt a bi-annual budget covering the operational expenses of the Energy Community necessary for the functioning of its institutions,

Whereas each Party shall contribute to the budget of the Energy Community as set out in Annex IV of the Treaty establishing the Energy Community,

HAS DECIDED AS FOLLOWS:

Article 1

The Energy Community Budget covering the financial years 2022 and 2023 as set forth in the Annex to the present Procedural Act is hereby adopted.

Article 2

With effect as of 1 January 2022, the contributions to the budget of the Energy Community by the Parties are set out in Annex to the present Procedural Act.

Article 3

This decision is addressed to all Parties and institutions under the Treaty establishing the Energy Community.

Article 4

The Director of the Energy Community Secretariat shall make this Procedural Act and its Annex available to all Parties and institutions under the Treaty establishing the Energy Community within 7 days after its adoption.

Adopted in Belgrade, on 30 November 2021

For the Ministerial Council

Зорана Злеуґастеда
.....
Presidency

Annex

to the Commission Decision on establishing the Commission's proposal to the Ministerial Council of the Energy Community on the Budget of the Energy Community for the period 2022-2023

Explanatory Memorandum of the Energy Community budget 2022-2023

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1. Context of the proposal

1.1. Treaty basis

Articles 73 and 74 of the Treaty establishing the Energy Community (hereinafter referred to as the “Treaty”) stipulates that a Procedural Act adopted by unanimity by the Ministerial Council, on a proposal of the European Commission, shall lay down a biannual budget of the Energy Community. It cover(s) also the operational expenditure of the Energy Community necessary for the functioning of its institutions.

The present budget proposal and explanatory memorandum was prepared by the Director as required under Article 30 of the *Energy Community Procedures for the Establishment and Implementation of the Budget, Auditing and Inspection* (hereinafter referred to as the “Budgetary Procedures”).

1.2. Provisions for 2022-2023 budget of the Energy Community

Guiding principles and provisions for the preparation of the budget (on content and structure) are laid down in the Energy Community *Budgetary Procedures* (amended in 2014).

An additional principle is related to the presentation of Activity Based Budgeting (ABB) principles in the reporting scheme of the Energy Community.

2. Outline of the Work Programme 2022-2023

While reflecting the need to discharge with its duties and to address new challenges, the priorities of the Energy Community and its institutions, including the Secretariat, will continue to be firmly centred on the key objectives established by the Treaty:

- Extend the EU internal energy market rules and principles to countries in South East Europe, the Black Sea region and beyond on the basis of a legally binding framework;
- Establish a stable regulatory and market framework capable of attracting investment in power generation and networks;
- Create an integrated energy market allowing for cross-border energy trade and integration with the EU market;
- Enhance the security of supply to ensure stable and continuous energy supply that is essential for economic development and social stability;
- Improve the environmental situation in relation with energy supply in the region and foster the use of renewable energy and energy efficiency.

Over the last decade, however, developments have and are taking place, which cannot be ignored when implementing these objectives. Security of supply, for instance, is increasingly a challenge for the digital infrastructure (cybersecurity). Ambitious decarbonisation and Green Deal became a leading EU principle having effect on its neighbourhood and globally.

For these goals, the Secretariat will continue to support the Contracting Parties in transposing and implementing the *acquis*. In situations where progress is lacking, experts of the Secretariat will get more and more involved in individual projects and cases in providing tailor-made support. The enforcement mechanism under the Treaty, will continue to serve as important tool to support the process of Treaty implementation in cases where other types of support have failed (e.g. drafting, knowledge sharing, capacity building).

At the same time, monitoring of the compliant implementation of the adopted Regulation for Energy Market Integrity and Transparency (REMIT), Gas and Electricity Network Codes and Electricity Guidelines, will be in the focus. Monitoring of these legal acts is a responsibility of both the Secretariat and ECRB.

Further tasks in infrastructure related issues (PECI/PMI related) will remain on the agenda of the Secretariat and will require regular reporting in line with the applicable regulation.

The General Policy Guidelines on 2030 Targets for the Contracting Parties of the Energy Community, adopted in December 2018, set the future focus of the work of the Energy Community in the area of decarbonisation. At said December meetings, the Ministerial Council announced to work towards the incorporation of the Clean Energy Package. The first pieces of the Package proposed and expected to be incorporated into the *acquis* already in 2021 are the recast Renewable Energy Directive, the amended Energy Efficiency Directive and the amended Energy Performance in Buildings Directive, and the Governance Regulation. This will result in further tasks and obligations of the Contracting Parties and require new efforts to be provided by the Secretariat. A particularly challenging obligation is the preparation and review of National Energy and Climate Plans.

The gas *acquis* package will be opened in the EU to facilitate that decarbonisation progresses smoothly in this sector. It can be expected that the Energy Community will follow suit and adapt the gas package in 2022-2023 for its constituency.

In addition, the *acquis* on Security of Gas Supply and the existing and future Network Codes foresee a number of new tasks for the Secretariat and the ECRB.

Further, the adoption of Procedural Acts by the Ministerial Council on the establishment and work of the Coordination Group of the Energy Community Distribution System Operators for Electricity and of the Energy Community Coordination Group for Cybersecurity and Critical Infrastructure will result in a number of tasks, e.g. the organisation and preparation of meetings, overall content support to the working groups, etc.

With the existing and new tasks following from the mandate of the Secretariat, the list of reporting obligations towards various Energy Community institutions (e.g. Ministerial Council, ECRB, PHLG) and the European Commission, has been increasing steadily. Details of the current reporting obligations are presented in Annex I of the Work Programme. In the future, the Procedural Act on the cooperation between the Contracting Parties, the Secretariat and the Commission will require the Secretariat to report extensively to the European Commission in areas such as competition, State aid and enforcement. If the currently negotiated Treaty amendments are agreed upon, the Secretariat will also be crucially involved in applying the “switch-on” and “switch-off” procedures under the new reciprocity rules envisaged in the draft Treaty amendments. This upgrade of the legal framework will also require a reinforcement of administrative and expert-level resources at the Secretariat.

Overall, the Secretariat’s work reflects three main priority areas in line with Article 67 of the Treaty:

- Activity 1 (A1) – Implementation of the *acquis* pursuant to Article 67(b) of the Treaty focusing on the assistance offered to the Contracting Parties to support the proper implementation of the obligations under the Treaty and annual progress reporting to the Ministerial Council;
- Activity 2 (A2) – Assistance to donors and to the coordination by the European Commission of the donors’ activity pursuant to Article 67(c), including assistance to the work of the donors’ community in the areas of the scope of the Energy Community in Contracting Parties

- Activity 3 (A3) – Administrative support to institutions and bodies in line with Article 67(a) regarding the facilitation and organisation of the work of the Energy Community institutions and working bodies established by decisions of the Ministerial Council.

Besides, the Secretariat should aim to assist the Contracting Parties and the European Commission for the Western Balkans to implement the Green Agenda for the Western Balkans and the Western Balkans Economic and Investment Plan, especially in the framework of the Flagship 6 – Renovation Wave.

This document however, refers the planning of resources in accordance with the principles of the *Budgetary Procedures* (see below).

3. Budget assumptions

The major assumption underpinning the budget proposal is that the legal and financial framework will be further applicable to the operations of the Energy Community. The planned amendments to the Treaty to improve its functioning are additional assurance that the Community will continue to work towards the achievement of the Energy Community objectives, responding to the requirements of creating a single internal energy market. On the level of financial planning for 2022-2023, the Energy Community Secretariat took into account the experience of budget implementation of the previous years, the strategic planning of future tasks and activities as presented in the Work Programme, as well as the budgetary framework from the largest contributor, the EU.

4. Energy Community budget structure

The financial planning follows the predefined structure of the budget through the provision of the applicable Rules of Title V: Establishment and Structure of the Budget set in the 20141011MC-EnG amending Procedural Act No 2006/03/MC-EnC laying down the Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection. This stable frame given for planning of the expenditures and revenue since the very beginning of the Energy Community allows a multiannual comparison of utilization of the results.

The presented budget is allocated according to four budget lines ("BL") which are *Human Resources*, *Travel Expenses*, *Office* and *Other Costs*, *Services* that are further detailed in the budget positions (different number in different budget lines). Each of the budget positions is further composed of predefined accounts that are creating a group of accounts representing a certain category of expenditures related to the budget lines. Explanations given under this section are applicable for both years 2022-2023

4.1. Budget Line: Human Resources

Budget Line I constitutes human resources expenditures. This part of the budget is defined in accordance with the approved Establishment Plan and follows the established salary scales.

The existing organisational structure of the Secretariat, as established originally by the Ministerial Council in 2007 and evolved through subsequent Budgets adopted by the Ministerial Council, is the basis for the proposal. The budget for the Human Resources Budget Line is a result of the following considerations:

- In 2022 and 2023 respectively, the salaries are indexed with a 2% inflation factor;
- Continued promotion of temporary employment under secondment and internship schemes is envisaged. Secondment, used as a form of strengthening the administrative capacity of the Contracting Parties, will be further on use in the years 2022-2023 to complement the Secretariat's team with specific technical expertise from national administrations and other organisations. Internships aim at supporting staff as well as disseminating knowledge about the Energy Community and contributing to capacity building. The financial assumptions of the proposed budget envisages funds for approximately 60 man/months for internships¹ and 24 man/months for secondment. The number of temporary personnel is counted on a basis of one-year engagement, i.e. in total five one-year internships and 2 one-year secondments planned for 2022 and 2023 (in total 7 temporary).

4.2. Budget Line: Travel

Budget Line II comprises expenditures related to authorised travels of the Secretariat's staff on behalf of the Energy Community pursuing activities related to the implementation of the Treaty.

The expenditures refer mainly to the Contracting Party missions or technical assistance for the review of the implementation of the obligations under the Treaty. This budget contains also funds for justified travels linked to the organisation and participation of the staff in different meetings and conferences, including those of the Energy Community institutions, as speakers, etc.

In its structure, the budget for travel expenses is planned and composed of:

- Costs for flights and accidentals; and
- Daily Subsistence Allowance (DSA)².

4.3. Budget Line: Office

Budget Line III comprises expenditures that increase or alter the assets of the Energy Community and other office infrastructure expenditures (rent, office supplies, consumables and other services) that are necessary for the functioning of the Secretariat as an institution under the Treaty.

This budget line includes the following budgetary positions:

¹ Regulated by separate *Rules on Secondees, Interns and locally recruited staff*.

² The Energy Community Secretariat follows the DSA as published by the *EuropeAid Cooperation Office*, also applied by other international funded by the EU.

- Rent: The estimation of expenditures for the rental of office premises. This budget position considers the donation to be received from the host country (Austria) to the overall budget of the Energy Community³.
- Office equipment: This budgetary position reflects the necessity to maintain the equipment (particularly IT and office furniture) up-to-date to provide appropriate working environment and processes. This budget line is composed of the following budget accounts: hardware, software, office equipment and low value assets. The budgeting of the overall expenditure for 2022 and 2023 follows the IT plan, which estimates the exchange of hardware (staff IT equipment – laptops, printers and servers in the IT administration area) and corresponding software. It also comprises licenses for the functioning of existing software required for the Energy Community website and for the internal accounting programme for the management of the Energy Community accounts.
- Consumables: This budget line comprises the following accounts: office supplies, repairs and maintenance as well as office cleaning, running costs and electricity costs for the premises.
- Other services: The envisaged budget under the budgetary position “Other services” reflects the necessary funds for carriers and transport by third parties, postal fees, other operating expenses and costs of communication (telecommunications).

4.4. Budget Line: Other costs and services

Budget Line IV concerns other expenditures that relate to the activities, which are necessary for the functioning of the Secretariat and other Institutions under the Treaty (Ministerial Council, PHLG, ECRB and Fora).

This budget line is composed of the following budget positions:

- Advertising, communications and representation: It covers the work performed within the area of public relations, related to issuance of publications by the Secretariat (i.e. publishing of new editions of the Legal Framework books, Implementation Reports, etc.), advertising required for the purposes of procurement and personnel search as well as costs of representation;
- Studies, research and consulting: Experience has shown that technical support through studies is a very useful tool for achieving the Energy Community's objectives. The research and consulting relates to the areas of work outlined in the Work Programme of the Energy Community;
- Costs of outsourced services (IT, payroll, etc.): This budget line corresponds to the performance of activities and tasks related to IT administration (outsourced activity to an external service provider), technical maintenance of the website of the Energy Community (in both administrative and external user areas), as well as the lease contracts for office equipment (e.g. copy machines and printers), and maintenance of existing IT solutions within the area of administration, accounting and human resources (databases for accounting and human resources);
- Costs of audit, legal and financial advice: This budget line includes funds for external audits as well as for outsourced legal services and financial contracts for payroll and accounting;
- Financial services: It covers banking and transaction fees;

³ The Republic of Austria committed to donate EUR 170,000 on an annual basis to the office rent of the Secretariat in Vienna;

- Costs of events: This budget line covers the expenses related to the organisation of all regular and *ad hoc* events, including: renting of premises and equipment, catering, technical arrangements;
- Refunding: It covers the travel expenses related to the participation of representatives of the Contracting Parties and/or Observers in the institutional meetings, workshops and other events organized by the Energy Community Secretariat; implementation of this budget follows a separate set of rules on reimbursement. As a principle, the same rules on reimbursement of the costs of transportation and accommodation apply since the beginning of the Energy Community; and
- Training: This budget position covers the expenses related to training, education, internal annual meetings of the Secretariat's staff and, primarily, educational measures offered to the representatives of the Contracting Parties.

5. Energy Community Budget 2022

The proposed budget for 2022 reflects the scope of tasks of the Energy Community and is with 4.958.852 EUR some 3,05% higher than a budget for 2021⁴.

5.1. Budget line 1: Human Resources 2022

Compared to 2021 there is a 2% increase in financial resources requested for Budget Line 1. This is caused by 2% inflationary adjustment.

This budget line is composed of salaries for permanent staff members (on limited contracts subject to extensions) and temporary personnel (interns, secondees). The salaries are exempt from national income tax, without any further benefits (pension rights, health, unemployment) but accident insurance. There are no additional allowances and benefits offered.

The salaries of Energy Community Secretariat personnel applicable as of 1 January 2022 are based on existing levels of remuneration (2021) and subject to inflationary adjustment of 2%.

In this budget line, resources of temporary assignments (24 man-months for secondments and 60 man months for internships) are also included (in 2019: 46.6 man-months). This type of employment proved to deliver an added value to the work of the Secretariat. It has been also the best instrument to engage young professionals or experts from the Parties into the work of the Energy Community. In addition, temporary employments help to fulfil the requirements of the '*geographical equilibrium*' - as required under the *Rules for Recruitment, Working Conditions and Geographical Equilibrium of the Secretariat's Staff of the Energy Community* ("the Recruitment Rules").

5.2. Budget line 2: Travel 2022

The estimate for travel budget for 2022 (EUR 272,000) was established based on experience of budget utilisation acquired in the years before COVID-19 pandemic and assumption of decreased volume of traveling after the pandemic due to hybrid events (minus 20% compared to 2021). The

⁴ As is the case each year, the EU contribution is conditional to the final adoption of the EU budget for 2022.

efficient planning of future trips and missions shall allow sufficient performance of the activities within the requested budget.

5.3. Budget Line 3: Office 2022

The 11,97% increase between 2021 (EUR 424,205) and 2022 (EUR 475.000) for the office expenses budget relates to realistic provisions made for rent and other services.

5.4. Budget Line 4: Other Costs and Services 2022

The overall budget request for other costs and services in the amount of EUR 1.361.984 is 8,62% higher than for 2021 (EUR 1.253.880). This comes primarily as a result of adaptation of sum for studies to the level that allows regular activities, increase in costs for IT services, costs of Audit, Legal and Financial advice and as a slight increase of a budget item for training.

6. Energy Community Budget 2023

The proposed budget for 2023 of EUR 5.080.365 is based on the same assumption of a full team according to establishment plan, salary level, slightly increased office costs and training budget and all other costs as for 2022 and is 2,45% higher than the budget for the year 2022⁵.

7. Statement of revenue 2022-2023

⁵ Figures for 2023 are not yet available as concerns the EU contribution, pending the outcome of the annual EU budgetary procedure. Thus, this constitutes an advanced indication of the resources needed for the operations of the Energy Community in 2023.

Description	Budget 2021	Budget 2022	Change Budget 2022 vs. Budget 2021	Budget 2023	Change Budget 2023 vs. Budget 2022
1. Budget Contributions					
<i>European Union</i>	4.560.883	4.700.000	3,05%	4.815.170	2,45%
<i>Republic of Albania</i>	4.331	4.463	3,05%	4.572	2,45%
<i>Bosnia & Herzegovina</i>	9.624	9.918	3,05%	10.161	2,45%
<i>Georgia</i>	5.293	5.455	3,06%	5.588	2,45%
<i>Kosovo*</i>	3.368	3.471	3,06%	3.556	2,45%
<i>North Macedonia</i>	4.812	4.959	3,05%	5.080	2,45%
<i>Moldova</i>	4.812	4.959	3,05%	5.080	2,45%
<i>Montenegro</i>	2.406	2.479	3,05%	2.540	2,45%
<i>Serbia</i>	26.948	27.770	3,05%	28.450	2,45%
<i>Ukraine</i>	189.596	195.379	3,05%	200.166	2,45%
2. Donations	p.m.			p.m.	
3. Other revenue	p.m.			p.m.	
Total Revenue	4.812.073	4.958.852	3,05%	5.080.365	2,45%

8. Statement of expenditure 2022-2023

Description	Budget 2021	Budget 2022	Budget 2023	Change Budget 2022 vs. Budget 2021	Change Budget 2023 vs. Budget 2022
1. Human Resources	2.793.988	2.849.868	2.906.865	2,00%	2,00%
2. Travel	340.000	272.000	272.000	-20,00%	0,00%
3. Office	424.205	475.000	505.000	11,97%	6,32%
4. Other services	1.253.880	1.361.984	1.396.500	8,62%	2,53%
Total expenditure	4.812.073	4.958.852	5.080.365	3,05%	2,45%

9. Details of Statement of expenditure 2022-2023

(in Eur)	Budget 2021	Budget 2022	Budget 2023	Change Budget 2022 vs. Budget 2021 [in %]	Change Budget 2023 vs. Budget 2022 [in %]
1. HUMAN RESOURCES			1,02		
Subtotal Human Resources	2.804.091	2.849.868	2.906.865	1,63%	2,00%
2. TRAVEL EXPENSES					
Daily Subsistence Allowance (DSA)	112.000	89.600	89.600	-20,00%	0,00%
Travel Expenses (flights and incidentals)	228.000	182.400	182.400	-20,00%	0,00%
Subtotal Travel Expenses	340.000	272.000	272.000	-20,00%	0,00%
3. OFFICE EXPENSES					
Office rent	170.000	200.000	215.000	17,65%	7,50%
Office equipment	50.000	65.000	70.000	30,00%	7,69%
Consumables	131.000	145.000	150.000	10,69%	3,45%
Other Services	63.205	65.000	70.000	2,84%	7,69%
Subtotal Office Expenses	424.205	475.000	505.000	11,97%	6,32%
4. OTHER COSTS AND SERVICES					
Advertising, communication and representation)	51.500	50.000	50.000	-2,91%	0,00%
Studies, research and consulting incl. TA	332.777	503.984	516.500	51,45%	2,48%
Costs of outsourced services (IT, payroll, etc.)	145.000	190.000	200.000	31,03%	5,26%
Costs of Audit, Legal and Financial Advice	86.000	130.000	130.000	51,16%	0,00%
Financial services	22.500	24.000	26.000	6,67%	8,33%
Conference costs	133.200	120.000	120.000	-9,91%	0,00%
Refunding	372.800	284.000	284.000	-23,82%	0,00%
Training	110.000	60.000	70.000	-45,45%	16,67%
Subtotal Other Costs and Services	1.253.880	1.361.984	1.396.500	8,62%	2,53%
TOTAL	4.812.073	4.958.852	5.080.365	3,05%	2,45%

10. Institutional Budget (reimbursement of travel expenses and organisation of events)

(in EUR)

	Budget 2022	Budget 2023
Ministerial Council (incl. bodies established by decision of the MC)	118.160	118.160
Permanent High Level Group	20.480	20.480
Energy Community Regulatory Board	54.960	54.960
Secretariat (incl. other workshops/events)	160.880	160.880
Electricity Forum	16.240	16.240
Gas Forum	16.240	16.240
Oil Forum	16.240	20.800
TOTAL	403.200	407.760

11. Annex IV of the Treaty: Parties Contribution Table 2022-2023

Description	Budget 2021	Budget 2022	Change Budget 2022 vs. Budget 2021	Budget 2023	Change Budget 2023 vs. Budget 2022
1. Budget Contributions					
<i>European Union</i>	4.560.883	4.700.000	3,05%	4.815.170	2,45%
<i>Republic of Albania</i>	4.331	4.463	3,05%	4.572	2,45%
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<i>Serbia</i>	26.948	27.770	3,05%	28.450	2,45%
<i>Ukraine</i>	189.596	195.379	3,05%	200.166	2,45%
2. Donations	p.m.			p.m.	
3. Other revenue	p.m.			p.m.	
Total Revenue	4.812.073	4.958.852	3,05%	5.080.365	2,45%

12. Establishment Plan 2022-2023

Establishment plan indicates the number of permanent and temporary posts proposed for carrying out the tasks under the corresponding work programme. The number of temporary posts is estimated on the basis of 12-month assignments and may vary depending on the individual duration of the assignments.

Establishment plan: staff 2022-2023

	2022		2023		2021	
	Permanent Post	Temporary Post	Permanent Post	Temporary Post	Permanent Post	Temporary Post
Director	1		1		1	
Head of Unit or Section**	6		6		6	
Experts	19		19		19	
Assistants/ Officers	5		5		5	
Temporary Personnel		7		7		7
ALL	31	7	31	7	31* ***	7

* According to Procedural Act 2013/03/MC-EnC one of the Heads of Unit is assigned with additional functions and tasks of Deputy Director. This position shall not have any impact on the total number of staff.

** According to Procedural Act 2019/01 MC-EnC, for the future, the position of the Deputy Director would need to be clearly stipulated and defined in the Staff Regulations and the Recruitment Rules.

*** in May 2021 all posts are filled except temporarily the post of a Head of Administrative and Finance Unit

Energy Community salary scales 2022-2023

Level/description	Full-time salary per month (in EUR)	Full-time salary per month (in EUR)	Full-time salary per month (in EUR)
	2021	2022	2023
Director	14.861	15.158	15.461
Deputy Director*	2.023	2.063	2.105
Head of Section/Unit	8.091	8.253	8.418
Expert	6.777	6.913	7.051
Assistant /Officer	4.960	5.059	5.160
Seconded	3.300	3.366	3.433
Intern	1.680	1.714	1.748

* Corresponds to the difference between Head of Unit salary and Deputy Director salary. According to Procedural Act 2019/01 MC-EnC, for the future, the position of the Deputy Director would need to be clearly stipulated and defined in the Staff Regulations and the Recruitment Rules.

Annex: Energy Community Work Programme 2022-2023

I. INTRODUCTION

Background

This outline of the Work Programme of the Energy Community 2022-2023 is a summary of activities linked to the budgeting process of expenditures for the next two years. It is prepared following the requirements of the establishment of the budget laid down in the Energy Community Procedures for the Establishment and Implementation of Budget Audit and Inspection ("*Budgetary Procedures*").

It takes into consideration the following:

- **The multiple challenges and need for support by the Energy Community Contracting Parties decarbonizing their energy sectors, in adhering to the European Green Deal and in ensuring a just transition;**
- **Developments in the Energy Community's *acquis* (most notably the Clean Energy Package);**
- **The Secretariat's enhanced and more complex role in the implementation of the Treaty;**
- **Increased outreach, and cooperation with other policy making and financial institutions;**
- **The increase in the scope of work of the Secretariat due to new tasks, events, travels and implementation efforts as a result of the above.**

Within the current budgetary period 2020-2021, the Energy Community has worked intensively towards implementation of the *acquis communautaire* ('*acquis*') under the Treaty in a broad range of areas including electricity, gas, oil, renewables, environment, energy efficiency, climate, statistics, security of supply, State aid and competition. This trend will definitely continue, with new areas of work linked to decarbonisation such as support and review of national energy and climate plans, renewable energy support scheme reform, auctions and guarantees of origin, as well as phase-out of fossil subsidies and just transition matters moving to the fore. Enforcement and dispute resolution will play an even greater role than in previous periods, as investors and civil society assume a more active role.

As reflected in detail in the Energy Community Secretariat's (hereinafter 'the Secretariat') annual Implementation Report, the Contracting Parties have benefited from support by the Secretariat in transposing and implementing the *acquis* through drafting primary and secondary legislation, compliance reviews, enforcement and negotiations, mediation, streamlining and coordination of technical assistance, education, management of regional cooperation, etc. Such support will continue also in the next budgetary period 2022-2023.

Challenges in catching up

In the years to come, the Contracting Parties and the Energy Community institutions are expected to work more intensively to support the energy transition in the Energy Community in line with the Green Deal. Compared to the EU, Contracting Parties are increasingly lagging behind in this process, and need to catch up in highly sensitive areas such as pricing carbon and phasing out

subsidies, strengthen administrative capacity and to attract investment under more difficult circumstances and facing other challenges such as a high level of poverty. The main instrument to support the Contracting Parties with catching up and progressing towards a comparable level to the EU is the full implementation of the *acquis*, both existing and new.

The **Third Energy Package** as well as the existing **environmental and climate *acquis*** is still far from being implemented. Closing the gap requires major efforts by the Parties, supported by the institutions. **Full opening of the electricity and gas markets and ensuring their liquidity, and to some extent unbundling and certification of transmission system operators and unbundling of distribution system operators** still have not been achieved. This applies to electricity and even more so in gas, where markets are still nascent and monopolized, including the use of infrastructure. The **REMIT Regulation** still has to be implemented. Moreover, some electricity and gas **network codes and guidelines** are still to be incorporated in the Energy Community, while others are not yet implemented. As they are not directly applicable, the efforts to transpose and implement them are greater than in the EU. Beyond the Secretariat's regular annual monitoring of *acquis* implementation, this requires from the Secretariat the fulfilment of **specific reporting tasks** (see Annex I), which increases workload and requires specific knowledge comparable to the expertise available at EU level (e.g. ENTSOG, ENTSO-E, ACER etc.)

Outside the Third Energy Package, especially the **Large Combustion Plants Directive and the Industrial Emissions Directive** have far-reaching consequences for many Contracting Parties. The implementation phase of the Large Combustion Plants Directive started on 1 January 2018, with the reporting obligations by the Contracting Parties taking effect on 1 January 2019. The two Directives are far from being implemented. In the context of the unsatisfactory air quality in many Contracting Parties, and the impact on lives and health of the Energy Community citizens, efforts need to be stepped up.

The **Strategic Environmental Assessment Directive**, the **Environmental Impact Assessment Directive** and the **Wild Birds Directive** pose additional challenges, in particular but not limited to hydropower plant projects, which have recently moved up on the political agenda of many Contracting Parties. The **Strategic Environmental Assessment and the upgraded Environmental Liability Directives**, have not yet been transposed in several Contracting Parties. The same goes for the upgraded **Sulphur in Fuels Directives** as well as the **Recommendation on implementing the provisions of the Monitoring Mechanism Regulation** for greenhouse gas. According to the 2018 Ministerial Council Recommendation on preparing for the implementation of Directive 98/70/EC, the Contracting Parties should also prepare the legal and institutional preconditions for the implementation of the core elements of the Fuel Quality Directive in their jurisdictions. The Secretariat should assist the Contracting Parties' efforts in this respect. Given the major challenges in implementing the environmental and climate *acquis*, which will multiply with the incorporation of the Clean Energy Package, this will require continued intensive assistance to the Contracting Parties by the institutions.

On Emergency Oil Stocks, the deadline for implementing Directive 2009/119/EC is approaching without significant progress having been achieved in most Contracting Parties. Moreover, Commission Implementing Directive (EU) 2018/1581 of 19 October 2018 on the method for calculating the minimum level of emergency stocks will require more support by the Secretariat and other institutions.

The Energy Community is also getting more involved in the **application of the rules in individual cases, projects and initiatives**. This includes, *inter alia*, assistance in development and modelling of National Energy and Climate Plans, **supporting of infrastructure and generation projects**, , **environmental and strategic impact assessment procedures for individual projects, adequate follow-up on complex competition law and State aid reviews, e.g. in connection with hydropower or coal-fired electricity generation, assessment of risk of interruption of energy supply and its mitigation and reduction, etc.** The unbundling of transmission, including the **certification processes**, and distribution system operators is particularly work-intensive and absorbs already a significant amount of the Secretariat's resources. The same goes for **exemption requests for new infrastructure**. The Secretariat is also a key promoter of the development of several projects in different Contracting Parties, such as the power exchange in Albania, North Macedonia or Montenegro. **Power or gas exchanges** in other Contracting Parties and/or on a regional level require similar support. In **Ukraine**, the Secretariat is deeply engaged in the ongoing stabilization of the electricity markets and renewable sector, as well as the establishment of a gas exchange in accordance with the EU legislation and best practice. Another example is the gas market in Albania, where the work has to started from the very beginning. It is expected that in other Contracting Parties such development may take place as well. In **Georgia**, the youngest Contracting Party, the establishment of open markets in electricity and gas is at an early stage. Yet the authorities and market participants, depending on support by the Secretariat, will be moving fast in catching up with the rest of the Energy Community.

Besides developing rules and procedures for all Contracting Parties individually, the tasks of the Energy Community also include **developing regional approaches and solutions**, when appropriate and effective, by the Energy Community institutions in an unprecedented depth and scope. The Energy Community will have to be ever more involved in the creation of legal and institutional frameworks for organised markets. Full implementation of the *acquis* related to cross-border market integration will require guidance and concrete assistance, e.g. in the area of electricity balancing, day-ahead and intraday markets (market coupling), forward capacity allocation and system operation, etc.

The Energy Community Secretariat has launched the **South East and East European Gas (SEEGAS) Platform**, in order to further enhance market development and integration in the regional gas sectors. The successfully developed gas exchange project in Ukraine triggered a strong reaction from market participants, which showed a high interest and urgent need for greater interconnection and interoperability of the national gas markets.

In anticipation of possible 'synergy' and 'spill-over' effects, resulting from the development of gas hubs in these regions, significant amounts of time and costs can be saved by having an early cooperation mechanism like the SEEGAS Platform. Usage of European best practices, based on the experience of the development of the Pan-European gas trading platform (PEGAS) could enable interoperability, liquidity, market access and competition already at an early stage and reduce integration costs at a later stage.

Furthermore, it would increase security of supply in the region and incentivize closed markets to open up and diversify their supply sources towards a fully integrated SEEGAS platform. Steering such an integration process from the beginning would enable the creation of spread trading across borders, which is important for trading companies and the well-functioning of the balancing mechanisms of adjacent TSOs.

The experience of European markets has shown what important role balancing mechanisms play in the transition to a marketplace. The market balancing regime is obliged to promote the development of the short-term market, which it itself needs in the early stages, in order to then transform into a well-functioning liquid wholesale market. In order to kick-off and drive this process, an organized framework and an international cooperative structure would be needed.

A window of opportunity for the SEEGAS Platform has arrived through trans-regional cooperation towards the development of a well-functioning balancing concept for Moldova and the fact that nearly all countries in the region are enabling the development towards hubs and exchange traded markets at the moment. Parallel developments are taking place in Georgia, where stakeholders are actively structuring a project towards the development of a gas exchange and OTC auction platform, following the ongoing market liberalization.

SEEGAS aims to facilitate the best possible interoperability and integration, while continuously assessing potential and concrete possibilities for integration with other gas markets by expanding the scope of the SEEGAS Platform. An independent international organisation like the Energy Community Secretariat is in the unique position to provide for the necessary expertise and would be the ideal body to bridge the gap between all stakeholders needed for this process. Additionally, the Secretariat will be able to connect, structure and monitor the process of market development in the Contracting Parties and other participating countries.

Finally, the outreaching idea of collecting best practices in gas trading in markets which are still at the beginning of full liquidity creation and state of the art market operation, will provide a greenfield analysis which is still missing in the region. Key industrial stakeholders will share the experiences they have made and representatives from the industry will have the possibility to connect and exchange view on a neutral ground.

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These tasks need to be performed on top of the Secretariat's original and very work-intensive activities in monitoring and enforcement. With **stricter enforcement rules** as envisaged by the proposed Treaty amendments, the dispute settlement process will increase in complexity and be complemented by an additional layer, the imposition of penalties. Moreover, the Procedural Acts currently discussed in the context of Treaty amendments put a whole new layer of new reporting obligations on the Secretariat. The management of the revenues from penalties via a newly created Energy Community Transition Fund will also absorb additional human resources.

Expanding the *acquis communautaire*

Beyond the existing *acquis* (see Annex II), the Ministerial Council is expected to adopt the entire **Clean Energy Package** in 2021. This Package includes the recast **Renewable Energy Directive**, **the amended Energy Efficiency Directive and the amended Energy Performance in Buildings Directive**, **the Governance Regulation**, **a new Electricity Directive and an Electricity Regulation as well as the Risk Preparedness Regulation**. They all require adequate resources in the Energy Community to make their transposition and implementation a success. With the Governance Regulation and the foreseen National Energy and Climate Plans, this Package features a completely new approach to policy-planning in the Contracting Parties of an extraordinary complexity. Overall, it is fair to assume that, once incorporated, the Clean Energy Package will have a profound impact on the Contracting Parties' economies and legal systems. Yet swift incorporation

is needed on the pathway to decarbonisation. Moreover, the Leaders of the WB6 Contracting Parties in 2020 committed at the Sofia Summit to “align with the EU Climate Law once it is adopted with a vision of achieving climate neutrality by 2050”, which will trigger significant amount of work for the Energy Community institutions, in particular in drafting and reviewing national climate laws. The also agreed to “*review and revise, where necessary, all relevant legislation to support progressive decarbonisation of the energy sector and secure full enforcement, notably through the Energy Community*”. This opens up a whole new dimension of the Secretariat’s work.

Tasks of the Secretariat will also include active involvement and support to the platform Initiative for Coal Regions in Transition in Western Balkans and Ukraine. The Energy Community Secretariat is the lead regional institutional partner in this initiative, bringing strategic knowledge and analysis of the region to bear on the design of activities.

Overall, the Clean Energy Package, and the Just Transition Initiative will surely take centre stage in the work of the Energy Community during the next budgetary period.

Moreover, the gas *acquis* is expected to be updated in the European Union in 2021 and to be on the agenda in the Energy Community shortly afterwards. This will coincide with the analysis of and consequences from the pilot study on the relevance of hydrogen for the Contracting Parties launched in 2020. The *acquis* on **gas security of supply** is also going to be updated by incorporation of the latest **Regulation** currently applicable in the EU, for the Energy Community will pose significant additional efforts. In addition, the remaining electricity and gas network codes are going to be continuously adopted, and will impose an additional legal framework of great technical detail for which the Contracting Parties so far are not well prepared. These activities will increase the workload of the Secretariat and the ECRB significantly, including in terms of coordinating and streamlining this process closely with various EU bodies.

The coming into effect of the new *acquis* just before or during the next budgetary period means that the Secretariat will need to increase its activities on supporting transposition and implementation of the new *acquis* in the Contracting Parties, while the implementation of the existing *acquis* is still going on.

By establishing a Coordination Group for Cyber-Security and Critical Infrastructure, the Energy Community started its activities in cyber security *acquis*. Corresponding Procedural Act of the Ministerial Council 2018/2/MC-ENC enforced the implementation of a set of provisions from the EU *acquis* on Cybersecurity and on critical infrastructure in the energy sector. The Group is a vehicle for coordination in the establishment of compliant legal basis including related, energy-specific EU delegated acts such as the EC Recommendation on Cybersecurity in the Energy Sector of March 2019. which consists of the following legislation at EU level: Directive on a common regulatory framework for electronic communications networks and services, the EU Authorisation Directive, the Access Directive, the Universal Service Directive and several Specific Directives. To ensure the same level of security across Europe, these legislative acts may also become obligations under the Energy Community Treaty.

The impact of the pandemic

The Energy Community institutions managed to continue operating during the Covid-19 pandemic even under difficult circumstances. The workload of the Secretariat in gathering information, supporting stability of the sectors, coordinating and designing pathways for recovery has increased. In 2022-23, the focus must be on sustainable recovery, a chance and a challenge for Contracting Parties' energy sectors of an unprecedented magnitude. Supported by significant funding from international and national sources, this recovery in the best case will be used as a chance to cure many of the legacy problems of the energy markets, and put the Contracting Parties on an irreversible path towards decarbonisation. In the worst case, recovery efforts and the funding made available will be spent to lock the energy sectors in their current state of affairs, including a carbon-heavy fuel mix. The Energy Community institutions will have to increase their vigilance and technical support to make sure that the right choices in line with the European Green Deal are made.

II. OVERALL AND CROSS-CUTTING TASKS

1. PROMOTING AND SUPPORTING THE ENERGY COMMUNITY GOALS AND ACTIVITIES

The Energy Community institutions will continue to fulfil their mandates. For the Secretariat, this means in particular:

- Provision of **legal and technical assistance** to all Energy Community institutions within the scope of their competences linked to the implementation of the Energy Community Treaty;
- **Assisting the competent institutions and Parties with the implementation of decisions and recommendations;**
- Provision of **assistance of organisational, conceptual and legal nature** to all Contracting Parties and their relevant authorities, **including review and drafting of documents (laws, secondary legislations, decisions, concepts etc) in all areas and levels;**
- **Enforcement in cases of non-compliance** with Energy Community law, and support and **promotion of the amicable settlement of investor-state and similar disputes;**
- **Organising events** of the Energy Community, its institutions and its institutional partners;
- **Coordinating the work of working groups and task forces;**
- **Supporting Donors coordination activities** by the European Commission;
- Promotion of the objectives of the Energy Community via e.g. **publications, presentations, public relations, maintaining and developing the website, liaising with other international institutions and bodies, donors, investors, etc.;**
- **Managing and implementing the budget** of the Energy Community in line with availability, objective necessity and applicable rules.

2. IMPLEMENTATION OF THE ACQUIS

The implementation of the current *acquis communautaire*, its expansion and the preparation for new *acquis*, particularly climate and decarbonisation related will remain the biggest challenges for the Energy Community also in the period 2022-2023. According to the 2020 Implementation Report, the most pressing issues are: the **slow pace of unbundling, the need for wholesale market opening and integration in real terms, the challenges to regulatory independence, the persistence of illegal subsidies and State aid, the regulatory framework on tariffs and other issues, the lack**

of regional cooperation, the size of the responsible administrations in the Contracting Parties, the organization of market-compatible support schemes for renewables, and increasingly the lack of compliance with the environmental and climate *acquis* in a growing number of projects. The Secretariat's work will be adjusted to meet the needs within the mandate set out in the Energy Community legal framework and the specified and available budgetary resources.

2.1. Providing assistance to Contracting Parties

A compliant, coherent legal framework is the indispensable precondition for Contracting Parties to achieve the objectives of the Treaty. That is why providing assistance to Contracting Parties with regard to drafting, transposing and implementing legislation is one of the priorities of the Secretariat.

- The Secretariat, within the mandate set out in the Energy Community legal framework; will **review all draft and adopted legislation and other documents. It will provide comments** on their compliance with the *acquis*, making sure that legislation adopted is in line with the obligations under the Treaty. This will apply to both existing and new *acquis*. With the assumption that the entire Clean Energy Package will be incorporated in the Energy Community *acquis* in 2021, this work stream will increase significantly. When Contracting Parties ask for assistance, the Secretariat will be involved in supporting the drafting of primary and secondary legislation, including by the Regulator, transmission/distribution system/market operators, etc. The Secretariat will provide compliance reviews, streamlining and assistance to the EU for the coordination of technical assistance and education for the Contracting Parties;
- The Secretariat will provide assistance to the Contracting Parties also by **advising them on implementation of the *acquis***. For that purpose, the Secretariat has established special purpose internal task forces and working groups to tailor make solutions according to the particularities, needs and shortcomings of the Contracting Parties
- In October 2020, European Commission announced in its Economic and Investment Plan for the Western Balkans 9 billion Euro to support on energy market integration, decarbonisation and clean energy, just transition, increased digitalisation of the system and smart grids, energy efficiency, including modernisation of district heating, and energy security. Decarbonisation is a key pillar of this Economic and Investment Plan in line with the aims of the European Green Deal.
- The Secretariat will organise the process of adoption of the 2022 list of Projects of Energy Community Interest and Projects of Mutual Interest by the Ministerial Council.;
- The Secretariat will continue its support via capacity building to national institutions such as the national statistics institutes, competition and State aid authorities, regulatory authorities, etc. This will be additionally supported by webinars and other online educational tools;
- The Secretariat will further **provide assistance in organising workshops and commissioning studies**, to the extent required;

2.2. Monitoring and Reporting

As in the past, the Secretariat will report on the progress of Treaty implementation by issuing **Annual Implementation Reports**, as the most comprehensive reference document and basis for further policy development and enforcement measures. The Implementation Report involves virtually all experts of the Secretariat. Furthermore, the Secretariat will continue to publish reports as part of the

Secretariat's involvement in different regional initiatives (CESEC, Western Balkan 6 Transition Tracker) as well as *ad hoc* reports on different subjects, when required or assigned to the Secretariat by the relevant institutions.

Beyond the annual implementation monitoring, individual pieces of the *acquis communautaire* require **targeted monitoring and reporting** by the Secretariat. This includes a wide range of Directives, Regulations and other pieces of the *acquis*. Network codes and guidelines in electricity and gas will bring specific reporting obligations on the Secretariat's agenda, as displayed in Annex I. Moreover, the Secretariat will share its expertise with the European Commission within the scope of the envisaged Procedural Act on cooperation in the sphere of the Treaty's reciprocity mechanism.

2.3. Enforcement of the *acquis* and alternative dispute resolution

The dispute settlement mechanism under Article 90 of the Treaty is the instrument for Treaty **enforcement and following up on instances** of in compliance with the Treaty. The work on enforcement, which under the Dispute Settlement Rules involves the Secretariat, the Permanent High Level Group and the Ministerial Council, has been and is already one of the activities taking up a large part of the Energy Community's work and deliberations. This is and will continue to be important for the credibility of a community based on the rule of law. The expected Treaty amendments introducing financial penalties will add to the intensity of that work. The Secretariat is addressed by citizens, market participants, investors and civil society organizations on a regular basis. The number of cases is constantly increasing.

Recent experience also suggests that the **cases** coming to the Secretariat upon a compliant **became increasingly complex**. To give a few examples, the Secretariat (and subsequently the Advisory Committee, see below) is to deal with cases concerning the compliance of guarantees and long-term contracts made available to coal-fired power plant projects, accusations of manipulations of electricity markets and the compliance of environmental impact assessments in an unprecedented number of cases. The complexity of these cases in terms of their legal, technical and economic specifics makes them particularly work-intensive. As the case may be, they also may require external legal and economic expertise.

Besides the institutions mentioned above, the **Advisory Committee** as a body established under the Dispute Settlement Rules has gained in importance for the purpose of impartial and law-based decision-making in enforcement cases. The Advisory Committee needs to consist of five independent lawyers of highest international standing and reputation. They hand down Opinions in each and every case initiated by the Secretariat. The **members' workload has already substantially increased** during the present budgetary period. This is due to the increased number of complaints addressed to the Secretariat and the increased number of cases initiated by the Secretariat on its own motion, as well as the requirement stemming from the Dispute Settlement Rules to conduct a public hearing before giving an Opinion to the Ministerial Council. For several years these members have discharged their duties without any remuneration. From 2019 on they received minimal reasonable compensation (from donation of the Republic of Poland) and will continue to receive it from the Energy Community budget.

2.4. Cooperation with national authorities and courts

Since the Dispute Settlement Rules were amended in 2015, the Secretariat and authorities of the Contracting Parties avail themselves of the opportunity for **formal communication and referrals of questions on the interpretation of Energy Community law** to the Secretariat. The Secretariat will

continue dealing with such referrals within the mandate set out in the Energy Community legal framework.

2.5. Capacity building and educational activities

The Secretariat is organizing numerous **working groups** on several legal acts (i.e. implementation of individual Network Codes), on problematic topics (i.e. unbundling, certification process, price liberalisation, avoidance of cross subsidisation, technical issues) for all Contracting Parties or sometimes only for several stakeholders from one or few Contracting Parties, primarily alone but sometimes in cooperation with ENTSO, ENTSO-E, ACER, CEER, IRENA, MEDREG, USAID, EBRD, KfW, the World Bank, GiZ Open Regional Fund for Energy Efficiency, EC JRC, industry associations, etc.

In the category of capacity building fit also all meetings of bodies established by the Ministerial Council or PHLG decisions and all fora meetings.

The Secretariat will continue to support the meetings of the Energy Community Parliamentary Plenum, including with organisational support as well as expert input for the Plenum's reports and resolutions. Since its establishment, the plenum has met twice a year. Since 2017, the plenum has prepared on an annual basis a joint report on a topic of common interest: security of energy supply in 2017, renewables in 2018, energy efficiency in 2019 and National Energy and Climate Plans adoption in 2020. Given the importance of these activities in terms of boosting *acquis* compliance as well as political support for the Energy Community, the Secretariat will continue to dedicate sufficient resources to this activity.

The Energy Community **Summer School** is a multidisciplinary training programme on energy-related issues started in 2016. The School focuses on topics relevant for the Energy Community, but most importantly on all aspects related to energy sectors in transition, in particular in South-Eastern and Eastern Europe. The Summer School provides an opportunity to gain an in-depth understanding of the energy sectors in their full complexity, covering energy's political, economic, technical, legal and sustainable aspects.

Bringing together 40 postgraduates and young professionals, the Summer School continues to increase the understanding of energy challenges in order to shape a better future by inspiring the design of new, innovative and efficient solutions. Speakers include high level representatives of European institutes, national authorities, companies and academia.

The Energy Community Summer School is supported by the Visegrad Fund, in cooperation with academic institutions. It will continue to take place once per year also during the next budgetary period.

The Energy Community **Regulatory School**, established in 2017, developed into a well-received knowledge building centre for the Contracting Parties' energy regulators. The training courses are dedicated to equipping regulatory authorities with the necessary expertise and EU best practise to fulfil their existing and new duties in implementing the *acquis*. Specific focus is thereby put on the new regulatory challenges ahead, e.g. related to network codes, REMIT, market coupling, trade, etc. In the budgetary period 2018-2019, the Regulatory School offered around ten trainings per year. With the implementation deadlines for new regulatory duties stemming from the new *acquis* kicking-in and new regulatory challenges ahead, related to e.g. the Clean Energy Package, smart technologies or cyber security, the need for training will most probably increase in the budgetary

period 2022-2023. The impact of course preparations and organisation duties on the workload of the Secretariat is therefore expected to remain relevant also in the next budgetary period.

As bodies established under the Energy Community Treaty, the annual **Electricity Forum** in Athens, the annual **Gas Forum** in Ljubljana and the annual **Oil Forum** in Belgrade will continue to serve as platform for promoting reform and regional cooperation in the respective sectors.

Since 2013, the Secretariat, in cooperation with the Florence School of Regulation, organizes an annual **Forum on European Energy Law** in Vienna to promote the network and exchange of knowledge between energy lawyers and regulators from Contracting Parties and the European Union. The Forum is preceded by a workshop on Energy Community law to address specific legal issues and challenges for the Contracting Parties. Since 2018, the **Forum on European Energy Law** is complemented by a **Dispute Resolution Forum**. These events have met an unusual high demand, even during the Covid-19 lockdown, and will be continued in the future. The Secretariat, in cooperation with *Concurrences*, also organizes an annual **Energy Competition Law Forum** for the purpose of training and capacity building of competition and State aid experts in the Energy Community.

Since 2017, the Secretariat, in cooperation with civil society organisations, organises an annual **Sustainability Forum**, in response to the continuous expansion of the Energy Community's work on decarbonisation and the pressing need to establish a single multi-stakeholder platform dedicated to the key energy and climate issues the region is facing. In the upcoming budgetary period, this will be complemented by a Just Transition Forum.

III. IMPLEMENTATION ACTIVITIES IN DETAIL

1. ACTIVITIES IN THE ELECTRICITY SECTOR

1.1. Transposition and implementation of the *acquis* on electricity in the Energy Community

Despite the imminent incorporation of the Clean Energy Package, the activities on the **transposition and implementation of the Third Energy Package *acquis*** on electricity will need to continue. This concerns in particular the **Network Codes and Guidelines** related to the electricity market and system operation (most notably the Guideline on Capacity Allocation and Congestion Management in electricity, the CACM Regulation), which is envisaged together with the **electricity related parts of the Clean Energy Package**. The latter entails a paradigm shift in the approach to electricity sector governance and introduces new concepts and tasks (such as capacity mechanisms, interconnection targets, regional coordination centres etc.) which until now do not exist in or between the Contracting Parties. With the reciprocity to be introduced through Treaty amendments, the scope of the regional markets will also significantly increase. The Secretariat actively supports Contracting Parties' Governments, ministries, regulators and system operators in the transposition and implementation through assistance in drafting, amending and reviewing primary and secondary legislation. Continuous compliance monitoring will be performed through a set of predefined indicators and the findings will be published in the annual Implementation Report. If needed, enforcement action will be initiated.

To ensure proper understanding and acceptance of the new legislation, the Secretariat will provide technical assistance and capacity building for the Contracting Parties' stakeholders, from the organisation of dedicated workshops and working group meetings, to launching studies and publishing policy guidelines. The Secretariat will also facilitate cooperation and the participation of

the Contracting Parties in the relevant institutions such as ENTSO-E, ACER and the bodies that are to be established following the implementation of the Network Codes and the Clean Energy Package, such as the European entity for DSOs or regional cooperation centres. Once compliance with the *acquis* is ensured, the Contracting Parties' regulators should become more closely involved in the related activities of EU regulators. This is even more important once ACER takes over responsibilities for regulatory decisions concerning the borders between Contracting Parties and Member States. This change also requires more intense and systematic cooperation with the ECRB.

The transposition and implementation of the electricity related *acquis* is supplemented by the activities on identifying, incorporating and implementing parts of legislation governing trade, commercial, fiscal, financial and company matters, which are necessary for the efficient functioning of the regional electricity markets, such as **legislation related to value-added tax and public procurement**. To this end, the Secretariat, with support of the competent European Commission services, cooperates with national taxation experts. The Secretariat shall continue its support to harmonization of VAT regime pertinent to energy related transactions in order to facilitate market integration, by means of technical assistance in cooperation with the Commission (DG TAXUD), and coordination and cooperation of national VAT institutions in the format of consultative meetings and workshops, two meetings per year.

The Secretariat, in close cooperation with the competent European Commission service, also facilitates cooperation of national procurement authorities with the aim of developing and improving a common understanding of the public procurement rules applicable to the procurements in the energy sector. The Secretariat will support regular consultations and experience sharing among the national procurement authorities within an expert group, which will provide expert input for the development of official interpretations, instructions and policy guidelines for public procurements in the energy sector.

1.2. Liberalisation and integration of the electricity markets

The Secretariat will **monitor the development of competition and liquidity in the market** within the mandate set out in the Energy Community legal framework, and where needed promote it proactively.

The establishment of a functional regional energy market, in which the principles enshrined in the Treaty are implemented, has always been one of the main goals of the Energy Community and thus of the Secretariat. Given the significant delay in market coupling, the Secretariat will have to increase its efforts in supporting the most mature projects with the goal to accomplish them in the first half of the decade. Besides **coupling day-ahead and intraday markets, the integration of a balancing market at regional level** will come into focus. The Secretariat will facilitate, in the first place, the adoption and implementation of the **CACM Regulation and the Electricity Balancing Guideline** in the Energy Community to set a robust legal framework paving the way for integration at regional level and with EU Member States. The Secretariat will assist the Contracting Parties' stakeholders - NRAs, TSOs and PXs - in creating a regional electricity market as an intermediary step towards joining European market coupling and balancing projects that are currently being developed at EU level. The **cooperation with EU market coupling projects** (SDAC) and European balancing projects (IGCC, TERRE, MARI, PICASSO, FCR) will be facilitated by the Secretariat. Implementation of the **coordinated capacity calculation process by TSOs** in the shadow CCR 10 region (includes the Western Balkans' TSOs and CCR 10 TSOs, as well as borders to neighbouring TSOs of Croatia, Hungary and Italy) will be supported as one of the important preconditions for ensuring optimal utilisation of cross-border capacities. The Secretariat will also continue to support TSOs for electricity that are not yet members of ENTSO-E in their endeavours to ensure compliance

with membership requirements. Continuous and increased efforts of the Secretariat will focus on supporting and promoting **electricity market coupling pilot projects** between Contracting Parties (Western Balkans as well as between Ukraine and Moldova) as well as those on the interfaces between Contracting Parties and neighbouring EU countries, such as: North Macedonia-Bulgaria, Montenegro/Serbia/Albania-Italy, Bosnia and Herzegovina-Croatia, Ukraine-Poland/Slovakia/Hungary/Romania. With the expected start of the transposition and implementation of the electricity market and system operation guidelines following their incorporation into the *acquis*, the nature of the Secretariat's activities will move from voluntary pilot initiatives to compulsory obligations of the Contracting Parties and EU Member States. Furthermore, the participation of Power Exchanges in the European 'NEMO platform' will have to be promoted with respect to the implementation of the CACM Regulation. The Contracting Parties' regulators will have to become more closely involved in power exchange-related activities and start collaborating with EU counterparts. The Secretariat will offer organisational and content-related support.

Implementation of the above-mentioned activities will require strong regional coordination and cooperation which will be provided through the regional platforms for adoption of the Network Codes

In parallel, the Secretariat's support to the establishment of national preconditions for regional electricity market integration, such as **development of national day-ahead, intraday and balancing markets**, will continue.

Moreover, the Secretariat will **support strengthening and enlarging of the regional institutions**, in particular the capacity auction office **SEE CAO**. The SEE CAO's portfolio has recently been increased by the interconnectors of Kosovo*, the border between Georgia and Turkey is under discussion. Other interconnectors which are not yet benefitting from coordinated forward capacity allocation by any auction office should be included in SEE CAO.

The Western Balkan 6 Initiative (WB6) will continue its activities within the framework of the Western Balkan Contracting Parties' commitment under the Sofia Declaration endorsing the Green Agenda for The Western Balkans in which the Energy Community has a pivotal role⁶. The Secretariat will support countries in creating fully-integrated and competitive energy markets that will provide price signals for decarbonisation and green investments necessary to meet 2050 carbon-neutrality target. A monitoring and reporting of relevant indicators are continued by creation of the Energy Transition Tracker and according indicators, prepared on a regular basis will continue its activities on the completion of the regional electricity market and will further expand towards the to promote creation of decarbonised, decentralised and digitalised electricity markets in the Western Balkans.

Activities on developing markets for flexibility will be initiated in order to respond to the increased deployment of intermittent renewable sources, such as wind and solar, in the Energy Community. This will include activities on ensuring non-discriminatory access to the market to all providers of flexibility services as well as other activities on increasing system flexibility, such as digitalisation, involving transmission and distribution system operators within the framework of ECDSO platform. This includes also the design and implementation of storage solutions.

⁶ SOFIA DECLARATION ON THE GREEN AGENDA FOR THE WESTERN BALKANS

1.3. Security of electricity supply

As in all sectors effective regional cooperation has been recognized as key to achieving the region's electricity policy objectives and addressing the challenges that EU Member States and Contracting Parties face. The establishment or adherence to of regional coordination centres will have a positive impact in this sector, however, they do require significant involvement from the Secretariat.

The Risk Preparedness Regulation is expected to be adopted in 2021. It will be a focus of the Secretariat's activities, together with the adoption and implementation of the Emergency and Restoration Network Code and System Operation Guideline. The Secretariat shall provide support in the implementation through development of necessary legislation and coordination of activities at national and regional level. The new *acquis* will require significant changes in the electricity sector: adoption of regional adequacy assessment, risk assessment, regional and national preventive plans, as well as emergency plans. Once the Risk Preparedness Regulation is adopted, the Secretariat will guide and support the Contracting Parties with its implementation. The Secretariat will assist the existing coordination platform acting in support of security of electricity supply, namely the **Security of Supply Coordination Group, Sub-group Electricity (SoS CG SG-E)**, in its activities. The SoS CG SG-E will meet periodically or on an ad-hoc basis to coordinate the implementation of the *acquis*, generation and system adequacy assessment, identification and mitigation of security of supply risks, mechanisms and capacities for mutual assistance in the case of crises, operation of regional security coordinators, capacity mechanisms, including follow-up on the recommendations of the Study on adequacy assessment and capacity mechanisms in the Western Balkans, etc. One of the main new tasks and challenges during 2022-2023 – besides the implementation of the latest generation of EU *acquis* – may be the **work related to generation adequacy and potential establishment of *acquis*-compliant capacity mechanisms**.

Distribution network operation security and a cooperation mechanism between TSOs and DSOs will be supported through the **ECDSO platform**, in close cooperation with SoS CG SG-E and the Secretariat, as well as with the new DSO entity established in the European Union

The Secretariat will act also as the focal point for the **exchange of information in case of immediate supply shortages or natural disasters, including any recurrence of a pandemic**. In this context, the Secretariat will facilitate communication between stakeholders through the emergency platform as needed, prepare analysis, recommendations and summaries and coordinate initiatives for emergency assistance.

The Secretariat shall keep monitoring and reporting on electricity supply crisis, and the corresponding application of market-restrictive measures, load shedding/curtailment of supply and/or mutual assistance requested / provided by the Parties, and consequently will assess the impact. Infringement procedures will be initiated by the Secretariat in case of non-compliance with the Treaty.

2. ACTIVITIES IN THE GAS SECTOR

2.1. Transposition and implementation of the Third Energy Package

The Secretariat supports the implementation and transposition of the gas *acquis* in the Contracting Parties' legal and regulatory frameworks. The Secretariat will continue **monitoring the Contracting Parties' compliance with the Treaty's obligations, but it will also actively participate in the development of compliant yet tailor-made solutions** for each Contracting Party. The Secretariat's findings will be reflected in the annual Implementation Reports, as well as in ad hoc reports made

for special occasions or region-wide initiatives. In particular, the Secretariat will **review all draft and adopted gas legislation**, providing comments on their compliance with the *acquis*, making sure that legislation adopted is in line with the gas *acquis*. The Secretariat will, in some cases, **draft primary and secondary legislation**, with a view to finally completing the implementation of the Gas Directive and the Gas Regulation requirements, such as unbundling and certification, market rules, grid codes, security of supply, regulated and non-discriminatory access to grid infrastructure.

The Secretariat will specifically provide **guidance** to the emerging markets (Albania, Kosovo*), to the expanding markets (North Macedonia, Georgia) as well as to the Contracting Parties with significant share of gas in final energy demand, **in putting in place tailor-made market models** and allow for their regional gas market integration. The Secretariat will specifically focus on Ukraine in order to enable high market liquidity. One of the specific projects will be the **establishment of a Ukrainian gas exchange and making its retail market open and competitive**.

2.2. Market integration related activities

In the gas sector, the main focus will be on connecting the presently isolated markets and allowing emerging markets to grow and reach their full potential.

The Western Balkan region requires particular involvement and support which is stressed in the 2020 EU Economic and Investment Plan for Western Balkan. In order to improve the gas infrastructure in the region and enhance first wave of decarbonisation, interconnection agreements in line with the gas *acquis* must be put in place. Furthermore, the **implementation of network codes on interconnection points between Contracting Parties and EU Member States** will deepen regional market integration. The Secretariat's paper on The future role of natural gas case for the Western-Balkan 6 - Gas infrastructure and market prerequisites identifies possible way forward how to deliver decarbonisation in most socially accepted way. The Energy Community's joint activities with the European Commission under the Central and South-Eastern European Gas Connectivity Initiative ("**CESEC**"), will play a leading role in the development of the gas market in the region. The Secretariat will continue to offer support and assistance to facilitate close cooperation between the Contracting Parties and eight bordering EU Member States (as part of a Memorandum of Understanding signed on 10 July 2015).

In addition to the monitoring and benchmarking of the implementation of the *acquis*, the Secretariat will focus its activities on providing technical assistance to the Contracting Parties in the development and integration of gas markets. Market integration will enable the departure from limited gas source diversity and will enable smooth leap into decarbonising the gas sectors in the future, allowing for other gases to be injected into grid at least costs. Moreover, the Secretariat will support effective regional cooperation in order to address challenges that Contracting Parties face in the gas sector. Besides introducing competition in the wholesale national gas markets, regional integration is seen as an added value with spill over positive effects in the national markets. The work will especially focus on **transposing and implementing the gas Network Codes in the Contracting Parties and at the interconnection points with neighbouring EU Member States**, moving from interconnection agreements to coupling of capacity products and integrating balancing markets

The long-term target remains the full-fledged membership of the Energy Community gas TSOs within ENTSOG. To enable closer cooperation of TSOs from the Energy Community Contracting Parties, the **Secretariat together with ENTSOG established an External Contact Platform**, which allows for regular exchanges of views and information between EU TSOs and TSOs from Contracting

Parties and other third countries' TSOs. Enabling the participation of Contracting Parties' TSOs in capacity platforms within the EU remains one of the main goals.

Establishing liquid gas exchanges (in Ukraine, Georgia, Moldova, Serbia) and/or adhering and coupling with a more developed neighbouring gas market of EU Member States will be pursued.

The Secretariat will continue with its activities aimed at the **development of gas infrastructure** as a precondition for the regional gas market. Particular attention will be paid to identifying and addressing project-specific challenges, especially from regulatory and legal perspectives, whilst taking into account financial sustainability.

More resources will be committed to the **development of the retail markets**. For that purpose, the Energy Community Distribution System Operators (**ECDSO-G**) **platform will serve as a mobilization platform for DSOs to enable best regulatory practices** in coordination with the European Commission. The DSOs platform has been enhancing cooperation between the DSOs, delivering policy papers on best practices for a variety of topic, from measurement to unbundling. The next period will have to focus on the proper functioning of DSOs in enabling non-discriminatory access to their grids, and their interface with the TSOs, also from the perspective of sustainability of the gas sector.

The Secretariat will further provide assistance in organizing workshops and commissioning studies, when needed.

2.3. Activities related to security of supply of gas

With regard to security of supply, the gas sector remains problematic, as the risks of both short and long-term supply interruption have not yet been eliminated. Pan-European security of supply is still to be achieved.

The Secretariat will continue assisting the Contracting Parties in solving the challenges related to security of gas supply. It will **review and assist in transposition and implementation of the security of supply gas *acquis*, assessment of risks of interruption of energy supply and its mitigation and reduction. It will review and publish the statements on security of supply concerning gas, in accordance with Article 29 of the Treaty and the relevant *acquis*.**

Decision on adopting the EU Regulation 1938/2017 on security of gas supply under the Energy Community Treaty is planned to be taken in 2021 or soon afterwards. Once it becomes an obligation, the Secretariat is going to **assist in its implementation by engaging Contracting Parties in formulating risk assessment policies on a national or regional level**. The expected *acquis* is going to require much more substantial work, for both the Contracting Parties and the Secretariat – **adoption of regional risk assessment, regional and national preventive plans and emergency plans**. The Secretariat's coordination with the European Commission's Joint Research Centre (the JRC) on assistance with the preparation of the risk assessments and adopted plans would be crucial. This is a particularly challenging task as the solutions to effectively ensure security of supply in both EU Member States and Contracting Parties will be tailor-made. The Secretariat will be intensively assisting in the process of creation of the plans.

The Secretariat will further support the work of the **Security of Supply Coordination Group, Sub-group Gas**, which has been established and will plan and organise its activities in the next periods. The Secretariat will also continue to actively participate in the Gas Coordination Group at EU level.

2.4. Activities related to hydrogen and other renewable gases

The Energy Community will need to pursue decarbonisation of the gas sector to secure its durability and sustainability in reaching the net-zero carbon economy in 2050. In that sense, the Energy Community has been identified as one of the key pillars in delivering goals of the EU Hydrogen strategy (2020). The Energy Community is explicitly referred to as one of the stakeholders with a critical role to play for the promotion of EU regulations, standards and clean hydrogen, including the deployment of new infrastructure, such as refuelling networks and the re-use, where relevant, of existing natural gas grids. Participation of the Western Balkans and Ukraine in the Clean Hydrogen Alliance will be encouraged.⁷

The Secretariat is preparing for activities which will enable least-cost and socially accepted ways of decarbonising the gas sectors in the Energy Community with low or zero carbon gases, biogases and clean hydrogen acknowledged as contributing to such goals. The Secretariat is engaged in the European bodies or platforms which are focusing on gas quality and hydrogen handling, as well as on guarantees of origin for decarbonised gases, most notably but not only through cooperation with ENTSOG at present, a study is about to identify priorities in the Energy Community for such objectives and facilitate expected new gas acquis related to decarbonisation.

2.5. Methane leakage

Another important step in making the gas sector sustainable and more credible in delivering decarbonisation goals is combat against methane leakage. The Secretariat supports the Contracting Parties' stakeholders (operators, companies) in reporting the base-line assessment of CH₄ emissions, based on the Marcogaz' methodology and questionnaire.

It is important to follow up on decrease of methane leakage in the future via trainings and through implementing the work plan on **Methane Guiding Principles** where the Secretariat is a Supporting Organisation, cooperation with GIE Marcogaz, trainings on methane emissions, following the EU Strategy and preparing for legislative developments which will follow up on the EU strategy. The Secretariat will support Contracting Parties' companies in joining a memorandum of understanding with Oil and Gas Methane Partnership (OGMP) on reporting standards

3. ACTIVITIES IN THE OIL SECTOR

The development of a common emergency oil stocks policy and crisis management in the Contracting Parties will strengthen the security of supply. The Energy Community's dependency on imports of crude oil and petroleum products still remains high. Given the important role that these products currently play in the economy, especially in the transport sector, holding emergency stocks that can be quickly allocated to where they are most needed in case of supply disruptions remains important for the energy security of the Energy Community. The Secretariat will continue assist the

⁷ COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS A hydrogen strategy for a climate-neutral Europe, p.20

Contracting Parties in solving the challenges related to security of oil supply. It will also review and assist in transposition and implementation of the Oil Stocks Directive in all Contracting Parties.

The key objective of the activities in this area is to support the developments in the Contracting Parties concerning the oil dimension of the *acquis*. The Energy Community's activities in this area are linked to the implementation of Directive 2009/119/EC, which imposes an obligation on the Contracting Parties to maintain minimum stocks of crude oil and/or petroleum products.

With the support of the Secretariat, the Contracting Parties will have to bring into force the laws, regulations and administrative provisions necessary to comply with this Directive. The majority of the Contracting Parties are expected to finalise their respective stockholding system, which includes the composition of emergency stocks and the method of financing to the 61/90-day obligation, the available storage capacities and the method of financing during 2021/2022. Taking into account that 1 January 2023 is the legally binding deadline for the full implementation of this Directive, all Contracting Parties must transpose primary and secondary legislation during the remaining two-year period, which will require intensive support by the Secretariat and other institutions.

A critical next step to be undertaken in all of the Contracting Parties concerns the **establishment of a monthly data reporting framework, which needs to include quality verifications**. Such data collection is fundamental for meeting the obligations under the Directive. The Secretariat will have to provide each Contracting Party with technical support to clarify and improve the understanding of the reporting details and methodologies related to the stockholding calculations also during 2022-2023.

Furthermore, in October 2018, the European Commission adopted an **update of Directive 2009/119/EC** to guarantee the highest level of security of energy supply in Europe. In particular, the changes will improve the method to deduct the amount of petroleum products used for petrochemical, non-energy applications when calculating the minimum level of emergency stocks required. All these changes, if and when adopted in the Energy Community, will have to be reflected in the Contracting Parties' primary and secondary legislation. **A Ministerial Council Decision will be required to adopt these changes and bring into force the laws, regulations and administrative provisions that will constitute the prerequisites to comply with the Commission Implementing Directive (EU) 2018/1581 of 19 October 2018 amending Council Directive 2009/119/EC** as regards the methods for calculating the stockholding obligations of the Contracting Parties.

The Secretariat will assist the Contracting Parties via training activities for government officials and, if required, for the operating companies that are obligated to maintain oil stocks in case of emergency. The capacity building will focus on the Data Collection and Reporting Mechanism (co-organized possibly with EUROSTAT and the IEA).

The two main aims of the **Fuel Quality Directive 98/70/EC (FQD)** are to ensure a single market for fuel, and to ensure high minimum levels of environmental and health protection in relation to fuel use. The FQD includes rules that ban petrol with lead and limit the amount of sulphur in diesel fuels in order to improve air quality and includes targets to reduce greenhouse gas (GHG) emissions and establishes technical specifications to be applied to petrol, diesel and biofuels used in road transport, as well as to gas oils used in non-road mobile machinery (NRMM).

The improvements in health and environmental impacts arising from the FQD result from the specifications for petrol and diesel fuel set out in Annex I and II of this Directive. Compliance with the FQD specifications (in regard to minimum fuel quality standards) is supported by the monitoring and reporting requirements, as specified in Article 8 of the Directive.

Each year, the Contracting Parties should submit information regarding their national fuel quality in a report that collects all the data from the previous calendar year, by a fuel quality monitoring system in line with relevant EU standards.

The Secretariat will **assist all Contracting Parties to update their legislation** and provide the final text of the national implementing measures, which incorporates the provisions of the Fuel Quality Directive 98/70/EC into their legislation. The Secretariat **should also monitor** to what extent the Contracting Parties place in their markets petrol, diesel as set out in Annex I and II and permit the marketing of gas oils intended for use by non-road mobile machinery (including inland waterway vessels), agricultural and forestry tractors, and recreational craft only if they meet relevant requirements.

The Secretariat will assist all Contracting Parties to establish a regulatory system to cover exceptional circumstances and a system to collect national fuel quality data; establish a system for monitoring fuel quality; lay down the rules on penalties - effective, proportionate and dissuasive.

4. ACTIVITIES IN COMPETITION AND STATE AID

The work in the area of competition falls into two parts, namely competition law and State aid law, as reflected by Article 18 of the Treaty.

The Secretariat will continue its support to the work of competition and State aid authorities in Contracting parties. This is being achieved through the **cooperation procedure under Article 2 of the Dispute Resolution Procedures** as well as in the framework of the Energy Community Competition and State Aid Network.

In order to foster the exchange between national authorities, the Secretariat established working groups tasked to issue concrete deliverables (e.g. **recommendations, manuals, workshops, handbooks or toolboxes**). **The working groups** cooperate in the creation of the above mentioned deliverables with the assistance of the Secretariat.

The activities related to competition law further include the **review and assistance in implementation of contracts needed for the promotion of decarbonisation, in particular renewables**, including power purchase agreements and contract for difference. This has already resulted in cheaper and more transparent deployment of renewable energy, e.g. in Albania, and in the development of acquis-compliant legislation, e.g. in Ukraine, Moldova, North Macedonia and Georgia. The Secretariat, during the next budget period, will continue providing assistance and ensure knowledge sharing of best practices in the Contracting Parties organising auctions, which are increasingly replacing the administrative awarding of state support for renewable energy, and the drafting/review of a compliant contractual framework.

5. ACTIVITIES IN ENVIRONMENT

The work performed so far in the area of environment covered **reporting on the Contracting Parties' progress in implementing the *acquis* on environmental impact assessment, wild birds' protection, the sulphur content of liquid fuels and large combustion plants.**

While monitoring of the transposition status will continue, implementation **monitoring of individual projects** has picked up significantly. To that end, the **notification of projects and involvement of the Secretariat** in planned projects in the energy sectors has significantly increased in the past years and the tendency of civil society organisations notifying the Secretariat via individual complaints in relation to these projects is constantly growing and bound to continue. **Compliance with the rules on environmental impact assessment and strategic environmental assessment constitute a prerequisite for Energy Community's support of individual infrastructure projects.** This will continue to be the case with respect to future projects and the Secretariat will continuously monitor compliance of these with the Energy Community environmental *acquis*. This concerns in particular hydropower projects which have come under intense scrutiny by citizens and civil society on account of their often adverse impact on biodiversity, one of the key elements of the Green Deal as well as of the WB6 Sofia Declaration and Green Agenda for the Western Balkans.. More recent complaints also address problems related to coal-fired power plant and coal mine projects.

In the past years, one of the main focuses of the Energy Community's work related to environment was the **implementation of the Large Combustion Plants Directive**, which entails the highest challenge for the Contracting Parties. With the reporting obligations starting in 2019, this exercise has entered the next level which. The implementation challenge for Contracting Parties is obvious, first cases of non-compliance are already manifest. Moreover, implementation of the Large Combustion Plants Directive cannot be completed by having a narrow view of the environmental rules, but must be seen in its wider context, in particular with regard to regional, social, financial and technical aspects. Consequently, the work in this respect needs to be linked to and embedded in the other activities of the Energy Community and have a specific focus on the regions in which citizens suffer most from bad air quality. Air quality is a key focus of the Economic and Investment Plan for the Western Balkans: "Air pollution is a key concern in the Western Balkans. Widespread use of coal and wood for energy production, as well as polluting trucks and cars, leads to cities and towns in the region registering air quality levels among the worst in Europe during winter. The 16 coal-fired electricity plants in the region emit more sulphur dioxide than the entire 250 similar plants in the EU. In this region decarbonisation and depollution go hand in hand. Moving away from coal would improve the quality of life of citizens and bring important health-related annual savings to the Western Balkan budgets".

Contracting Parties **implementing a national emission reduction plan** ("NERP", which concerns Bosnia and Herzegovina, Kosovo*, North Macedonia, Serbia and Ukraine) are already struggling to follow-up on their own planning. Monitoring compliance with both the NERP and opt-out rules started on 1 January 2019, when Contracting Parties started to **submit their reports on the emission inventories of large combustion plants**. This exercise will continue over the coming years, on the basis of an annual reporting system. The Secretariat will **have to verify that the emissions of plants included under the NERPs are progressing** towards the emission ceilings established therein according to the rules laid down in Article 6 of Decision 2013/05/MC-EnC.

Limited lifetime derogations (opt-out – plants not operated for more than 20,000 operational hours between 1 January 2018 and 31 December 2023) will widely expire in the upcoming budgetary period, in many instances without the required rehabilitation or closing down. This requires not only

enforcement action from the Secretariat but also solutions mitigating the environmental damage without threatening supply security. In any event, operators of plants covered by the opt-out regime are required to submit each year to the competent authority a record of the used and unused time allowed for the plants' remaining operational life and the Contracting Parties concerned are required to submit each year a summary of these reports to the Secretariat. This exercise will be carried out with the assistance of the Environmental Task Force and in cooperation with the European Environment Agency.

Work on the incorporation of future environmental *acquis* is expected to remain intensive in the course of 2022-2023. The **Task Force on Environment**, assisted by the Secretariat, will also actively participate in that exercise, with a focus on the Fuel Quality Directive, Chapters II and IV of the Industrial Emissions Directive and the Air Quality Directive. Furthermore, incorporation of the Medium Combustion Plants Directive and the Water Framework Directive into the Energy Community environmental *acquis* will be considered. The updated Environmental Impact Assessment Directive and the Environmental Liability Directive still need to be transposed and implemented in practice.

6. ACTIVITIES IN CLIMATE CHANGE

The Contracting Parties are already experiencing climate change impacts – such as major droughts and floods – that are also inflicting severe damages to the national budgets. The urgency of the climate challenge has been recognised at the international scale via the Paris Climate Agreement, where countries called on each other to step up their climate action, to hold global warming to well below 2 degrees Celsius and to pursue efforts to limit it to 1.5 degrees Celsius.

To prevent further negative impacts to their citizens and the overall economy, the Energy Community Contracting Parties supported the call for enhanced action on climate change by **signing and ratifying the Paris Agreement** (with the exception of Kosovo*, which is not yet a signatory party to the UNFCCC). In this regard, the **adoption of long-term strategies for decarbonisation (up to 2050) and the upcoming revision of the Contracting Parties NDCs (Nationally Determined Contributions)** are two key milestones under the Paris Agreement.

The pillars of the energy transition in the Energy Community – namely energy efficiency, renewables, environment, climate, and their respective *acquis* are an effort to include the Energy Community in the global transition to decarbonisation and the fight against climate change. Two recommendations on implementing climate related *acquis* are currently in place: the Recommendation for Contracting Parties to implement and align their legislation to the **Monitoring Mechanism Regulation (MMR) – Regulation (EU) No 525/2013** adopted by the Ministerial Council of the Energy Community in October 2016 and Recommendation 2018/01/MC-EnC on **preparing for the development of integrated National Energy and Climate Plans (NECPs)**. During the upcoming budgetary period, Contracting Parties are invited to fully implement both Recommendations. Technical work on the preparation of the plans should continue in 2022 and 2023. Currently Contracting Parties are in different stages of preparation of their NECP. The most advanced is North Macedonia who already asked the Secretariat for a formal set of Recommendations, which have been published by the Secretariat in November 2020. The national political process on the 2030 energy and climate targets should be finalized by 2021 and implementation activities are envisaged from 2022.

The Secretariat will support the Contracting Parties in the **drafting of national legislation in the field of climate change**, in close coordination with EU-funded projects in the region, in a way to

ensure compliance with the applicable European *acquis*. The Secretariat will continue to offer technical assistance in order to draft or review relevant national climate change legislation so that each Contracting Party has a coherent legal framework, most adequate to fight climate change and adapted to national particularities.

The drafting and implementation of National Energy and Climate Plans in the context of the **Governance Regulation** from the Clean Energy Package will involve and intensify the work of the Secretariat (as well as Energy and Climate Committee) This is also the case for the Energy Community's contribution to fighting climate change through decarbonisation and promoting the clean energy transition. The same will go for the **adoption of long-term strategies for decarbonisation (up to 2050) and the upcoming revision of the Contracting Parties NDCs (Nationally Determined Contributions) under the Paris Agreement.**

Finally, the possibilities for carbon pricing and emission trading in particular will have to be given more attention in the upcoming budget period as carbon pricing is an important policy to achieve decarbonisation in the Energy Community. The ongoing study on a regional carbon price design will not only make proposals which will have to be further evaluated and discussed, but also assess the impact of carbon price on the power sectors of the Contracting Parties.

To achieve all of the above and thus make the energy transition a success in the Energy Community, the **Energy and Climate Committee and its Technical Working Group** was established in June 2017 as a platform for cooperation between representatives of ministries and agencies in charge of energy, climate change and environment from the Contracting Parties and Observer countries. The Committee is expected to support Contracting Parties in the coming years in aligning their legislation to the applicable EU's energy and climate policy; integrating national energy and climate policies and legislation; and agreeing on 2030 targets for renewables, energy efficiency and greenhouse emissions reduction.

7. ACTIVITIES IN CYBERSECURITY

During the past years, the Secretariat has explored ways to enhance the security of supply in the cyberspace of the energy sectors, with an emphasis on the gas and electricity areas. The **Coordination Group for Cybersecurity and Critical Infrastructure (Cyber CG)** has been tasked with identifying the potential gaps in the cybersecurity environment and mechanisms applied in energy and proposing and enacting effective preventive policies and measures - for example in development of the legal framework, mechanisms for identification and designation of critical energy infrastructures, establishment of trusted environments for exchange and analysis of critical information (ISACs), regionally coherent risk assessment methodologies and monitoring mechanisms, support in increased resilience and security in the operational technologies (OT environment, SCADA systems) and legacy systems and facilities, capacity building, training and education in cybersecurity for the authorities and operators in the energy sector, etc. The European cyber security *acquis* serves as a basis as the Contracting Parties of the Energy Community face the same challenges as the EU Member States and need similar instruments to address these challenges.

The Secretariat already started to follow up on the findings of the Study on Cybersecurity in Energy and implementation of the provided recommendations, the observed developments reported in the Annual Implementation Report 2020, and indicated by the operators as their potential requirements and objectives. A White Paper on the establishment of Energy Community ISAC was developed to support the initiative for establishment and self-sustained operation of such an association between the public and private operators and energy stakeholders, and possible establishment of partnership

with the EU Energy ISAC (EE-ISAC). Assistance shall be provided in the development/upgrade of cybersecurity strategies related to energy, support to the national authorities in implementing projects for transposition of the EU legislation on cybersecurity in the energy sector and development and implementation of required measures and establishment of cooperation mechanisms on national level.

The Secretariat will continue and expand its activities within the framework of the Procedural Act 2018/PA/2/MC-EnC and subsequently any corresponding acquis adopted by the Ministerial Council. The Secretariat will support coordination on cybersecurity governance following the tasks from the Procedural Act, and the recommendations from the Study. The Secretariat will support the work of the CyberCG, which will convene periodically to review the implementation process and the cybersecurity developments in the energy sector of Contracting Parties and the EU, report on cybersecurity incidents and applied remedies and coordinate/agree on further steps or open issues. Regular, as well as ad-hoc meetings shall be convened upon the request of a member of the group. Cooperation of the CyberCG with ECDSO and SoS CG (electricity/gas) will be defined, coordinated and facilitated by the Secretariat.

The Secretariat will assist the Contracting Parties in the identification/nomination of critical infrastructure and operators of essential services. The Secretariat shall support the identification and promotion of responsible authorities (ministries, regulators) and increasing their powers and competences in cybersecurity in energy, and establishment / nomination of Computer Security Incident Response Teams ('CSIRTs') responsible for energy on national level, as well as the operation of the CSIRT network and the closed-CSIRT cooperation mechanism on Energy Community level. The establishment of regional CSIRTs for energy in the WB6 and Black Sea regions shall be supported as required.

Raising the awareness, training and education in cybersecurity and cyber resilience of energy infrastructures are considered exceptionally relevant for the Energy Community. These activities, including assessment and development of draft cybersecurity legislation, are supported under the umbrella of the Energy Community Cybersecurity Academy. The expertise shall be outsourced to the broader cybersecurity community and academia, while the Secretariat shall organize and coordinate the training events and the technical assistance,

The Secretariat will support continuous and regular ad-hoc regional cooperation and projects in applied cybersecurity standards, exchange of best practices, exchange of information on specific cyber threats, risk assessment, impact assessment and available service providers including experience from the cooperation with the private sector and other domains of cybersecurity.

The Secretariat will also facilitate cooperation of the Contracting Parties with the EU on certification of services and technologies, promotion of common cybersecurity reporting mechanisms and their coordination on regional level, including cooperation with ENISA.

8. ACTIVITIES IN RENEWABLES

In 2021, the Ministerial Council of the Energy Community is expected to set renewable energy targets to 2030, adapt and adopt the new recast Renewable Energy Directive (EU) 2018/2001 under the Energy Community framework, creating the basis for its implementation in the Contracting Parties as soon as possible thereafter. During 2022-2023, the major focus can be expected on the support to the Contracting Parties with the transposition of the new Renewable Energy Directive upon its adoption by the Ministerial Council and support of implementation of the provisions of the EU Renewable Energy Directive 2009/28/EC which have not been implemented so far and which are also part of the new Renewable Energy Directive. This is particular relevant for the Directive's provision related to guarantees of origin and cooperation schemes, which would allow for further tapping the Energy Community's large renewable energy potential, especially when integrated with the respective markets of the European Union. Moreover, citizen's participation in the development

of renewable energy projects, including enabling and implementation of self-consumption mechanisms and energy cooperatives will have to finally gain traction. Reform of support scheme and implementation of market-based auctions for renewable energy projects in the Contracting Parties will also require major efforts.

In its Economic and Investment Plan for the Western Balkans, the European Commission committed to supporting significant increase of renewable energy. Beyond investments in generation, this will require associated investments in infrastructure (in particular distribution), flexibility and storage, as well as the regulatory preconditions to integrate renewables in the regional power markets and to maximise their benefits for investors and citizens alike.

The continuation of current and new activities under the framework of the **Renewable Energy Coordination Group** will support transposition and implementation of the EU Renewable Energy acquis in the Contracting Parties to promote higher uptake of renewable energy in electricity but also in heating, cooling and transport, as the last three are lagging behind. Moreover, it is to be assumed that the recent experience of large-scale investor-state disputes in Ukraine settled with the support of the Secretariat may be repeated in this or other Contracting Parties.

Following the setting of 2030 RES targets, which will be done in an integrated manner through the development of National Energy and Climate Plans, further monitoring of implementation of adopted policies and measures to achieve 2030 renewable energy targets will be conducted in the framework of the Renewable Energy Coordination Group.

Training sessions covering specific aspects of the Directive will be organized back-to-back to the Renewable Energy Coordination Group. Cooperation with IRENA, other international organisations as well as within European framework programmes like Horizon Europe will be enhanced for the benefit of the Contracting Parties. The Energy Community will continue working with International Financial Institutions and the Donors' Community to ensure **addressing the requirements of the legal and regulatory frameworks** in the Contracting Parties.

9. ACTIVITIES IN ENERGY EFFICIENCY

The Secretariat's activities in the energy efficiency field are currently supporting **transposition and implementation of the energy efficiency acquis (Directive on Energy Efficiency, Directive on the Energy Performance of Buildings and a package of regulations for labelling of energy efficient products), promoting regional cooperation whenever appropriate (through facilitation of the Energy Efficiency Coordination Group) and implementation of key donors' and International Financial Institutions' (hereinafter 'IFIs') support programmes in the Energy Community.**

Following the Ministerial Council's expected adoption in 2021 of the Clean Energy Package related to energy efficiency, the Secretariat's energy efficiency experts will lead the work on the transposition and implementation of Directive 2018/844 on energy efficiency in buildings, Directive 2018/2002 amending Directive 2012/27/EU on energy efficiency.

In 2022 and 2023, a significant focus will be on the, **integration of energy efficiency in the energy and climate framework, especially by incorporation of new sectors and policy areas with significant impact on 2030 energy efficiency targets in the Energy Community, such as eco-design, transport sector and electro mobility, district heating and cooling, etc.**

With regard to the policy for promotion of energy efficiency products, (EU) Eco – design Directive is expected to be included in the Energy Community acquis in 2021 by the Ministerial Council; together

with Delegated Regulations under Regulation (EU) 2017/1369 setting a framework for energy labelling (repealing Directive 2010/30/EU). Secretariat's activities in 2021 and 2022 will focus on assisting in their transposition and implementation by the Contracting Parties.

Further analysis and alignment of the energy efficiency policy in the Energy Community with the EU will be performed within the **Energy Efficiency Coordination Group**, including an analysis of incorporation of the eco-design requirements into the *acquis*, with the aim to extend and complete the energy efficient product policy framework in the Energy Community.

Technical assistance to the Contracting Parties in the process of implementation of the energy efficiency *acquis* will continue to be provided by the Secretariat in the form of training workshops using the EU's knowledge and experience, missions, and, if appropriate and with specific objectives, meetings of the Energy Efficiency Coordination Group and EU Concerted Actions on EED and EPBD. The Secretariat will regularly monitor and review the progress.

The Secretariat will continue to **support the Contracting Parties through REEP Plus** in the implementation of energy efficiency directives, as well as in drafting of additional legislation needed.

In 2019, the EU has allocated another 29.4 million Euro for energy efficiency, to scale up the current Regional Energy Efficiency Programme, implemented jointly by EBRD, KfW and the Secretariat, to extend technical assistance and co-financing for public and residential buildings' renovation programmes in the Western Balkans (REEP Plus).

The Secretariat, having a designated role in the implementation of the Economic and Investment Plan for the Western Balkans (Renovation Wave), will work closely with DG NEAR and the IFIs to secure more **funding for energy efficiency investments and policy dialogue in 2022 and 2023, when the new IPA financing framework will be in place**. In cooperation with the European Commission, the Secretariat will continue working with the IFIs to **develop financial instruments and facilities** for investments in energy efficiency, especially for deep buildings renovations. It will facilitate the preparation of supporting legal framework with a focus on residential buildings, as well as investment projects together with supporting the energy services markets and the use of private financing in public sector utilities and buildings rehabilitation. The Secretariat will, in cooperation with EBRD, continue to strengthen the market for high-efficient district heating and preparation of projects through the Renewable District Energy Programme in the Western Balkans Fund (ReDEWeB Fund). Notwithstanding the fact that the Secretariat has a very dedicated small team, the additional tasks stemming out of the political commitments will require a reinforcement of the Secretariat's capacity to support the Western Balkans in many new areas, and explicitly for buildings renovations and decarbonisation of the district heating.

The political commitments speak of extending the "EU renovation wave" to the Western Balkans, which would mean that national programmes would need to be designed, local and central governments will need to be trained and assisted to implement these timely, in order for the EU – IPA III grant funding to be utilised with greatest efficiency.

Given that currently, the Energy Efficiency and Infrastructure Unit in ECS has only one full time expert on energy efficiency, and partial time availability of the Head of Unit dedicated to energy efficiency matters, and practically no expert in heating and cooling (district included) it appears very constrained in human resources for the tasks ahead,

Therefore, an expert in buildings and one in sustainable heating and cooling would be needed from 2022 on.

The Secretariat will continue assisting the Commission and other donors to communicate and coordinate assistance in order to avoid duplications and overlapping of assistance.

Operational support will be provided by the Secretariat in the **implementation and reporting on energy efficiency pillar of the National Energy and Climate Plans (NECPs)** under the Governance Regulation, in order to achieve 2030 energy efficiency targets.

10. ACTIVITIES IN ENERGY INFRASTRUCTURE

In October 2015, the Ministerial Council adopted Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructure, with a deadline for transposition of 1 January 2017. In December 2020, the Ministerial Council adopted the third list of Projects of Energy Community Interest (PECI) and, respectively the list of Projects of Mutual Interest (PMI) in line with the Regulation, following a year-long selection process in 2020. **The bi-annual PEGI/PMI selection exercise will continue in line with Regulation 347/2013 and will be conducted in 2022 and monitored in 2023.** The Secretariat will also continue to provide assistance to the European Commission (DG NEAR) in **selecting the projects that may benefit from co-financing under the “Connectivity Agenda”**, as well as the Economic and Investment Plan for the Western Balkans. In this respect, the Secretariat will monitor very closely some selected regional projects proposed for co-financing and organise regular progress meetings in order to remove barriers and improve communication and promote an informed decision-making process.

Besides, the Secretariat will continue to monitor the **implementation of Regulation 347/2013/EU** by the Contracting Parties, provide assistance where needed, but also continue to enforce non-conformity through the initiation of cases against the Contracting Parties

A functioning cross-border energy infrastructure and the connectivity of the gas and electricity markets in the region and with EU Member States will play a crucial role in reaching the decarbonisation targets of the Contracting Parties.

Informed decision making of the Contracting Parties on their long-term energy mix and its alignment with their decarbonisation goals is also highly dependent on the state of their energy infrastructure. In the framework of the NECPs, the Secretariat, in 2022 and 2023, will engage in the **policy discussions of the Contracting Parties, analysing their energy mix and their 2030 energy strategies**, with a view to **assist them in implementing ambitious and realistic decarbonisation goals** that are properly reflected in their energy strategies and the corresponding infrastructure needs and development plans.

11. ACTIVITIES RELATED TO THE COOPERATION AMONG ENERGY REGULATORS

The Energy Community Regulatory Board (ECRB) has a crucial role in fostering competitive, integrated and secure markets in the Energy Community. Streamlining of regulatory measures and providing a stable regulatory market framework, as well as assisting national regulatory authorities in fulfilling their responsibilities, is a key focus of the its work of the Energy Community Regulatory Board (ECRB). The ECRB and the national regulatory authorities of the Contracting Parties have been assigned competences and tasks by a number of adopted legislative acts. Following the

expected adoption of the Treaty amendments, incorporation of Clean Energy Package into the Energy Community acquis and the activities and challenges of already initiated decarbonisation of the energy sectors, the ECRB and Secretariat's experts supporting its work will embark into various new activities during 2022-2023. This concerns e.g. market integration, network transparency, facilitation of investments, competition and security of supply. Within the necessary range of national specificities linked to this, it is necessary to harmonize regulatory rules to the maximum extent possible on a cross-border basis in order not to create barriers to cross-border trade and investments and consequently security of supply.

The significant recurring activities related to monitoring responsibilities on network codes and guidelines will have to be performed also in the years 2022- 2023. In addition to regular observation of the implementation of electricity connection codes (Regulations 2016/631, 2016/1447 and 2016/1388), gas capacity allocation, tariff and balancing network code (Regulations 2017/459, 2017/460 and 2014/312) and REMIT Regulation, the ECRB will prepare and publish:

- a monitoring report on congestions at interconnection points, in line with the Gas congestion management guideline (Annex I to Regulation 715/2009), by 1 June every year;
 - for every Contracting Party, an analysis of tariff consultation documents, within two months after their submission by the regulatory authority or the transmission system operator, in line with Gas transmission tariff network code (Regulation 2017/460);
 - a report on the application of the gas transmission reference price methodologies in Contracting Parties by 28th August 2022, in line with Gas transmission tariff network code (Regulation 2017/460).

In relation to REMIT Regulation, the ECRB will coordinate the investigatory work of NRAs on cross-border level, coordinate and harmonize regulatory guidance that facilitates implementation of REMIT, maintain the central registrar of the registered market participants, consolidate the suspicious transaction reporting in the market and report on implementation of REMIT in the Contracting Parties.

Depending on specific requirements stemming from the Gas capacity allocation network code, the ECRB shall take over its decision- making duties related to cross-border cost allocation for capacity optimisation, the use of a single capacity allocation platform and the application of alternative capacity allocation mechanisms in case of disagreement of Contracting Parties' regulators. Similarly, the ECRB shall, upon the need, issue a reasoned recommendation to Contracting Parties' regulatory authority to revoke a derogation from these Regulations due to lack of justification, in line with the electricity connection codes.

Finally, the ECRB and the ECRB Section of the Secretariat shall continue (a) supporting the Secretariat's contribution to ACER's Annual Report on the results of monitoring the electricity and gas markets; (b) producing a genuine annual report on gas and electricity retail market developments; and (c) conducting annual reporting on compliance with the acquis on electricity and gas transparency requirements. These activities developed from pilot reports in earlier years to standard and rolling ECRB deliverables for the purpose of providing information on market developments in the Contracting Parties and beyond from a regulatory perspective, next to and separate from the Secretariat's annual implementation monitoring.

The expected adoption of the Energy Community Treaty amendments shall bring a new role to the ECRB. Namely, it will closely cooperate with ACER when performing specific tasks necessary for effective implementation and enforcement of rights and obligations set out in a Decision, brought in line with Article 25' of the amendments.

In the years 2022-2023, the tasks and responsibilities of the ECRB and the ECRB Unit shall have to be expanded so to facilitate implementation of the market and system operations network codes and guidelines in electricity, the Clean Energy Package and the future new legislative package on gas markets. The network codes shall require coordination of the NRAs in assessing, amending and approving methodologies and terms and conditions required. This will be coordinated by the ECRB, including also coordination of stakeholders' consultations. With respect to the Clean Energy Package, the regulatory authorities shall in particular engage into discussions around sector coupling, enhance the protection and empowerment of consumers and explore the possibilities to support the development of renewable energy and green mobility. Finally, the regulators shall actively support the creation of regulatory frameworks incentivizing development of new technologies and innovative solutions for energy markets.

National regulatory authorities of the Contracting Parties have gained new competences stemming from the Third Energy Package, the Infrastructure Regulation and from the establishment of bodies both on a national and regional level. Also, the Energy Community Regulatory Board (ECRB), having new competences in the fields of certification, cross-border cost allocation, infrastructure exemption, gas and electricity network codes (and guidelines), will require more assistance, knowledge transfer and development of suitable institutional rules by the Secretariat.

Implementation of the new acquis adopted in 2018 related to network codes and guidelines as well as the REMIT Regulation and other activities will further trigger the continuous move from voluntary cooperation of Energy Community regulators under the ECRB umbrella to deliverables required by Energy Community law mirroring related tasks of ACER on EU level. The quality of related reporting activities of ACER on EU level will serve as a benchmark for these deliverables. This will significantly increase the duties of ECRB. New obligations of ECRB include:

- New monitoring responsibilities on network codes and guidelines;
- Regulation 2016/631 (RfG electricity connection code): monitor the implementation of the Regulation (Article 59(1)) – starting from the implementation deadline 12 June 2021; monitor the procedure for granting derogations from the Regulation by Contracting Parties' regulators (Article 65) – starting from the implementation deadline 12 June 2021;
- Regulation 2016/1447 (HDVC electricity connection code): monitor the implementation of the Regulation (Article 76(1)) – starting from the implementation deadline 12 June 2021; monitor the procedure for granting derogations from the Regulation by Contracting Parties' regulators (Article 83) – starting from the implementation deadline 12 June 2021;
- Regulation 2016/1388 (DC electricity connection code): monitor the implementation of the Regulation (Article 57(1)) – starting from the implementation deadline 12 June 2021; monitor the procedure for granting derogations from the Regulation by Contracting Parties' regulators (Article 55) – starting from the implementation deadline 12 June 2021;
- Gas capacity allocation network code (Regulation 2017/459): monitor the implementation of the Regulation (Article 38);
- Gas congestion management guideline (Annex I to Regulation 715/2009): by 1 June 2020 issue a first report on congestion at interconnection points;
- Gas transmission tariff network code (Regulation 2017/460): before 1 October 2021 issue a report on the methodologies and parameters used to determine allowed or targeted revenues (Article 34) - it has to be stressed that ACER for the performance of its mirroring duty on EU level outsourced reporting to an external consultancy service despite the significant higher level of permanent staff available to ACER compared to ECRB; by November 2021 issue a report on the application of the reference price methodologies in Contracting Parties (Article 36);

- new decision-making duties stemming from the network codes and guidelines – e.g. on cross-border cost allocation for capacity optimisation, the use of a single capacity allocation platform and the application of alternative capacity allocation mechanisms in case of disagreement of Contracting Parties' regulators stemming from the gas network code on capacity allocation (Article 6(2a), 28(2) and 37(3) of Regulation 2017/459) that, again will have to meet the quality benchmark of related deliverables of ACER;
- new recommendation powers: as of the implementation deadline 12 June 2021 Regulation 2016/631 (RfG electricity connection code, Article 65), Regulation 2016/1447 (HDVC electricity connection code, Article 83) and Regulation 2016/1388 (DC electricity connection code, Article 55) will kick-off a new legal obligation of ECRB to issue a reasoned recommendation to Contracting Parties' regulatory authority to revoke a derogation from these Regulations due to lack of justification; and
- covering the role of ACER in coordinating the implementation of the REMIT Regulation by Contracting Parties' regulators, even if in a reduced format under the "REMIT light" model as adopted for the Energy Community in 2018 (Article 16 REMIT Regulation. ECRB already established a dedicated REMIT working group including three tailored work streams under its work programme 2019 to specifically address the new duty of coordinating investigations between regulators on a potential breach of the REMIT Regulation (Article 16);

In the budgetary period 2022-2023, the cooperation with other regulatory authorities with overlapping sphere of interest, such as financial regulators and competition authorities shall be continued and strengthened. ECRB will also continue and further **intensify its cooperation formats with CEER and MEDREG** to which the three regulatory institutions committed to by signing a cooperation arrangement in 2018. An additional pillar of new activities will lie on a newly established cooperation format under the Eastern Partnership Initiative that ECRB will jointly perform with the European Commission and CEER starting from 2019. All these cross-regulatory activities are in the natural interest of ECRB members and the Energy Community having in mind common membership and common regulatory market integration targets across borders.

12. ACTIVITIES IN STATISTICS

Since the adoption of the *acquis* on energy statistics in 2012, all Contracting Parties should have developed the capacity to produce complete energy balances compliant with Regulation (EC) 1099/2008 and amendments thereof. The *acquis* on price reporting includes **Regulation (EU) 2016/1952** on European statistics on natural gas and electricity prices, repealing Directive 2008/92/EC.

The Secretariat will continue to work towards the adoption of new pieces of legislation, as they are adopted in the EU, hence allowing comparability of energy statistics published in the Contracting Parties with the data compiled and published by EUROSTAT. Key remaining tasks from the current *acquis* are related to the monthly statistics, in particular to ensure monitoring of the compliance with the Council Directive 2009/119/EC) and its 2018 amendment.

The focus in the period 2022-2023 will be on **supporting national statistics institutes (NSIs) to improve quality and completeness of the energy data to meet the needs of policy makers, stakeholders and consumers**. The Secretariat will continue to support the projects in the Contracting Parties in this direction.

The ultimate objective is to have **official energy statistics of the Contracting Parties transmitted and published by EUROSTAT** with the quality dimensions, such as accuracy, timeliness,

punctuality, coherence, compliant with Regulation 1099/2008, ESS (European Statistical System) Standard for Quality Reports and the International Recommendation for Energy Statistics (IRES).

The implementation of the **Clean Energy Package will pose additional requirements for statistical data**, in particular data necessary to monitor policy measures and corresponding indicators, such as energy security, energy efficiency, renewable energy sources, energy poverty, etc. In cooperation with EUROSTAT, all Contracting Parties have started to produce renewables questionnaires and develop own reporting systems to calculate renewables shares and communicate them to EUROSTAT. This trend is expected to improve further to enable monitoring and reporting the share of energy from renewable energy sources in accordance with new reporting requirements for the 2030 targets. Reporting needs for such indicators are already being considered in working teams of EUROSTAT.

NSIs of the Contracting Parties are expected to actively participate and improve their data collection and reporting systems in order to provide required information. The Secretariat will provide technical assistance, where needed, to Contracting Parties to develop methodologies for new data collections. The Secretariat will also **support NSIs** through the participation of national experts in the Energy Statistics Working Group and with dedicated training or assistance, when necessary.

Following the interest of the national coordinators for energy statistics, the Secretariat will continue to facilitate cooperation in experience sharing and promoting best practices through **regular annual meetings and capacity building**. The final objective is to have the *acquis* on statistics fully implemented with an efficient reporting system in all Contracting Parties, providing relevant, consistent and reliable information for energy policy and monitoring of energy related sustainable development indicators.

IV. DONORS SUPPORT AND COORDINATION

Due to its increased contribution to stakeholders' and donors' activities, the Secretariat will be engaged in preparation and joint implementation of a number of IFIs initiatives and institutional regional initiatives, including, inter alia:

- the Regional Energy Efficiency Programme (WBIF and EBRD);
- the KfW Efficient Biomass Based Heating and Cooling (WBIF and the World Bank);
- the Gas Sector Reform Implementation Plan for Ukraine (World Bank);
- the Market Monitoring Report (ACER);
- the electricity market initiative and cyber security (USAID);
- regulatory market monitoring (USAID);
- the gas Regional Initiative South South East (ACER); as well as
- the regional harmonisation of regulatory rules (MEDREG, CEER).

Additionally, the Secretariat assists, and will continue to assist, the WBIF/DG NEAR in preparing the regional project pipeline in the electricity area. This project is developed with the technical and financial support of multi-beneficiary IPA funds.

The Secretariat is concluding with the Hungarian Government and its Western Balkans Green Center a Memorandum of Understanding on cooperation in joint management of a Center of Excellence on Green Transition in the Western Balkans. The Center of Excellence on Green Transition would assist the Contracting Parties of the Western Balkans among others with trainings, workshops, twinning, etc.

V. REGIONAL INITIATIVES

Major regional initiatives that emerged in the previous periods are described below:

1. EU4ENERGY

The EU4Energy Project was launched by the European Union in June 2016, as part of its Regional Action Programme – East. It aims at supporting the elaboration and implementation of evidence-based, medium to long term energy policies in Eastern Partnership countries, based on sharing the best practice and EU experience. Currently the action is in phase II.

Energy Community Secretariat is one of the implementers of the Project. Implementation of project activities is managed, coordinated and logistically supported by the Eastern Partnership Assistance Unit (EPA Unit) within the Secretariat. In addition, regional project offices established by the Energy Community in Kyiv and in Tbilisi ensure a smooth implementation of the action.

The Secretariat's staff assists the EPA Unit with expertise and use of its resources, in line with the contract between the Energy Community and DG NEAR, according to the Description of Action and Work Programme.

The specific objective of the part of the programme implemented by the EnCS is to strengthen energy legislative and regulatory frameworks as well as evidence-based energy policy design capabilities. The expected result is improved transposition and implementation of the energy acquis and coherent policy development in line with the Energy Community Treaty/Association Agreements/DCFTAs/ EU best practices (for Georgia, Moldova and Ukraine). In terms of concrete activities, the following is envisaged (to be further specified in the annual work programmes of the project):

- Support in legislation and regulation development in areas where a need of support is identified. Areas for support could include electricity market reforms, transposition and implementation of RES Directive (EU) 2018/2001 and reforms in gas sector (Ukraine). Most support efforts will be focused on the improvement of network codes, market rules, regulatory methodologies (e.g. on tariff setting) and technical regulations (e.g. metering, accounting etc.);
- Development and implementation of a methodology of effective monitoring of the implementation as well as effective enforcement of legislation, in particular to ensure the functioning and increasing the efficiency of the electricity and gas markets. Important aspects should also be to improve the energy system capacity to uptake renewables, as well as cross-border cooperation on the implementation of the EU legislation on security of electricity and gas supply.
- Ensuring the follow-up of policy pathways outlined in the Energy Community Treaty/DCFTA/EU best practices and published energy policy roadmaps, in-depth reviews for every country;
- Increasing institutional capacities and coordination at political and technical level;
- Contributing to the post 2020 Eastern Partnership architecture.

Based on the Grant Contract with the European Commission, DG NEAR, the Energy Community Secretariat established a separate unit (Eastern Partnership Assistance Unit) consisting of Head of Unit, Electricity Expert, Energy Efficiency and Renewables Expert and Regional Coordinator.

One of the objectives of the EU4Energy program is to avoid potential overlapping with the activities of the Energy Community Secretariat and other donors. In that respect the work program of EU4Energy project is always designed in the way to avoid any duplication of activities. Therefore, no activities financed through the regular budget for the activities of the Energy Community Secretariat will be duplicated by the EU4Energy project⁸.

2. Central and South-Eastern European Gas Connectivity CESEC

Another regional initiative where the Secretariat has been actively involved, also as a co-chair to the plenary and working group meetings, is CESEC. This is based on the recognised need that regional cooperation is required to achieve the region's energy policy objectives and address challenges that EU Member States and Contracting Parties face in the gas sector. Therefore, a Memorandum of Understanding was signed on 10 July 2015 as part of the Central and South-Eastern European Gas Connectivity (CESEC) initiative.

In the CESEC High Level Group meeting in September 2017, the CESEC initiative was extended to the electricity market, energy efficiency and renewable development with the aim to promote cost-effective renewable energy, energy efficiency and to achieve an efficient, well interconnected electricity market in the CESEC region and promoting growth, jobs investment and tackling energy poverty. Together with the European Commission, the Secretariat is facilitating activities in CESEC-EE/RES and acting as a co-chair in plenary and working group meeting.

The signatory countries expressed their commitment to jointly resolve challenges related to security of gas supply and promote source diversification by implementing coordinated measures that should enable regionally optimal results. They expressed their readiness to sustain the necessary political commitment to oversee the full and timely implementation of the CESEC Action Plan, which includes the following elements:

- Selecting a limited number of key projects benefitting the CESEC region;
- Identifying and addressing project-specific challenges;
- Financing aspects, including the role of IFIs, like EIB and EBRD;
- Addressing market integration challenges.

Together with ACER and the European Commission, the Secretariat was invited to closely monitor the implementation of the Action Plan on a regular basis by using all available tools and institutions foreseen by the EU *acquis*. It supports the Contracting Parties in their implementation of the Action Plan, with a particular emphasis on addressing the market integration barriers and requirements. It has prepared a list of concrete actions, necessary for achieving the CESEC market integration objectives. This serves as a monitoring task assigned under the mentioned memorandum.

⁸ Budget lines and activities are separated from the Energy Community budget: EU4Energy costs are registered under different cost center, every document related to costs out of EU4Energy has to have different logo, stamp is different. All costs of EU4Energy have to follow the separate work program. Employees are in a separate unit (EPA Unit). Financial report is separated. Audit is separated. EU4Energy has to use practical guide on contract procedures for European Union external action (PRAG) in accordance with Grant Contract, while Energy Community not.

VI. HORIZONTAL AND OVERHEAD

1. Communication

Communication is a crucial aspect of the Energy Community's work. The communication activities in 2022 – 2023 will continue to focus on raising awareness of the organisation's goals and achievements to the public through multiple communication tools. Particular emphasis will be given to communicating clear, easy-to-understand messages to facilitate and encourage engagement with the general public. Focus will be given to effectively communicating the benefits of energy reform and the tangible impact of the Energy Community's activities on citizens' lives. Expert information will continue to be easily accessible to investors, international financial institutions, academia, etc. Special attention will be given to ensuring that the communication activities keep pace with latest digital developments.

Other high priority communication measures will, inter alia, include conducting interviews, organizing press conferences, publishing articles and organizing information campaigns for journalists. The Secretariat will build on its well-established contacts with specialized press in the Contracting Parties of the Energy Community and the EU. Also, the Secretariat will continue to strive to boost engagement with civil society, including through public events and online public consultations.

The Energy Community website will continue to be the main communication channel with stakeholders. The website will be continuously updated with high quality content on a regular basis and further developed to ensure state-of-the-art functionality and new user-friendly features. In order to keep track of the Parties' performance, the Secretariat will post regular implementation updates on the homepage and implementation/overview-pages. In 2022-2023, the new section on Clean Energy Package will be further expanded to document the work accomplished. Also, the PLIMA Transparency Platform will be revised to display the new 2022 PECEI / PMI projects, following the Ministerial Council's approval of the 2022 list. The Secretariat will continue with the publication of its news items, distributed via the website subscription service, as a principle communication channel with stakeholders.

Another important feature is an effective social media strategy to reach out and connect to citizens to increase awareness of Energy Community's activities and strengthen relationships with stakeholders. This includes creating specially tailored content, including short videos, and campaigns to increase the visibility of the Energy Community.

Publications, tailor-made to effectively communicate with the relevant target group, will continue to be produced and widely disseminated. Emphasis will be given to maintaining user-friendliness. As regards major electronic publication series, the Secretariat will continue producing its annual Implementation Reports and the WB6 Energy Transition Tracker. With respect to printed publications, the Secretariat will follow its EMAS (Eco-Management and Audit Scheme) policy.

2. Human resources, Administration and General Services

The Secretariat will aim to cope with its multiple new tasks on the basis of an efficiently coordinated use of the existing resources. The implementation of these tasks, seen in the context of the just energy transition, requires a holistic approach to cooperation among all the available

resources, initiatives, projects and experts. The Secretariat's staff is and will be increasingly engaged in cross-unit cooperation projects pooling the available expertise in the most efficient manner under the coordination of the Deputy Director. To maximise the impact of the Secretariat's support and its ability to discharge with its growing number of tasks will also require investment in staff members' ongoing education.

In terms of events, the Secretariat normally organizes **around 100 meetings each year**, thereby providing administrative support to the institutions as required under the Treaty (Article 67a) (see Annex IV). The majority of the events takes place at the headquarters of the Energy Community in Vienna, which contributes to the efficiency of costs. During the COVID pandemic all the meetings were organised virtually. In the period 2022-2023, not only the number of events will increase but also the nature of the meetings will change – more hybrid (in person/ video conferences and remote participation at the meetings). For this reason, the Secretariat shall continue improving the technical facilities (equipment) for those types of meetings. The proposed budget for events and reimbursement costs is decreased by 20% compared to the budget in 2021.

Regular contribution will be provided in terms of obtaining the discharge decision for budget implementation by the Ministerial Council. For this aim, **external audit** of the Energy Community accounts will take place on an annual basis for the main accounts of the Energy Community (legal entity) and for the ongoing grants.

In all financial matters, as in the past, the Budget Committee will play a key role in supervising and advising the Director in the financial management of budget implementation. Overall maintenance and a potential technical upgrade of the database (for reporting and accounting) will be given priority. The need of regular contacts and exchange of information in full transparency will also be a key point in the development of the accounts' supervision and advising.

The Energy Community will continue to offer an internship/secondment scheme to young professionals and/or graduates in accordance with the applicable legal and financial framework of the Secretariat. Also the tasks related to recruitment procedures and the assessment of candidates applying for the roster of experts are steadily increasing routine tasks.

The Secretariat plans to obtain an EMAS certificate in 2021. A presentation to the City of Vienna, co-financing the procedure and the publication of the first Environmental Statement will follow. In 2022 and 2023 the Secretariat will have to do internal audits and publish subsequently the second and third Statements. EMAS certificate requests constant improvement of the environmental and carbon footprint performance. This is in line with the objectives of the Energy Community.

Annex I: Reporting obligations

Areas of Work	Name of the act	Article	Description	Frequency / Deadline
Electricity	DIRECTIVE 2009/72/EC	Article 47(2)	The Secretariat shall submit an overall progress report to the Ministerial Council for the first time by 30 June 2012, and thereafter on an annual basis. The progress report shall reflect the progress made on creating a complete and fully operational internal market in electricity and gas and the obstacles that remain in this respect, including aspects of market dominance, market concentration, predatory or anti-competitive behavior and the effect thereof in terms of market distortion.	By 30 June 2012 and thereafter annually
Electricity	DIRECTIVE 2009/72/EC	Article 47(3)	The Secretariat shall present a report to the Ministerial Council for the first time by 30 June 2012, and thereafter on an annual basis, summarizing the opinions issued by the Secretariat in application of the acts referred to in Article 1, as adapted by this Decision.	By 30 June 2012 and thereafter annually

Electricity	REGULATION (EC) 714/2009	Article 24(2)	The Secretariat shall submit an overall progress report to the Ministerial Council for the first time by 30 June 2012, and thereafter on an annual basis. The progress report shall reflect the progress made on creating a complete and fully operational internal market in electricity and gas and the obstacles that remain in this respect, including aspects of market dominance, market concentration, predatory or anti-competitive behavior and the effect thereof in terms of market distortion.	By 30 June 2012 and thereafter annually
Electricity	REGULATION (EC) 714/2009	Article 24(3)	The Secretariat shall present a report to the Ministerial Council for the first time by 30 June 2012, and thereafter on an annual basis, summarizing the opinions issued by the Secretariat in application of the acts referred to in Article 1, as adapted by this Decision.	By 30 June 2012 and thereafter annually
Electricity	Regulation 2016/631 (RfG connection code)	Article 59(1)	The Secretariat and ECRB shall monitor the implementation of the Regulation	As of 12 July 2021, on annual basis - frequency not defined

Electricity	REGULATION 2016/631 (RfG connection code)	Article 65	The Secretariat and ECRB shall monitor the procedure of granting derogations from the Regulation by Contracting Parties' regulators	As of 12 July 2021, on annual basis - frequency not defined
Electricity	REGULATION 2016/631 (RfG connection code)	Article 76 (1)	The Secretariat and ECRB shall monitor the implementation of the Regulation	As of 12 July 2021, on annual basis - frequency not defined
Electricity	REGULATION 2016/631 (RfG connection code)	Article 83	The Secretariat and ECRB shall monitor the procedure of granting derogations from the Regulation by Contracting Parties' regulators	As of 12 July 2021, on annual basis - frequency not defined
Electricity	REGULATION 2016/631 (RfG connection code)	Article 57 (1)	The Secretariat and ECRB shall monitor the implementation of the Regulation	As of 12 July 2021, on annual basis - frequency not defined
Electricity	REGULATION 2016/631 (RfG connection code)	Article 55	The Secretariat and ECRB shall monitor the procedure of granting derogations from the Regulation by Contracting Parties' regulators	As of 12 July 2021, on annual basis - frequency not defined
Electricity & Gas	REGULATION 1227/2011 (REMIT)	Article 7(3), (4)	3. National regulatory authorities shall at least on an annual basis submit a report to the Secretariat on their activities under this Regulation and make this report publicly available. 4. The Secretariat shall	As of 29 May 2020 - at least annually

Gas	DIRECTIVE 2009/73/EC	Article 52(2)	<p>report to the Ministerial Council on an annual basis including but not limited to the information provided under paragraph (3). The Secretariat shall submit an overall progress report to the Ministerial Council for the first time by 30 June 2012, and thereafter on an annual basis. The progress report shall reflect the progress made on creating a complete and fully operational internal market in electricity and gas and the obstacles that remain in this respect, including aspects of market dominance, market concentration, predatory or anti-competitive behaviour and the effect thereof in terms of market distortion.</p>	On annual basis
Gas	DIRECTIVE 2009/73/EC	Article 52(3)	<p>The Secretariat shall present a report to the Ministerial Council for the first time by 30 June 2012, and thereafter on an annual basis, summarising the opinions issued by the Secretariat in application of the acts referred to in Article 1, as adapted by this Decision.</p>	On annual basis

Gas	REGULATION (EC) 715/2009	Article 29(2)	The Secretariat shall submit an overall progress report to the Ministerial Council for the first time by 30 June 2012, and thereafter on an annual basis. The progress report shall reflect the progress made on creating a complete and fully operational internal market in electricity and gas and the obstacles that remain in this respect, including aspects of market dominance, market concentration, predatory or anti-competitive behaviour and the effect thereof in terms of market distortion.	On annual basis
Gas	REGULATION (EC) 715/2009	Article 29(3)	The Secretariat shall present a report to the Ministerial Council for the first time by 30 June 2012, and thereafter on an annual basis, summarising the opinions issued by the Secretariat in application of the acts referred to in Article 1, as adapted by this Decision.	On annual basis
Gas	REGULATION (EU) 703/2015 (Interoperability network code)	Article 25(1)	Six months after the expiry of the deadline for transposing and implementing this Regulation the Energy Community Secretariat shall monitor and analyse how	One-off - by 1 April 2019

			transmission system operators have implemented Chapters II to V of this Regulation and submit its report to the Energy Community Permanent High Level Group.	
Gas	REGULATION 2017/459 (CAM network code)	Article 38	The Secretariat and ECRB shall monitor the implementation of the Regulation	as of 28 February 2020, on annual basis - frequency not defined
Gas	REGULATION 2017/459 (transmission tariff network code)	Article 36	The Secretariat shall monitor the implementation of the Regulation	as of 28 February 2020, on annual basis - frequency not defined
Gas	REGULATION 2017/459 (transmission tariff network code)	Article 34	ECRB shall issue a report on the methodologies and parameters used to determine allowed or targeted revenues	Before 1 October 2021 - on off
Security of Supply/Electricity	DIRECTIVE 2005/89/EC	Article 9	The Secretariat shall monitor and review the implementation of Directive 2005/89/EC in the Contracting Parties and shall submit a progress report to the Permanent High Level Group by 30 June 2010.	On annual basis
Security of Supply/Gas	DIRECTIVE 2004/67/EC	Article 10	The Secretariat shall monitor and review the implementation of Directive 2004/67/EC in the Contracting Parties and shall submit a progress report to the Permanent High Level Group by 30 June 2010.	On annual basis

Oil	DIRECTIVE 2009/119/EC	Article 22	The Secretariat shall monitor and review the preparation of the implementation of Directive 2009/119/EC in the Contracting Parties and shall submit an annual progress report to the Ministerial Council, the first of which shall be submitted in 2013.	On annual basis
Infrastructure	DIRECTIVE (EU) 347/2013	Article 5(5)	Within three months of the receipt of the annual reports referred to in paragraph 4 of this Article, the Energy Community Secretariat shall submit to the Groups a consolidated report for the projects of Energy Community interest falling under the categories set out in Annex I.1 and 2, evaluating the progress achieved and make, where appropriate, recommendations on how to overcome the delays and difficulties encountered.	On annual basis
Infrastructure	REGULATION (EU) 347/2013	Article 17	Not later than 2018, the Energy Community Secretariat shall publish a report on the implementation of projects of Energy Community interest and submit it to the Ministerial Council	On annual basis
Infrastructure	REGULATION (EU) 347/2013	Reporting (2)	The Secretariat shall present a report to the	By 30 November

			Ministerial Council for the first time by 30 November 2016, and thereafter on an annual basis, summarising the opinions issued by the Secretariat in application of the acts referred to in Article 1, as adapted by this Decision.	2016 then on annual basis
Environment	DIRECTIVE (EU) 2016/802	Article 14(1)	Each year by 30 June, Contracting Parties shall, on the basis of the results of the sampling, analysis and inspections carried out in accordance with Article 13, submit a report to the Secretariat on the compliance with the sulphur standards set out in this Directive for the preceding year. On the basis of the reports received in accordance with the first subparagraph of this paragraph and the notifications regarding the non-availability of marine fuel which complies with this Directive submitted by Contracting Parties in accordance with the fifth subparagraph of Article 6(8), the Secretariat shall, within 12 months of the date referred to in the first subparagraph of this paragraph, draw up and publish a report on the implementation of this Directive. The	Annually by 30 June

Environment	DIRECTIVE 2001/80/EC	Annex VIII. C. (3)-(4)	<p>Secretariat shall evaluate the need for further strengthening of the relevant provisions of this Directive and make any appropriate legislative proposals to that effect.</p> <p>3. The results of this inventory shall be communicated to the Secretariat in a conveniently aggregated form within nine months from the end of the year considered. The methodology used for establishing such emission inventories and the detailed base information shall be made available to the Secretariat at its request.</p> <p>4. The Secretariat shall organise a systematic comparison of such national inventories and, if appropriate, shall submit proposals to the Council aiming at harmonising emission inventory methodologies, for the needs of an effective implementation of this Directive.</p>	On annual basis
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Environment	DIRECTIVE 2010/75/EU	Article 72(3)- (4)	<p>3. For all combustion plants covered by Chapter III of this Directive, Member States shall, from 1 January 2018, establish an annual inventory of the sulphur dioxide, nitrogen oxides and dust emissions and energy input. Taking into account the aggregation rules set out in Article 29, the competent authority shall obtain the following data for each combustion plant:</p> <ul style="list-style-type: none"> (a) the total rated thermal input (MW) of the combustion plant; (b) the type of combustion plant: boiler, gas turbine, gas engine, diesel engine, other (specifying the type) (c) the date of the start of operation of the combustion plant; (d) the total annual emissions (tonnes per year) of sulphur dioxide, nitrogen oxides and dust (as total suspended particles); (e) the number of operating hours of the combustion plant; (f) the total annual amount of energy input, related to the net calorific value (T) per year), broken down in terms of the following 	On annual basis
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categories of fuel: coal, lignite, biomass, peat, other solid fuels (specifying the type), liquid fuels, natural gas, other gases (specifying the type).

The annual plant-by-plant data contained in these inventories shall be made available to the Commission upon request. A summary of the inventories shall be made available to the Commission every 3 years within 12 months from the end of the three-year period considered. This summary shall show separately the data for combustion plants within refineries. The Commission shall make available to the Member States and to the public a summary of the comparison and evaluation of those inventories.

4. Member States shall, from 1 January 2018, report the following data annually to the Commission:

(a) for combustion plants to which Article 31 applies, the sulphur content of the indigenous solid fuel used and the rate of desulphurisation achieved, averaged over each month. For the first

year where Article 31 is applied, the technical justification of the non-feasibility of complying with the emission limit values referred to in Article 30(2) and (3) shall also be reported; and
 (b) for combustion plants which do not operate more than 1 500 operating hours per year as a rolling average over a period of 5 years, the number of operating hours per year.

Environment	DIRECTIVE 2004/35/EC	18 (1)	Contracting Parties shall report to the Secretariat on the experience gained in the application of this Directive by 31 December 2026 at the latest. The reports shall include the information and data set out in Annex VI	On annual basis
Environment	DIRECTIVE 2001/42/EC of 27	12 (1)	Contracting Parties and the Secretariat shall exchange information on the experience gained in applying this Directive.	On annual basis
Renewable Energy	DIRECTIVE 2009/28/EC	Article 23	The Secretariat shall monitor and review the application of Directive 2009/28/EC in the	By 30 June 2015 and thereafter

Renewable Energy	DIRECTIVE 2009/28/EC	Article 23	<p>Contracting Parties. It shall submit an overall progress report to the Ministerial Council for the first time by 30 June 2015, and thereafter every two years. This progress report should cover those points referred to in Article 23 of Directive 2009/28/EC.</p> <p>For the first time by 30 June 2015, and thereafter every two years¹⁵ the Energy Community Secretariat shall present a report, addressing, in particular, the following elements:</p> <p>(a) a review of the minimum greenhouse gas emission saving thresholds to apply from the dates referred to in the second subparagraph of Article 17(2), on the basis of an impact assessment taking into account, in particular, technological developments, available technologies and the availability of first and second-generation bio-fuels with a high level of greenhouse gas emission saving;</p> <p>(b) with respect to the target referred to in Article 3(4), a review of:</p> <p>(i) the cost-efficiency of the measures to be implemented to achieve the target;</p>	<p>every two years</p> <p>By 30 June 2015 and thereafter every two years</p>
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- (ii) an assessment of the feasibility of reaching the target whilst ensuring the sustainability of biofuels production in the Energy Community and in third countries, and considering economic, environmental and social impacts, including indirect effects and impacts on biodiversity, as well as the commercial availability of second-generation biofuels;
 - (iii) the impact of the implementation of the target on the availability of foodstuffs at affordable prices;
 - (iv) the commercial availability of electric, hybrid and hydrogen powered vehicles, as well as the methodology chosen to calculate the share of energy from renewable sources consumed in the transport sector;
 - (v) the evaluation of specific market conditions, considering, in particular, markets on which transport fuels represent more than half of the final energy consumption, and markets which are fully dependent on imported biofuels;
- (c) an evaluation of the implementation of this

Energy Efficiency	DIRECTIVE 2012/27/EU	Article 24(3) Article 3(1)	<p>Directive, in particular with regard to cooperation mechanisms, in order to ensure that, together with the possibility for the Contracting Parties to continue to use national support schemes referred to in Article 3(3), those mechanisms enable Contracting Parties to achieve the national targets defined in Annex I on the best cost-benefit basis, of technological developments</p> <p>The Energy Community Secretariat/Commission shall evaluate the annual reports and the National Energy Efficiency Action Plans and assess the extent to which Contracting Parties have made progress towards the achievement of the national energy efficiency targets required by Article 3(1) and towards the implementation of this Directive.</p>	End of 2019
Energy Efficiency	DIRECTIVE 2012/27/EU	Article 24(8)	<p>The Energy Community Secretariat shall review the effectiveness of the implementation of Article 6 by 5 November 2018 and shall submit a report to the Ministerial Council of the Energy Community. That report shall be accompanied, if</p>	5 November 2018

Energy Efficiency	DIRECTIVE 2012/27/EU	Article 24(7) Article 3(2)	<p>appropriate, by proposals for further measures</p> <p>By 30 June 2018 the Energy Community Secretariat shall submit the assessment referred to in Article 3(2) to the Ministerial Council of the Energy Community, accompanied, if necessary, by proposals for further measures</p> <p>ECS shall assess progress achieved and whether the Energy Community is likely to achieve energy consumption of no more than:</p> <p>(a) 187 Mtoe of primary energy and/or, (b) 133 Mtoe of final energy in 2020.</p>	30 June 2018
Energy Efficiency	DIRECTIVE 2012/27/EU	Article 24(9)	<p>By 30 May 2019, the Energy Community Secretariat shall submit a report to the Ministerial Council of the Energy Community on the implementation of Article 7. That report shall be accompanied, if appropriate, by a legislative proposal for one or more of the following purposes:</p> <p>(a) to change the final date laid down in Article 7(1); (b) to review the requirements laid down in Article 7(1), (2) and (3); (c) to establish</p>	By 30 May 2019

Energy Efficiency	DIRECTIVE 2010/31/EU	Article 5(4)	<p>additional common requirements, in particular as regards the matters referred to in Article 7(7).</p> <p>The Secretariat shall publish a report on the progress of the Contracting Parties in reaching cost-optimal levels of minimum energy performance requirements.</p>	n/a
Energy Efficiency	DIRECTIVE 2010/31/EU	Article 9(5)	<p>The Secretariat shall by 31 December 2013 and every three years thereafter publish a report on the progress of Contracting Parties in increasing the number of nearly zero-energy buildings. On the basis of that report the Secretariat shall develop an action plan and, if necessary, propose measures to increase the number of those buildings and encourage best practices as regards the cost-effective transformation of existing buildings into nearly zero-energy buildings</p>	By 31 December 2013 and every three years thereafter
Energy Efficiency	DIRECTIVE 2010/31/EU	Articles 30 and 31	<p>The Secretariat shall monitor and review the implementation of Directive 2010/31/EU in the Contracting Parties and shall submit a progress report to the Permanent High Level Group by 31 March 2013.</p>	On annual basis

Energy Efficiency	DELEGATED REGULATION (EU) 626/2011	Article 2(5) of Decision 2011/03/MC- EnC	The Secretariat shall monitor and review the implementation of the Delegated Regulation and shall submit a progress report to the Permanent High Level Group by 1 October 2013.	On annual basis
Energy Efficiency	DELEGATED REGULATION (EU) 1062/2010	Article 2(5) of Decision 2011/03/MC- EnC	The Secretariat shall monitor and review the implementation of the Delegated Regulation and shall submit a progress report to the Permanent High Level Group by 1 October 2013.	On annual basis
Energy Efficiency	DELEGATED REGULATION (EU) 1061/2010	Article 2(5) of Decision 2011/03/MC- EnC	The Secretariat shall monitor and review the implementation of the Delegated Regulation and shall submit a progress report to the Permanent High Level Group by 1 October 2013.	On annual basis
Energy Efficiency	DELEGATED REGULATION (EU) 1060/2010	Article 2(5) of Decision 2011/03/MC- EnC	The Secretariat shall monitor and review the implementation of the Delegated Regulation and shall submit a progress report to the Permanent High Level Group by 1 October 2013.	On annual basis
Energy Efficiency	DELEGATED REGULATION (EU) 1059/2010	Article 2(5) of Decision 2011/03/MC- EnC	The Secretariat shall monitor and review the implementation of the Delegated Regulation and shall submit a progress report to the Permanent High Level Group by 1 October 2013.	On annual basis

Energy Efficiency	DIRECTIVE 96/60/EC	Article 2(5) of Decision 2010/02/MC- EnC	The Secretariat shall monitor and review the implementation of the Directive and shall submit a progress report to the Permanent High Level Group by 30 June 2012.	On annual basis
Energy Efficiency	REGULATION (EU) 2017/1369	Article 19	By 2 August 2025, the Secretariat shall assess the implementation of this Regulation and submit a report to the Ministerial Council.	2 August 2025
Statistics	REGULATION (EC) 1099/2008 of 22 October 2008 on energy statistics	Article 12	The Secretariat shall monitor and review the preparation of the implementation of Regulation (EC) 1099/2008 and Regulation EU) 2016/1952 [2018/1/MC-EnC] in the Contracting Parties and shall submit an annual progress report to the Ministerial Council, the first of which shall be submitted in 2013.	Annually
Statistics	REGULATION (EU) 2016/1952 of 26 October 2016 on European statistics on natural gas and electricity prices	Article 4(2), (3)	(2) Contracting Parties shall not be obliged to transmit data on natural gas prices for household customers if the consumption of natural gas in the household sector accounts for less than 1,5% of national final energy consumption in the household sector. (3) At least every three years, Energy Community Secretariat shall review which	Annually

Climate	RECOMMENDATION 2018/1/MC-EnC	Article 1(7)	Contracting Parties are not obliged to transmit data pursuant to paragraph 2. The Secretariat should assist the Contracting Parties' efforts related to the preparation of their National Plans. It should report to the Ministerial Council on the progress annually.	Annually
Climate	RECOMMENDATION 2018/1/MC-EnC	Article 3(3)	The Secretariat should actively engage in the process and support cooperation activities described above, including through the Energy and Climate Committee. In particular, the Secretariat should facilitate timely consultation between Contracting Parties on the draft national plans.	Continuously
Climate	RECOMMENDATION 2018/1/MC-EnC	Article 4	Progress Reports on the implementation of national plans should be submitted by Contracting Parties to the Secretariat every two years and where appropriate on an annual basis, with a view to align the timescales for domestic, EU and international reporting. Those reports should facilitate the monitoring and the implementation of commitments taken under the United Nations Framework	Every 2 years

Climate	RECOMMENDATION 2018/1/MC-EnC	Article 5(2)	Convention on Climate Change (UNFCCC) and Paris Agreement. The Secretariat should report to the Ministerial Council every two years on the implementation of national plans by Contracting Parties. In view of the submission of the final national plans by Contracting Parties, the Secretariat should issue recommendations on draft national plans.	Continuously
Climate	RECOMMENDATION 2016/02/MC-EnC	Article 1	The Contracting Parties should prepare the legal and institutional preconditions for the implementation of the core elements of Regulation (EU) No 525/2013 in their jurisdictions. The Secretariat should assist the Contracting Parties' efforts in this respect. It should report to the Ministerial Council on the progress annually.	Annually
Climate	POLICY GUIDELINE 03/2018 on the development of National Energy and Climate Plans under Recommendation 2018/01/MC-EnC	Article 5	Contracting Parties should provide progress reports every two years on the implementation of national plans starting in 2022. These implementation reports will be an important instrument in helping all Contracting Parties to see what is happening in implementing the Energy Union objectives. The Secretariat will	Every 2 years

			report on progress in its annual report.	
Climate	POLICY GUIDELINE 03/2018 on the development of National Energy and Climate Plans under Recommendation 2018/01/MC-EnC	Article 6(4)	The Secretariat, with the support of the European Commission and Contracting Parties, will start working on the analytical and technical aspects related to the development of a template for national plans and launch a technical study on the Energy Community Reference Scenario 2018.	2018
Climate	POLICY GUIDELINE 03/2018 on the development of National Energy and Climate Plans under Recommendation 2018/01/MC-EnC	Article 6(6)	In 2020, draft national plans should be submitted to the Secretariat by March, after which a consultation with other Contracting Parties and Member States will be organised. Subsequently, the Secretariat will issue opinions on draft national plans	1st quarter of 2020
Climate	POLICY GUIDELINE 03/2018 on the development of National Energy and Climate Plans under Recommendation 2018/01/MC-EnC	Article 6(6)	Final plans should be submitted to the Secretariat by October 2020, taking into account consultations with other Contracting Parties and Member States, Secretariat opinions and relevant legislation. The Secretariat will subsequently provide a first aggregate assessment of national	4th quarter of 2020

energy and climate
plans.

Source: Secretariat, Energy Community Legal Framework, fourth edition (2018) and the Energy Community website / LEGAL /acquis in force

https://www.energy-community.org/dam/jcr:e7b7deec-5e9c-400b-87b9-6fcb717bfa46/ECS_LF4_2018.pdf

<https://www.energy-community.org/legal/acquis.html>

Annex II: List of relevant acquis

#	Area of work	Title	General implementation deadline
1	Electricity	DIRECTIVE 2009/72/EC of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC	1 January 2015
2	Electricity	REGULATION (EC) 714/2009 of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) 1228/2003	1 January 2014
3	Electricity	REGULATION (EU) 838/2010 of 23 September 2010 on laying down guidelines relating to the inter-transmission system operator compensation mechanism and a common regulatory approach to transmission charging.	1 January 2014
4	Electricity	REGULATION (EU) 543/2013 of 14 June 2013 on submission and publication of data in electricity markets and amending Annex I to Regulation (EC) 714/2009	1 January 2014
5	Electricity	REGULATION (EU) 2016/1388 of 17 August 2016 establishing a network code on demand connection	12 July 2021
6	Electricity	REGULATION (EU) 2016/631 of 14 April 2016 establishing a network code on demand connection	12 July 2021
7	Electricity	REGULATION (EU) 2016/1447 of 26 August 2016 establishing a network code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules	12 July 2021
8	Gas & Electricity	REGULATION (EU) No 1227/2011 of 25 October 2011 on wholesale energy market integrity and transparency	29 May 2020
9	Gas	DIRECTIVE 2009/73/EC of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC	1 January 2015

10	Gas	REGULATION (EC) 715/2009 of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) 1775/2005	1 January 2014
11	Gas	REGULATION (EU) 703/2015 of 30 April 2015 establishing a network code on interoperability and data exchange rules	1 October 2018
12	Gas	COMMISSION REGULATION (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013	28 February 2020
13	Gas	COMMISSION REGULATION (EU) 2017/460 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for gas	28 February 2020
14	Security of Supply	DIRECTIVE 2005/89/EC of 18 January 2006 concerning measures to safeguard security of electricity supply and infrastructure investment	31 December 2009
15	Security of Supply	DIRECTIVE 2004/67/EC of 26 April 2004 concerning measures to safeguard security of natural gas supply	31 December 2009
16	Oil	DIRECTIVE 2009/119/EC of 14 September 2009 imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products	1 January 2023
17	Infrastructure	REGULATION (EU) 347/2013 on guidelines for trans-European energy infrastructure and repealing Decision 1364/2006/EC and amending Regulations (EC) 713/2009, (EC) 714/2009 and (EC) 715/2009	1 January 2017
18	Environment	DIRECTIVE 2011/92/EU of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment with amendments introduced by Directive 2014/52/EU of 16 April 2014	1 January 2019
19	Environment	DIRECTIVE (EU) 2016/802 of 11 May 2016 relating to a reduction in the sulphur content of certain liquid fuels (codification)	30 June 2018
20	Environment	COMMISSION IMPLEMENTING DECISION (EU) 2015/253 of 16 February 2015 laying down the rules concerning the sampling and reporting under Council	1 January 2018

Directive 1999/32/EC as regards the sulphur content of marine fuels

21	Environment	DIRECTIVE 2001/80/EC of 23 October 2001 on the limitation of emissions of certain pollutants into the air from large combustion plants	31 December 2017
22	Environment	DIRECTIVE 2010/75/EU of 24 November 2010 on industrial emissions (integrated pollution prevention and control) ¹	General new plants deadline: 1 January 2018 General existing plants deadline: 1 January 2028
23	Environment	DIRECTIVE 79/409/EEC of 2 April 1979 on the conservation of wild birds	1 July 2006
24	Environment	DIRECTIVE 2004/35/EC of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage	1 January 2021
25	Environment	D/2016/13/MC-EnC amending the Treaty establishing the Energy Community and adapting and implementing Directive 2001/42/EC of the European Parliament and of the Council	31 March 2018
26	Renewable Energy	DIRECTIVE 2009/28/EC of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC	1 January 2014
27	Energy Efficiency	DIRECTIVE 2012/27/EU of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC	15 October 2017
28	Energy Efficiency	DIRECTIVE 2010/31/EU of 19 May 2010 on the energy performance of buildings	30 September 2012
29	Energy Efficiency	REGULATION (EU) 2017/1369 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 4 July 2017 setting a framework for energy labelling and repealing Directive 2010/30/EU	01 January 2020
30	Energy Efficiency	DELEGATED REGULATION (EU) 65/2014 of 1 October 2013 supplementing Directive 2010/30/EU of the European Parliament and of the Council with regard	1 April 2016

to the energy labelling of domestic ovens and range hoods

31	Energy Efficiency	DELEGATED REGULATION (EU) 665/2013 of 3 May 2013 supplementing Directive 2010/30/EU with regard to energy labelling of vacuum cleaners	1 January 2016
32	Energy Efficiency	DELEGATED REGULATION (EU) 812/2013 of 18 February 2013 supplementing Directive 2010/30/EU with regard to the energy labelling of water heaters, hot water storage tanks and packages of water heater and solar device	1 January 2018
33	Energy Efficiency	DELEGATED REGULATION (EU) 811/2013 of 18 February 2013 supplementing Directive 2010/30/EU with regard to the energy labelling of space heaters, combination heaters, packages of space heater, temperature control and solar device and packages of combination heater, temperature control and solar device	1 January 2018
34	Energy Efficiency	DELEGATED REGULATION (EU) 874/2012 of 12 July 2012 supplementing Directive 2010/30/EU with regard to energy labelling of electrical lamps and luminaires	1 July 2016
35	Energy Efficiency	DELEGATED REGULATION (EU) 392/2012 of 1 March 2012 supplementing Directive 2010/30/EU with regard to energy labelling of household tumble driers	30 April 2016
36	Energy Efficiency	DELEGATED REGULATION (EU) 626/2011 of 4 May 2011 supplementing Directive 2010/30/EU with regard to energy labelling of air conditioners	1 January 2013
37	Energy Efficiency	DELEGATED REGULATION (EU) 1062/2010 of 28 September 2010 supplementing Directive 2010/30/EU with regard to energy labelling of televisions	31 December 2012
38	Energy Efficiency	DELEGATED REGULATION (EU) 1061/2010 of 28 September 2010 supplementing Directive 2010/30/EU with regard to energy labelling of household washing machines	31 December 2012
39	Energy Efficiency	DELEGATED REGULATION (EU) 1060/2010 of 28 September 2010 supplementing Directive 2010/30/EU with regard to energy labelling of household refrigerating appliances	31 December 2012

40	Energy Efficiency	DELEGATED REGULATION (EU) 1059/2010 of 28 September 2010 supplementing Directive 2010/30/EU with regard to energy labelling of household dishwashers	31 December 2012
41	Energy Efficiency	DIRECTIVE 96/60/EC of 19 September 1996 implementing Directive 92/75/EEC with regard to energy labelling of household combined washer-driers	31 December 2011
42	Energy Efficiency	COMMISSION DELEGATED REGULATION (EU) No 518/2014 of 5 March 2014 amending Commission Delegated Regulations (EU) No 1059/2010, (EU) No 1060/2010, (EU) No 1061/2010, (EU) No 1062/2010, (EU) No 626/2011, (EU) No 392/2012, (EU) No 874/2012, (EU) No 665/2013, (EU) No 811/2013 and (EU) No 812/2013 with regard to labelling of energy-related products on the internet ('Delegated Regulation 518/2014')	01 January 2020
43	Energy Efficiency	COMMISSION DELEGATED REGULATION (EU) No 1254/2014 of 11 July 2014 with regard to energy labelling of residential ventilation units ('Delegated Regulation 1254/2014')	01 January 2020
44	Energy Efficiency	COMMISSION DELEGATED REGULATION (EU) 2015/1094 of 5 May 2015 with regard to the energy labelling of professional refrigerated storage cabinets ('Delegated Regulation 2015/1094')	01 January 2020
45	Energy Efficiency	COMMISSION DELEGATED REGULATION (EU) 2015/1186 of 24 April 2015 with regard to the energy labelling of local space heaters ('Delegated Regulation 2015/1186')	01 January 2020
46	Energy Efficiency	COMMISSION DELEGATED REGULATION (EU) No 2015/1187 of 27 April 2015 with regard to energy labelling of solid fuel boilers and packages of a solid fuel boiler, supplementary heaters, temperature controls and solar devices ('Delegated Regulation 2015/1187')	01 January 2020
47	Energy Efficiency	COMMISSION DELEGATED REGULATION (EU) 2017/254 of 30 November 2016 amending Delegated Regulations (EU) No 1059/2010, (EU) No 1060/2010, (EU) No 1061/2010, (EU) No 1062/2010, (EU) No 626/2011, (EU) No 392/2012, (EU) No 874/2012, (EU) No 665/2013, (EU) No 811/2013, (EU) No 812/2013, (EU) No 65/2014, (EU) No	1 January 2020

1254/2014, (EU) 2015/1094, (EU) 2015/1186 and (EU) 2015/1187 with regard to the use of tolerances in verification procedures ('Delegated Regulation 2017/254')

48	Competition	<p>The Treaty establishing the Energy Community makes reference to the legal framework on competition in Chapter IV Title II. The acquis on competition rests on the principles relating to three pillars:</p> <ol style="list-style-type: none"> 1. The prohibition of anti-competitive agreements established by Article 101 Treaty on the Functioning of the European Union (TFEU) 2. The prohibition of abuse of a dominant position provided for in Article 102 TFEU; and 3. The prohibition of State aid granted in violation of Article 107 TFEU and the principles of the Treaty 	1 January 2007
49	Statistics	REGULATION (EU) 2016/1952 of 26 October 2016 on European statistics on natural gas and electricity prices and repealing Directive 2008/92/EC	1 March 2018
50	Statistics	REGULATION (EC) 1099/2008 of 22 October 2008 on energy statistics	30 December 2013
51	Climate	R/2018/01/MC-EnC on preparing for the development of integrated national energy and climate plans by the Contracting Parties of the Energy Community (Recommendation)	N/A
52	Climate	R/2016/02/MC-EnC on preparing for the implementation of Regulation (EU) No 525/2013 on a mechanism for monitoring and reporting greenhouse gas emissions (Recommendation)	N/A

Annex III: List of existing bodies and institutions and average number of meetings p.a.

Energy Community Institutions	Average # of events
Ministerial Council	2
Permanent High level Group	4
ECRB (Plenary and Working Groups)	20
Electricity Forum	1
Gas Forum	1
Oil Forum	1
Other bodies established by the decisions of MC or PHLG (accounted to the Secretariat)*	75
	104

*List of bodies established by the institutions of the Energy Community:

- Budget Committee
- Environmental Task Force
- Energy Efficiency Coordination Group
- Renewables Coordination Group
- Security of Supply subgroup-gas
- Security of Supply subgroup-electricity
- ECDSO-electricity
- ECDSO-gas
- Energy and Climate Committee
- Energy and Climate Committee Technical Working Group
- Energy Derivatives Coordination Group
- Coordination Group for Cybersecurity and Critical Infrastructure
- Advisory Committee
- ECRB Electricity Working Group
- ECRB Gas Working Group
- ECRB Consumers and Retail Markets Working Group
- ECRB REMIT Working Group