



2023 Annual Report

Annual Report on the Activities of the Energy Community 2022-2023

The Annual Report on the activities of the Energy Community outlines key actions and achievements in the period from 1 November 2022 to 31 October 2023 following the requirements of Article 52 of the Energy Community Treaty.

Extending the EU electricity to the Energy Community

With the adoption of the Electricity Integration Package by the Ministerial Council of the Energy Community in December 2022, the integration of Contracting Parties into the EU's internal electricity market was made possible. The package comprises nine legal acts that Contracting Parties must transpose by the end of 2023. Implementing these measures requires increased cooperation between EU Member States and Energy Community Contracting Parties, including collaboration among their energy sector stakeholders. To support this process, the Secretariat has assisted and facilitated the transposition of the Electricity Integration Package by drafting template clauses and reviewing several draft legislative acts submitted by the Contracting Parties throughout 2023. In addition to assisting and monitoring the Contracting Parties in their efforts to complete the transposition, the Secretariat has strengthened cooperation with various EU institutions, such as the European Commission, ACER, ENTSO-E, and the NEMO Committee, to further facilitate market integration. Furthermore, it has actively participated in EU coordination groups like the Pentilateral Coordination Group (PCG).

Regarding the implementation of the CACM Regulation and the extension of the EU market coupling to the Energy Community, the Energy Community Secretariat, in collaboration with EU national regulatory authorities, has assumed the chairmanship of a newly established joint expert team for the Energy Community within the PCG. This initiative has created a platform for discussions related to the integration of Energy Community Contracting Parties into the single day-ahead and intraday coupling (SDAC and SIDC) mechanisms. The primary responsibility of this expert team is to coordinate the development of a plan that outlines a timeline and provides a detailed description of how the Contracting Parties' NEMOs will be integrated into the Market Coupling Operator (MCO) functions. This plan, known as the MCO integration plan, is anticipated to be submitted by 15 December 2023, in accordance with the deadline specified by the CACM Regulation. The successful execution of this plan will pave the way for the integration of the Contracting Parties' short-term electricity markets into the EU's internal electricity market.

Furthermore, the Secretariat has actively contributed to the capacity building of the Energy Community Contracting Parties by organizing various webinars and workshops. These events have been instrumental in introducing the key elements of the Electricity Integration Package, with a special emphasis on critical aspects such as the single day-ahead and intraday coupling, electricity balancing, and regional transmission system operator cooperation. The primary goal of these efforts has been to foster collaboration among stakeholders from both EU Member States and Contracting Parties, as this collaboration is essential for the successful implementation of the Electricity Integration Package. In this context, the Secretariat also continued its annual Athens Forum, featuring panel discussions focused on the integration of Contracting Parties into the EU's internal electricity market. Additionally, for the benefit of all interested parties, the Energy Community Secretariat has established a new section on its website. This information is designed to facilitate a better understanding of the package and its implementation process.

The further integration of European electricity markets must be accompanied by an increase in cross-border capacity. This is a key point highlighted in the adopted Electricity Regulation, which mandates transmission system operators to ensure a minimum amount of cross-zonal capacity is available to market participants (referred to as the '70% target'). In 2023, the Secretariat conducted a study to assess the current and future levels of cross-zonal capacities and to identify necessary actions to meet this requirement within the Contracting Parties. An essential aspect of fulfilling this requirement involves transmission system operators enhancing regional cooperation by operationalizing capacity calculation regions and coordinating capacity calculation methodologies. The Secretariat has continued to emphasize and facilitate these efforts throughout the past year.



Photo: Athens Electricity Forum



Photo: Athens Electricity Forum

Reflecting on the carbon pricing system

The Secretariat further advanced work on the operationalization of the adopted Decarbonization Roadmap, with the focus on the Regulation on Carbon Border Adjustment Mechanism (CBAM), through the organization of the Informal Ministerial Council in June and the subsequently mandated technical meetings on carbon pricing.

Following an invitation from the Ministerial Council in 2022, the Secretariat established a Technical Working Group dedicated to carbon pricing. This group convened three times for two-day events in 2023, held in Vienna and Brussels, with the aim of discussing the role, function, and design of the ETS as well as examining planned and existing national policies related to carbon pricing in the Contracting Parties and their links to CBAM.

Furthermore, the Secretariat conducted a series of country missions across different Contracting Parties to highlight both the risks and opportunities associated with CBAM. The extensive engagement in this topic is driven by the mandate to preserve the energy integrity of the Energy Community and enhance the integration process with the EU.

Contracting Parties were invited as observers to the annual EU ETS Compliance Conference in November 2023, marking a significant step towards closer cooperation between the Union and the Energy Community in the areas of climate policy and carbon pricing.

The transposition of the Monitoring Reporting Verification and Accreditation (MRVA) package – adopted at the 2022 Ministerial Council representing a no-regret option for the introduction of any carbon pricing system – started in 2023, albeit at a substantially different pace in various Contracting Parties. The Secretariat has been actively involved in monitoring the status of transposition and identifying the challenges faced by Contracting Parties through meetings of its dedicated Technical Working Group.

Monitoring CBAM Preparedness

The adoption of the EU CBAM Regulation in May 2023 represents a major policy instrument affecting the development of climate, energy, and economic policies in Contracting Parties. To address this, the Secretariat organized a high-level event in Brussels on 23 May 2023, bringing together EU policymakers, stakeholders, and academia to share their perspectives and discuss the potential impacts of CBAM. They also explored possible steps that Contracting Parties could take to mitigate these impacts.

It's important to note that CBAM is explicitly linked to the progress in electricity market integration (market coupling) between Contracting Parties and EU Member States. To closely monitor the developments in the electricity and climate areas, the Secretariat published its first CBAM-Readiness Tracker in June 2023, taking stock of Contracting Parties' advancement in the areas of electricity market integration, green transition and the overall criteria for an exemption in electricity from CBAM.

Furthermore, the Secretariat participated as an observer in the work of the CBAM informal expert group set up by the European Commission's Directorate-General for Taxation and Customs Union. The link between CBAM and carbon pricing was highlighted throughout the discussions in the Energy Community on carbon pricing and at the Informal Ministerial Council.



Photo: Fit for CBAM event, organized in Brussels



Photo: Fit for CBAM event, organized in Brussels

Powering Ukraine's resilience: supporting energy access and recovery

During the reporting period, the Energy Community Secretariat remained steadfast in its support for the Ukrainian people in the face of the challenging circumstances brought about by Russian attacks.

The ongoing conflict has resulted in widespread suffering, affecting hundreds of thousands of families and businesses, leaving them without access to essential energy services such as electricity, heating, hot water, and hot food. An ongoing and pressing requirement persists for energy equipment, spare parts, and fuels to facilitate the repair and maintenance of the damaged energy infrastructure and to restore energy supply to the affected areas.

Our efforts encompass emergency actions related to war and measures focused on the post-war rebuilding process.

PART I: Emergency actions related to war

Ukraine Energy Support Fund - UESF

In agreement with the European Commission and the Ministry of Energy of Ukraine, the Ukraine Energy Support Fund was established to counteract the impact of the Russian attacks targeting critical energy infrastructure. The Fund provides a platform for governments, international financial institutions, international organizations, and corporate donors to offer financial assistance to the Ukrainian energy sector's endeavors to repair the damage and sustain its operations. Contributions to the Fund are allocated towards addressing the most immediate needs of Ukrainian energy companies, including equipment, spare parts, technical resources, fuels, and services essential for the restoration and maintenance of energy and heat supply in Ukraine.

Established shortly after the full-scale invasion of Ukraine by Russia, the Fund swiftly became operational during the reporting period. Substantial contributions were mobilized and effectively deployed to provide support on the ground in Ukraine. To date, pledges amounting to up to EUR 270 million have been made to the Fund, with EUR 200 million already transferred to the Special Purpose Account. Procurements valued at EUR 92 million have been executed to benefit Ukrainian energy companies, and additional procurements exceeding EUR 70 million in total value are presently in progress. Additionally, discussions and negotiations for further contributions to the Fund are currently underway and are slated for implementation in the near future.



Photo: equipment provided to Ukraine by UESF

Ukraine Support Task Force – USTF

In response to the Ministry of Energy of Ukraine's request for assistance in coordinating equipment offers and deliveries from multiple partners, which was made just days after the invasion began against Ukraine, Energy Community's biggest Contracting Party, the Secretariat took swift action by establishing the Ukraine Support Task Force (USTF).

With the support of the European Commission, specifically DG ENER, ECHO, and NEAR, a rapid and efficient system was developed, building upon the existing Union Civil Protection Mechanism. This system was put in place to facilitate the transportation of equipment offered by private companies. The specialized equipment delivered to Ukraine addresses the pressing needs of the country's energy infrastructure operator companies, aiding in the restoration of essential services and contributing to the broader rebuilding efforts.

For the reporting period, the USTF, in collaboration with the European industry, and the European Commission, assisted 74 deliveries, totalling to 4.300 tons of equipment and liquids delivered to Ukraine. In total, as of 1 November 2023, the USTF assisted 100 deliveries, representing ca. 5.000 tons of equipment and liquids. These shipments included high-voltage equipment for electricity transmission and distribution system operators, specialty vehicles, IT and communication equipment, tools, pipes, valves, and various other items. These resources are essential for conducting urgent repairs on the damaged energy infrastructure, ultimately enhancing the security of energy supply for Ukrainian households and the economy.

This international coordination effort involves collaboration at the state, EU, and supra-national levels, working closely with the ministries and authorities of Ukraine. This initiative is also aligned with the Secretariat's other Ukraine support activities, ensuring a comprehensive and effective approach to addressing the energy sector's challenges in Ukraine.



Photo: equipment delivered to Ukraine by USTF support

Pro Bono legal assistance

Through the Pro Bono legal support platform, launched in July 2023, the Secretariat mobilized the international legal community to join the effort in holding the Russian Federation account-

able for the destruction of critical energy infrastructure and in recovering damages. The Pro Bono legal support platform has attracted reputable law firms willing to dedicate pro bono hours on specific legal tasks to support claims of the state-owned energy companies Energoatom, Ukrenergo and Ukrhydroenergo. The legal services will be provided on or in relation to energy-related claims against Russia to be filed in national courts based on universal jurisdiction, in front of arbitration tribunals constituted under the bilateral investment treaty between Ukraine and the Russian Federation, and in Ukrainian courts.

PART II: Measures focused on the post-war rebuilding process

Ukraine Energy Market Observatory

In January 2023, the Energy Community Secretariat established the Ukraine Energy Market Observatory. This observatory was created to streamline and consolidate its monitoring functions under the Energy Community Treaty. This proactive approach was designed to foster greater transparency, ensure compliance with energy market regulations, and ultimately contribute to the enhancement of the overall energy market environment in Ukraine. It covers various aspects, including those outlined in the Clean Energy Partnership, which serves as an important framework for Ukraine's collaboration with the G7+ countries to foster trust and attract private investors.

The Ukraine Energy Market Observatory tracked and assessed key reform measures and developments related to the energy market(s) and corporate governance in Ukraine. This included a focus on areas such as the implementation of the Clean Energy Package, the transposition and execution of REMIT Regulation, legislative amendments aimed at harmonizing rules for cross-border capacity allocation, compliance with the acquis on oil stocks, legislative and regulatory considerations regarding gas storage by non-Ukrainian operators, the status of certification and unbundling of transmission system operators in the electricity sector, and the independence and governance of the national regulatory authority.

During this period, the Secretariat published a total of eighteen assessments. Additionally, it issued two quarterly reports summarizing the main reform developments, the Secretariat's compliance assessments, and recommendations for improvement. These findings and assessments were made available to a wide audience, including both domestic and international stakeholders. Furthermore, the Secretariat actively communicated these findings to the relevant officials, urging them to take prompt actions on critical issues.

High-level Advisory Group on the Ukrainian NECP

Building on the Memorandum of Understanding signed between the Ukrainian Government and the Secretariat on 14 March 2023, the Secretariat has been actively involved in providing essential support for the development of the National Energy and Climate Plan (NECP). This support aligns with the obligations outlined in the Energy Community Treaty and involves coordinating with international donors to ensure a collaborative effort in this endeavour.

In this light, building on the commitment to develop a Clean Energy Partnership to support the sustainable recovery and reconstruction of Ukraine, endorsed at the Ukraine Recovery Conference held in London on 21 - 22 June 2023, the Government of Ukraine, the Energy Community Secretariat, G7+ members and international partners held the first meeting of the High-Level Advisory Group co-chaired by first Deputy Prime Minister Yulia Svyrydenko and Michał Kurtyka, former Minister of Climate, Energy and Environment of the Republic of Poland. Following meetings of the group are scheduled for 8 September, 6 November, 5 December, at COP28 and shall continue through 2024 assisted by the Energy Community Secretariat.

The role of the High-Level Advisory Group is to provide strategic advice to the NECP preparation and consultation process via a regular assistance and high-level recommendations to the Ukrainian authorities and navigating the necessary work and efforts at the technical level.



Photo: High Level Advisory Group, Ukraine Recovery Conference, London

Towards energy security and green transition

On 16 October, at the Berlin Process Leaders' Summit in Tirana, Artur Lorkowski, the Director of the Energy Community Secretariat, presented a comprehensive report on the implementation of the Declaration on Energy Security and Green Transition in the Western Balkans, signed by the Western Balkans' leaders on 3 November 2022. The report highlights the region's journey towards sustainable energy policies and a greener future and acknowledges the progress made. It also highlights the challenges that persist in the Western Balkans, including energy sector vulnerabilities, governance issues, and the imperative need for reforms.



Photo: Berlin Process Leaders' Summit

During the reporting period, the Secretariat played a crucial role in assisting Contracting Parties with the incorporation of the Security of Gas Supply Regulation and the implementation of targets specified in the Storage Regulation. The Secretariat actively encouraged efforts to promote the opening up and diversification of gas supply sources, with notable focus on countries such as Moldova, Ukraine, and North Macedonia. These efforts involved regulatory changes and fostering regional and cross-border cooperation.

Specifically, the Secretariat devoted significant resources to reduce the risk associated with gas storage in Ukraine and enhance its utilization by foreign operators. This initiative resulted in achieving higher storage targets than initially anticipated.

Furthermore, a top priority for the Energy Community during this period was the implementation of the Memorandum of Understanding between the European Union and Ukraine. This agreement aimed to leverage Ukraine's potential in the field of bio-methane and potentially hydrogen, emphasizing the significance of Ukraine's business in these areas. These efforts underscored the commitment to enhancing energy security and sustainability within the Energy Community.

In addition, the Secretariat provided support to Contracting Parties in fully harnessing the benefits of the EU initiative for joint gas procurement. This initiative saw the participation of major countries with gas markets, including Serbia, Ukraine, and Moldova. The Secretariat's assistance aimed to ensure that these countries could maximize the advantages offered by this collaborative effort in the procurement of gas, contributing to enhanced efficiency and cooperation within the region's energy markets.

The development and adoption of integrated NECPs is the cornerstone of pursuing energy security during the transformation into a low-carbon economy. Contracting Parties had to submit their draft NECPs to Secretariat by 30 June 2023 for the latter's assessment and recommendations. Bosnia and Herzegovina, Georgia, Kosovo* and Serbia submitted their draft NECPs by the end of the summer 2023, while others were still in the process of finalizing their drafts. The Secretariat published its recommendations on the draft NECPs submitted in 2023 by the end of the year.



Screenshot from a video developed by the Secretariat explaining NECP's, published on social media channels.

To enhance its support for Contracting Parties in addressing energy poverty, the Energy Community Secretariat took significant steps in December 2022 by establishing the Energy Poverty Coordination Group. This group organized regular meetings throughout the year, fostering collaboration and knowledge-sharing. Simultaneously, the Secretariat continued its efforts through the Centre for Alleviating Energy Poverty. One notable initiative was the organization of a workshop in May focused on assessing energy poverty at the local level. Subsequently, the Secretariat released a comprehensive report on the protection of vulnerable households in the Western Balkans amid rising energy prices and the EU Energy Support Package. This report provided a thorough analysis of the policies and measures implemented by Western Balkan Contracting Parties to support vulnerable and energy-poor households during the energy crisis. These efforts underscore the Secretariat's commitment to addressing energy poverty and promoting the well-being of vulnerable communities within the Energy Community.

Under the Gender Equality Initiative, the Secretariat continued to develop evidence-based responses, policies, and legislation, and raised awareness on the importance of gender parity at events by developing relevant guidelines. Opened by the Secretariat's Director and International Gender Champion, Artur Lorkowski, the Energy Community hosted an event with more than 80 participants on "How to make the energy transition gender just", focusing on the importance to ensure gender equality in the energy transition and particularly coal phase-out. The Secretariat's commitment to gender-responsive procurement has been extended to be included in all tender documents where relevant.

Furthermore, as an active member of the EU Equality Platform, the International Gender Champions Platform, and the Gender Energy Compact, the Secretariat engages in ongoing knowledge exchange with specialist organizations and stakeholders involved in gender equality. Additionally, it played a role in the

communication group for the new CINEA study titled "Achieving Parity in the European Energy Sector by 2050." These efforts collectively reflect the Secretariat's dedication to promoting gender equality within the energy sector and beyond.

Back to (new) normal after energy crisis

In response to the 2022 Ministerial Council conclusions, and backed by extensive consultations and expert insights, the Secretariat drafted comprehensive policy guidelines on demand reduction measures with an aim to both address the current challenges and lay the groundwork for a sustainable energy future. The guidelines encompass various focal points, ranging from legal frameworks and retail energy prices to empowering citizens and renovation of buildings, each serving as a pillar for the revitalization of the energy sector. Notably, these guidelines aim to bridge the gap between short-term crisis management and long-term sustainable development, emphasizing the imperative role of energy efficiency measures and distributed renewable technologies in shaping a resilient and green energy transition.

Advancing Renewable Investments

The Energy Community Secretariat continued supporting the Contracting Parties in their efforts to transpose and implement Directive (EU) 2018/2001 of 11 December 2018 on the Promotion of the Use of Energy from Renewable Sources. This support involved the development and revision of national legislation, which encouraged the utilization of energy from renewable sources. As result, amendments or new renewable energy laws were adopted in Albania, Federation of Bosnia and Herzegovina, Serbia, and Ukraine. Various Contracting Parties, such as Georgia, Kosovo*, and Moldova, are in the concluding stages, as the laws are currently undergoing the parliamentary procedure.

In order to provide additional support to Contracting Parties in promotion of renewable energy, the Secretariat continued to arrange meetings, workshops, and conferences. On 18 - 19 April 2023, the Secretariat, in collaboration with the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, organized the Renewable Energy Coordination Group meeting and a workshop on district heating and cooling in Sarajevo. This workshop, organized in partnership with the International Renewable Energy Agency, drew approximately 130 participants, including in-person and online attendees. Among the participants were representatives from ministries responsible for Energy Community Contracting Parties, the European Commission, donors and international financial institutions, district heating companies, NGOs, and more.



A poster promoting on social media the Conference on Advancing Renewable Investments

EU4Energy Governance (Phase II) "Promoting the clean energy transition and securing increasing energy security for the EaP"

The Energy Community Secretariat is actively involved as one of the implementing partners in the EU4Energy (Phase II) technical assistance project, co-funded by the EU4Energy Programme of the European Union. The overarching goal of the EU4Energy Governance Project Phase II is to advance the clean energy transition, enhance energy security, and facilitate access to energy for vulnerable populations in three Eastern partner countries: Georgia, Moldova, and Ukraine. These efforts also aim to mitigate the impact of the ongoing.

Throughout the course of this action, which spans from 2020 to 2026, the Secretariat collaborates closely with stakeholders in the mentioned countries to provide support in drafting, transposing, and implementing energy reforms. These reforms encompass various aspects of the energy sector, including electricity, gas (including hydrogen), energy efficiency, and renewable energy. The project additionally focuses on knowledge transfer through a range of capacity building activities designed to empower relevant public authorities.



Photo: EU4Energy organized event

In 2023, the Energy Community strengthened its commitment to Ukraine by appointing a Senior Energy Expert as the Head of the Kyiv office, reinforcing its presence in the country.

EU4Energy has outlined specific activities slated for implementation in Georgia, Moldova, and Ukraine until the conclusion of 2023. These initiatives collectively contribute to the advancement of clean energy and energy security in the region, as well as provide much-needed assistance to mitigate the effects of the ongoing conflict in Ukraine.

Communications and outreach efforts

During the reporting period, the Secretariat made a strategic commitment to align its communication efforts with the vision of "Paving the way for a sustainable and greener future." To accomplish this ambitious goal, the communication approach shifted from technical jargon to a results-driven and expert-centric strategy. This shift was designed to not only amplify the effectiveness of the communication but also to humanize the organization's image, making it more relatable and engaging.



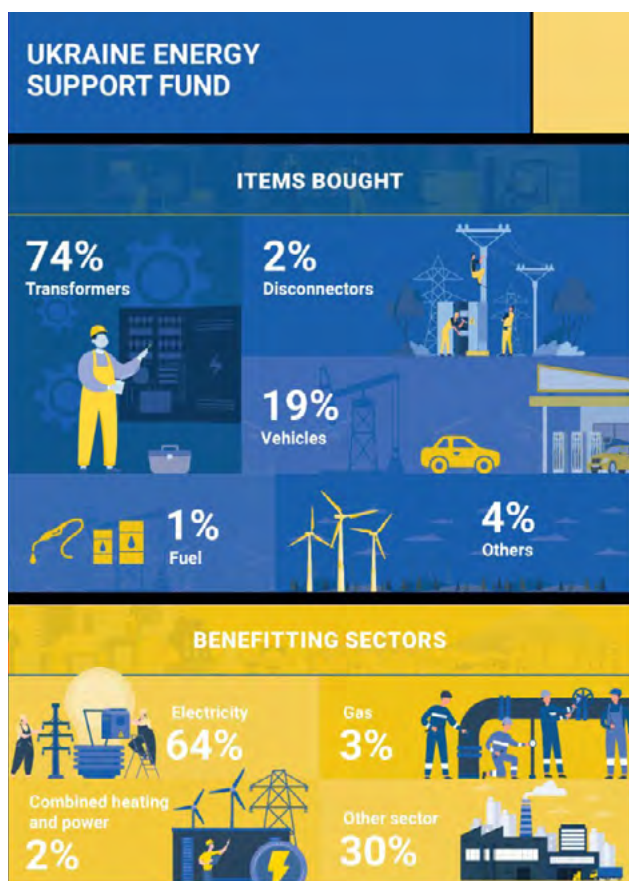
Preparations for Just Transition Forum, Skopje

The social media engagement and interaction metrics experienced remarkable growth. We increased the frequency of our posts and bolstered our online presence, leading to a more impactful and resonant communication strategy. Furthermore, the Secretariat enhanced and improved the visibility of its events, with a particular focus on visual aspects, including eye-catching graphics, high-quality photography, interactive visuals, social media visuals, etc.

In total, the Secretariat has organized 120 events, a combination of online and in-person gatherings, over the course of the reporting period. These events encompass a diverse range of topics and formats, including conferences, webinars, workshops, seminars, and interactive panel discussions. They have been strategically designed to engage with the stakeholders and foster meaningful connections and collaborations within community. The events have attracted a broad and engaged audience, creating valuable opportunities for knowledge exchange, networking, and collective action toward our sustainability goals.

Achieving Sustainability: EMAS re-certification

During 2023, the Secretariat's commitment to environmental domain has been officially recognized with the re-certification of its environmental management system. Following a successful external audit during the year, the Austrian Ministry of Climate Action, Environment, Energy, Mobility, Innovation and Technology officially extended the Secretariat's EMAS certification on 25 October 2023.



Infographic presenting UESF performance in September 2023

Throughout the year, the Secretariat introduced a range of tools to convey its activities effectively. This includes the power of straightforward language, eye-catching infographics, concise video explainers, and modern, vibrant designs to connect with audience.



Performance,
Credibility,
Transparency

The external EMAS audit centered on the Secretariat's Environmental Statement that translated the set environmental targets into actions and on the implementation of the measures established under the environmental management system. The 2023 Statement presents the Secretariat's environmental performance based on key performance indicators in the areas of emissions, energy and material efficiency and waste management. To underline the continuous improvement principle, the Statement also provides an outlook of the activities in the pipeline.

Staffing Updates

Throughout the reporting period, the Energy Community Secretariat benefitted from the contributions of a total of 44 professionals, who brought diverse expertise spanning the programmatic and support areas covered by the Energy Community. In addition to its permanent staff members, the Secretariat engaged 29 temporary staff, each serving for durations ranging from 1 to 12 months. These temporary staff members included interns, secondees, research fellows, and locally recruited personnel, all of whom made valuable and meaningful contributions to the Secretariat's mission and work. Their collective efforts have been instrumental in advancing the goals and functions of the Energy Community.

Budget

In 2023, the ordinary budget of the Energy Community Secretariat, which is formed through contributions from nine Contracting Parties and the European Union, all participants of the Energy Community Treaty, amounted to EUR 5,080,365. This ordinary budget was further supplemented by an extraordinary budget totaling EUR 1,433,281, which was provided by six different donors. In total, the annual budget for 2023 amounted to EUR 6,513,646. These financial resources are essential for supporting the Secretariat's operations and activities aimed at promoting energy cooperation and integration within the Energy Community.