

Annual Report on the Activities of the Energy Community 2015

The Annual Report on the Activities of the Energy Community¹ highlights key Energy Community activities, initiatives and achievements in the period from 1 August 2014 to 1 August 2015. It complements the Annual Implementation Report 2015, which provides a comprehensive account of the progress undertaken by the Energy Community Contracting Parties and institutions to implement the Energy Community acquis.

a. This Year's Highlights

1. Energy Community Celebrates 10th Anniversary

To mark the 10th anniversary of the signing of the Energy Community Treaty, a celebration ceremony was held on 27 August in the State Hall of the Austrian National Library in Vienna. The celebration brought together Prime Ministers, Ministers of Economy, Energy and Foreign Affairs, Members of the European Commission, Parliamentarians and other high level guests. Albanian Prime Minister Edi Rama, representing the Albanian Presidency of the Energy Community, delivered the keynote speech. Other speakers were Vice-Prime Minister of Ukraine Valerii Voschevskiy, Prime Minister of Serbia Aleksandar Vučić, Vice-President of the European Commission for Energy Union Maroš Šefčovič, European Commissioner in charge of European Neighbourhood Policy and Enlargement Negotiations Johannes Hahn and Chairman of European Parliament Energy Committee and Energy Community High Level Reflection Group Jerzy Buzek.

2. Energy Community – An integral part of the Energy Union

In its Framework Strategy for a Resilient Energy Union published on 25 February 2015, the European Commission declared that a strengthened Energy Community will be part of the future Energy Union. The Commission vowed “to strengthen the Energy Community, ensuring effective implementation of the EU's energy, environment and competition acquis, energy market reforms and incentivising investments in the energy sector.”

In this regard, this year has seen concrete progress to implement some of the proposals of the High Level Reflection Group, led by Prof. Jerzy Buzek, Chairman of the Industry, Research and Energy Committee in the European Parliament, in its Report “An Energy Community for the Future”². This includes proposals to adopt new acquis communautaire as well as improve the functioning of the Energy Community institutions, including enhancing the role of national parliaments and civil society organisations in the Energy Community process.

3. Security of gas supply reinforced

¹ The Annual Report on the Activities of the Energy Community follows the requirements of Article 52 of the Energy Community Treaty.

² The report is available at https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3178024/Energy_Community_HLGR_Report_FINAL_WEB.pdf.

In 2014, the European Union conducted the so-called gas stress tests. The Energy Community Contracting Parties as well as its observers, notably Georgia, Turkey and Norway, took part with the support of the Energy Community Secretariat. This is the first time that such a detailed Europe-wide analysis of the security of gas supply situation was carried out according to common standards and specific scenarios.

The results of the stress tests showed clearly that cooperation among the Contracting Parties and the EU Member States is vital for security of gas supply since the Contracting Parties and EU Member States share the same gas supply infrastructures. A cooperative approach could significantly reduce the impact on the most vulnerable countries, among which are the majority of the Contracting Parties.

Recognising the results of the stress tests, work is underway to extend the upgraded EU Regulation 994/2010 on measures to safeguard security of gas supply to the Energy Community Contracting Parties and establish a joint regulatory regime for cross-border issues between the Energy Community and the EU Member States. This includes a common energy crisis management system through preventive and emergency plans.

4. Enhancing electricity balancing cooperation

Activities to enhance regional electricity balancing cooperation in the Energy Community were intensified during the reporting period. The Secretariat organized a series of meetings of the Contracting Parties' transmission system and market operators with the aim to ensure the harmonized development of balancing markets and explore options for their integration. The meeting resulted in an initiative to commence joint activities on implementing regional balancing cooperation models in line with the EU Electricity Balancing Network Code.

Additional meetings of the Energy Community market operators took place with a focus on an early identification of implementation challenges and barriers at national level to the development of non-discriminatory and cost-reflective imbalance settlement mechanisms. To support the Contracting Parties, the Secretariat also conducted an in-depth analysis of the current legal framework governing electricity balancing. The analysis identified the legal barriers and implementation challenges to regional balancing cooperation at national level, which were later discussed and supported at the Western Balkans 6 Ministerial Meeting hosted by the Secretariat on 2 July 2015.

5. Strengthening regulatory cooperation

In the reporting period³, the Energy Community Regulatory Board (ECRB) contributed to Energy Community policy discussions on various aspects of energy market regulation such as regulatory incentives to promote network investment, regulatory independence and treatment of interconnectors and interconnection points between the Energy Community Contracting Parties and EU Member States and related implementation of Third Package Network Codes. Further sector specific work was executed in relation to harmonised regulatory positions related to the Coordinated Auction Office in South East Europe (SEE CAO) and assessment of the gas quality standards in the Energy Community. Continuous emphasis was also put on consumer protection and consumer awareness. In addition, ECRB strengthened its monitoring activities via

³ The ECRB publishes a detailed report on its activities on an annual basis at the end of each calendar year. The reports are available at https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCUMENTS?library.category=1298.

the preparation of an integrated Market Monitoring Report on gas and electricity retail and wholesale market functioning.

ECRB continued its international cooperation with other regional regulatory bodies, in particular the Council of European Energy Regulators (CEER) and the Mediterranean Energy Regulators (MedReg). In 2015, the collaboration with the Agency for Cooperation of Energy Regulators (ACER) received further impetus via integration of the Contracting Parties' regulators in ACER's Gas Regional Initiative South South East, including concrete pilot projects on joint implementation of the Third Package acquis at common EU and Energy Community borders. Further to this, concrete discussions were launched related to the possibility of Contracting Parties regulators' participation in ACER meetings, subject to implementation of the Third Energy Package.

6. Connecting with national parliaments

Without the support of national parliaments, the adoption of national energy reforms would simply be impossible. Engagement with national parliaments is thus an increasing focus of the Secretariat's work. Starting in 2013, the Secretariat has worked to raise awareness of the Energy Community Treaty and its obligations by annually presenting the state of play of acquis implementation to each national parliament and holding an annual meeting with Parliamentarians of all eight Contracting Parties. Upon their request, the Energy Community Secretariat attended parliamentary hearings and continued to ensure the compliance of legislative amendments tabled by parliamentarians with the Energy Community legal framework.

For the first time, a joint meeting between Members of the European Parliament and Members of the Energy Community Contracting Parties' Parliaments took place in Brussels in May 2015. The meeting served to assess the Energy Community's role in contributing to tackling shared energy policy objectives and future challenges. Parliamentarians concluded by calling for the institutionalisation of this cooperation via the establishment of a parliamentary assembly.

7. Cooperation with our partners

Be it ensuring the coherence of energy market regulation across borders or implementing concrete measures to ensure security of gas supply, the Energy Community works with other regional and international organisations to maximize synergies. The Secretariat also continuously acts as "matchmaker" to bring together donors and International Financing Institutions with energy projects in need of financing.

8. Working together to make energy efficiency the first fuel

In 2013, with the support of the European Union and in partnership with the Energy Community Secretariat, the European Bank for Reconstruction and Development established the Regional Energy Efficiency Programme (REEP) for the Western Balkans. As member of its steering committee, the Energy Community Secretariat participates directly in the execution of REEP.

REEP combines investment financing, incentives and technical assistance designed and implemented in close cooperation with the Contracting Parties, the Energy Community Secretariat and the Energy Efficiency Coordination Group. This includes the drafting of legislation to enable the creation of Energy Service Companies (ESCOs) and implementation of the Energy Performance in Buildings Directive, public procurement rules and guidelines for the purchase of

energy efficiency equipment, utility energy efficiency policies and reforms of energy tariffs, metering and billing.

Another success story is the cooperation between the Energy Community Energy Efficiency Coordination Group and GIZ, which resulted in the creation of an innovative, web-based Energy Efficiency Monitoring and Verification Platform to map the implementation of Energy Efficiency Action Plans in the Contracting Parties. The added value of the platform is the vertical coordination between different policy levels (national and sub-national) in terms of systematic planning and monitoring of implemented projects and programmes related to energy savings and CO2 emission reduction. The platform was selected for financing under the EU's Horizon 2020 programme, which will further develop and disseminate the tool in Europe. This is the first known example of 'exporting' knowledge and know-how from the Energy Community Contracting Parties to EU Member States.

b. Secretariat

During the reporting period, the Energy Community Secretariat consisted of 23 permanent staff members holding 15 nationalities. Eight interns, five secondees and two research fellows gained valuable knowledge at the Secretariat and contributed to its work.

In February 2015, the Secretariat was very proud to receive the Champion of Regional Cooperation Award from the Regional Cooperation Council (RCC) for its contribution to regional cooperation in South East Europe.

1. Assistance to the Contracting Parties

The Secretariat has worked intensively to support the Contracting Parties in the transposition and implementation of the Energy Community *acquis communautaire*. This year, the overwhelming focus was on the transposition of the Third Energy Package in electricity and gas and energy efficiency legislation. The Secretariat has conducted comprehensive compliance reviews of all draft legislation in order to ensure its compliance with the Energy Community Treaty.

To support the transposition and implementation of the Third Energy Package even further, the Secretariat drafted by itself and subsequently submitted eight primary and nine secondary draft laws to the Contracting Parties' authorities. In the area of energy efficiency, the Secretariat prepared four primary and 18 secondary laws, partly in cooperation with other stakeholders under the Regional Energy Efficiency Programme, REEP.

In addition, the Secretariat supported the Contracting Parties via coordination of technical assistance, capacity building and specialised national and regional workshops. This included the financing of technical assistance aimed at the transposition of Council Directive 2009/119/EC on maintaining minimum oil stocks.

During the reporting period, the Secretariat, which acts as the guardian of the Energy Community Treaty, opened two new dispute settlement cases, while five cases were closed. 23 cases were open at the time of publication of this report.

2. Events

Not counting ad-hoc workshops and working group meetings, the Energy Community Secretariat organised over 60 official events⁴, which attracted around 1,800 participants. The Secretariat organised events on topical issues such as State aid, energy efficiency, power exchanges, market coupling and Third Energy Package transposition, including Network Codes.

3. Communications

127,313 visitors accessed the Energy Community website in 2014, representing a 52 percent increase from the previous year. Complementing its Annual Implementation Report, the Secretariat now regularly updates its website via dedicated country and sector specific pages in order to reflect the progress made by the Contracting Parties in implementing the acquis throughout the year. As another communication tool to engage with stakeholders, the Energy Community Secretariat established a Twitter account in March 2015. In addition to experts' commentary frequently featuring in the press, 13 feature articles, opinion pieces and interviews conducted by the Secretariat were published.

In the reporting period, the Secretariat carried out a public consultation on organised electricity markets and on options for the implementation of proposals on the future of the Energy Community. To the latter, 62 replies were submitted from 20 countries, comprising of responses from central government authorities in Energy Community Contracting Parties and EU Member States, regulatory authorities and their regional associations, International Financial Institutions, economic operators and their associations, EU bodies, Members of the European Parliament, NGOs, civil society, individuals and academics.

4. Studies and publications

Every year, the Energy Community finances studies, which support its work and contribute to meeting its objectives. During the reporting period, the Secretariat published three studies:

- "SEE Regional Balancing Integration";
- "How to get more fair gas prices?";
- "Realising Priority Infrastructure Projects for Energy Community".

The Secretariat published so-called 'Policy Guidelines' that aim to steer the Contracting Parties in the implementation of the Energy Community acquis communautaire. The guidelines are used by the Secretariat when assessing the compliance of the Contracting Parties with their obligations. Five Policy Guidelines were published in the reporting period in the following areas:

- Independence of national regulatory authorities;

⁴ Energy Community events calendar - https://www.energy-community.org/portal/page/portal/ENC_HOME/CALENDAR?pSelectedYear=2015.

- VAT treatment of electricity cross-border trade;
- Preparation of national emission reduction plans;
- Definition of new and existing plants;
- Application of the Energy Community acquis between the Contracting Parties and the European Union.

In addition, the Secretariat compiled projects, programmes and investment credit lines that support energy efficiency in the publication “*Energy Community – Tapping on its Energy Efficiency Potential*”. It updated the “*Energy Community Facts in Brief*”, which provides a concise overview of the organisation’s objectives, structure and activities. The Secretariat also published for the first time a country policy briefing “*Energy Community Country Brief – Spotlight on Ukraine*”, which provided a comprehensive overview of the state of energy reforms in Ukraine.

c. Energy Community Budget 2014

The Energy Community’s revenue consists of members’ contributions; donations from the Republic of Austria; bank interest and other income (amounting to less than 1% of the total budget). The EU is by far the largest contributor, accounting for almost 95% of the contributions.

The final budget for 2014 amounted to 3,448,810 EUR.

FINAL BUDGET 2014 (in EUR)

