

**ELEC's Black Sea Conference**  
**Renewable energy and transport infrastructure: a new challenge for**  
**EU-Black Sea cooperation (Bucharest, 17-18 June 2011)**

**Keynote address by Niculae Idu, Head of the European Commission Representation in Romania**  
**(on behalf of Fabrizio Barbaso, Deputy Director General – DG ENERGY)**

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Dear President,

Excellencies,

It is a great honour to be with you today at the occasion of this conference on energy cooperation in the Black Sea region.

Allow me to express my gratitude to ELEC's President for organising this very timely conference.

The EU is looking with growing interest at the Black Sea region. This region today is crucial in addressing the energy supply diversification strategy of the EU.

In particular, this EU interest was expressed with the launch, in February 2008, of the Black Sea Synergy Initiative, following the accession of Romania and Bulgaria to the European Union in 2007. After this accession, more than ever before, the prosperity, stability and security of our neighbours around the Black Sea are of immediate concern to the EU.

In its Communication on the Black Sea Synergy (April 2007), the European Commission pointed out that *"the Black Sea region is a production and transmission area of strategic importance for EU energy supply security. It offers significant potential for energy supply diversification and it is therefore an important component of the EU's external energy strategy. Energy supply security diversification is in the interest of our partners in the region, as well as the EU."*

Black Sea Synergy is an expression of the EU's commitment to the region. This strategic importance is reflected in the energy sector by the comprehensive and combined initiatives and cooperation policies established through INOGATE, the Baku Initiative, the Eastern Partnership and, of course, our bilateral energy cooperation with each of the countries in the region. These initiatives will be my starting point. I will then focus on key areas of EU-Black Sea energy cooperation, and finally I will outline current and future EU internal energy policy, with a special focus on renewable energy.

**Enhanced EU energy Co-operation with the countries in the Black Sea Basin**

The European Commission considers that a multi-dimensional approach is needed to achieve the aim of strengthening multilateral energy cooperation in the Black Sea region. The WTO and Energy Charter Treaty provide for the key principles. More than ever, we believe that the Energy Charter Treaty constitutes a useful instrument to facilitate energy investment and trade. For those partner countries wishing so, The Energy Community Treaty is the main tool for further market and regulatory integration with the European Union.

Several States have decided to integrate their energy market on the basis of the EU legislation, engaging in the Energy Community process. The Energy Community Treaty provides for full market integration with the European Union on the basis of EU energy and environment

legislation. The Republic of Moldova joined one year ago. Ukraine joined last February and is now putting in place the required legislative and regulatory framework. Other countries are interested. Negotiations have been opened with Turkey. Georgia is today observer to the Energy Community and we would welcome its application for full membership. Armenia has asked to become an observer.

Let me now provide you with a more in depth description of the Commission's instruments to enhance energy relations with Black Sea countries at the regional and bilateral level.

- Black Sea countries are prime beneficiaries of the Eastern Partnership, as are the Caspian neighbours Azerbaijan and Armenia. This will seek to accelerate political association and economic co-operation between the EU and partner countries. It also establishes an energy security platform which, among other things, focuses on energy support and security mechanisms. The Eastern Partnership needs to be strengthened, in the framework of the new and ambitious European Neighbourhood Policy (ENP): on May 25 the European Commission and the High Representative of the EU for Foreign Affairs and security Policy adopted a joint Communication setting out the main priorities and directions of a revitalised ENP strategy which seeks to strengthen individual and regional relationships between the EU and countries in its neighbourhood through a 'more funds for more reform' approach.
- Several Black Sea region countries also participate in the regional energy dialogue established under the Commission's "Baku Initiative". This brings together the EU and 12 partner countries in the Black and Caspian Sea region with a view to facilitate the transportation of energy resources to the EU and support the creation of regional energy markets, as well as to enhance co-operation in the area of energy efficiency and renewables.
- The INOGATE programme supports both the Baku Initiative and the Eastern Partnership. Bi-annual INOGATE meetings with the Country Coordinators and the working groups that have been established for each priority constitute the institutional framework for the technical cooperation within the Baku Initiative (the last of these meetings took place in Brussels on 18 and 19 May 2011).

## **Key areas of EU – Black Sea energy cooperation**

### Renewable energy

The EU energy policy for the Black Sea region is built on a strong and balanced partnership with each of the countries in this area. Let me first analyse the challenge of the renewable energy field.

These countries' renewable energy potential is enormous:

- Georgia has huge untapped hydro resources, with Hydro Power Plants (HPP) Greenfield potential at 20 terawatt-hours (TWh). In addition, Georgia has significant potential of other renewable energy sources, including wind, solar, geothermal and biomass.
- Hydropower is currently also the largest part of the renewable energy capacity in Ukraine. Due to the climate characteristics in the country, the largest potential for renewable energy production however lies in biomass. It is estimated that Ukraine could produce more than ten times its current levels. Ukraine also has potential to develop wind, solar and geothermal energy.
- Turkey's electricity demand is forecasted to double until 2020. Turkey therefore has high ambitions for the development of its renewable energy potential. It has set a target of 30 % renewables in electricity by 2023, which will require very significant efforts and will also necessitate significant investments in the electricity grid.
- The technical potential of renewable sources of energy in Russia, in which the potential of using solar and wind power holds the dominant share, amounts to no less than 4.5 billion tons of coal equivalent per year. It is more than four-fold the volume of consumption of all fuel and energy resources of Russia.
- Romania has also a significant potential of renewable energy and I will give you just a few numbers: around 17 TWh for hydro, 23 TWh for wind, 88 TWh for biomass.

- Bulgaria is as well rich in renewable energy sources, its technical potential being estimated at 52 TWh, particularly hydro and biomass.

This potential is at the same time encouraging and challenging: intense work and strong cooperation are needed in order to maximise this capacity. Regional cooperation means also building the necessary energy infrastructure to create energy integration.

### Energy Infrastructure

The EU Energy Security and Solidarity Action Plan considers that a number of infrastructure developments are energy security priorities, amongst which is the development of a southern gas corridor to bring energy resources from the Caspian, through the Middle East and Turkey, via the Black Sea region to the EU.

Within this concept, there are several projects, including Nabucco, the Italy-Turkey Greece Interconnector (ITGI), TAP (Trans-Adriatic Pipeline), and Whitestream. Nabucco has received considerable attention because of the overall benefits it provides to the EU in terms of new suppliers, new routes and infrastructure, overall capacity.

The development of the Southern Corridor remains a key priority for us. Recently, the Heads of State and Government of all 27 EU Member States confirmed at their Summit of 4 February 2011 in Brussels the priority they attach to developing a strategic corridor for the direct transport of large volumes of gas such as the Southern Corridor.

In addition, we welcome the MoU on the Azerbaijan Georgia Romania Interconnect (AGRI) energy cooperation project. This is as an important step to open a corridor which we support in the context of diversification of energy supply.

The Commission will continue to strongly support the development of the southern corridor. To this end, we are exploring a mechanism to provide producers in the Caspian region a secure and stable environment for export of energy sources to the EU.

In relation to infrastructure, I would like to take the opportunity to welcome the recent submission of a joint Romania, the Republic of Moldova and Ukraine application for EU financing of the feasibility study on Synchronous Interconnection of Ukrainian and Moldovan Power Systems to ENTSO-E Continental European Power System. The Commission attaches big importance to this project which will allow interconnecting electricity infrastructures, and also linking EU and its neighbours' energy needs and objectives.

## **EU Energy policy: challenges and priorities**

What are EU energy needs and objectives?

Recent events - accident in the Gulf of Mexico, upheaval in North Africa and the Middle East, and the tragic events in Japan - have only strengthened our resolve and our priorities to do more: more in terms of energy efficiency, more to develop renewables and low-carbon energy supplies; more to develop new technologies; more to ensure safer energy, particularly by learning the lessons from recent accidents, and more to reinforce the external dimension of EU energy policy.

In the EU, these events have also once again reminded us that over half of the energy consumed in the EU comes from third countries and this share is steadily increasing. As a consequence, the availability of energy sources, the stability and safety of energy flows, and strengthening energy partnerships are of vital importance to our economy and society.

To address these challenges, we will over the next 12 months pursue the following energy policy priorities:

- intensify efforts to achieve the 2020 objectives;
- energy efficiency directives;
- implement existing legislation, including the internal energy market third package;

- respond to public concerns on safety, security of supply;
- kick-start investment in infrastructure and interconnections, RTD, renewables and smart grids; and
- anticipate post 2020 needs towards 2050.

Let me put this into concrete terms. There are a number of proposals recently launched and initiatives in the pipeline which I would like to highlight:

#### Infrastructure

- An Infrastructure Package was presented in November (2010) which set out our proposals for a new framework to stimulate the billions of euros of investments our energy system needs by 2020.
- In October (2011), we will present a new legislative instrument to revise and replace the TransEuropean Networks for Energy guidelines addressing also the issue of the support to investment of European interest.

#### Energy Efficiency

- In March the Commission launched a new ambitious Action Plan, in April it adopted a Communication on the development of smart grids.
- Next week the Commission will propose a new legislative proposal on energy efficiency and savings, transposing in legislative form the measures envisaged by the Action Plan.

#### Nuclear

- Our programme for a strengthened safety in the nuclear sector will inevitably be influenced by events in Japan and the follow up to Special Energy Council on nuclear safety.

#### Offshore oil and gas

- The Commission is proceeding as planned with an impact assessment and the preparation of concrete proposals on the basis of last October (2010) Communication on the challenge of the safety and offshore oil and gas activities.

#### 2050

- In November, we will propose an Energy Roadmap 2050. The purpose is to examine a set of possible transitions against which the EU's strategy for the long term and proposals for actions in the coming years can be worked out.

#### Completion of the internal energy market

We will vigorously pursue the completion of the internal market - by the end of 2014 - of which all EU Heads of State and Government requested at their meeting of 4 February.

#### External dimension

- The Commission will present a Communication on reinforcing the external dimension of EU Energy Policy with additional concrete proposals on security of supply later this year (September).

Let me elaborate on the key topic of this 2-days conference, as well as of EU energy policy: renewable energy.

I would like to sum up the progress done by the EU so far in this sector. We now are seeing significant growth in all sectors: 61% of all new electricity generation in 2009 came from renewables (mainly wind and PV). In 2008, the EU total share of renewable energy in final consumption went slightly above 10%, while for 2009, we provisionally estimate that the overall EU share of renewable energy reached 11.6% <sup>1</sup>.

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<sup>1</sup> This figure is provisional as EUROSTAT has not yet finalised its calculations for 2009.

This is good progress, but we still have a long way to go to reach the 20% target by 2020. But we can now say that there is a consensus inside the EU that renewable energy is key for reaching our climate and energy goals.

European renewable energy policy is now firmly established, on the basis that it contributes to European sustainability and climate change objectives, it improves the security of energy supply; and it helps develop innovative hi-tech European industries, generating new jobs and economic growth.

In fact, what we see today is that the ambitious and binding targets for 2020 combined with concrete legislative initiatives and strengthened support to research and development have created a new momentum in the field of renewable energy.

The EU has been the world's "prime mover" in developing renewable energy for decades; this is not a passing enthusiasm of Europe – we have created a solid regulatory framework to support the doubling of renewable energy in Europe by 2020.

But, in order to reach this objective, there is one immediate priority that Member States have to focus on: the full implementation and enforcement of the Renewable Energy Directive. The European Commission is determined to make sure that the Directive is transposed and implemented in spirit and to the letter throughout the EU and that this is done as soon as possible.

All 27 Renewable Energy Action Plans– including Romania's - were submitted to the Commission and generally, they proved to be acceptable in terms of the measures envisaged to be taken to ensure the achievement of the national targets.

Let me give you the overall result of the action plans: 20.6% share of renewable energy in the final energy consumption; therefore the EU is planning to exceed its 20% target in 2020! This also means that we will have more than one third of our electricity from renewables, around one fifth of our heating and one tenth of our transport fuels from renewables in 2020.

This work of the Member States provides, for the first time, a complete and transparent picture of how the EU plans to meet its 2020 renewable energy target.

Policy makers, investors and businesses should now make best use of this transparency to carry out the reforms and investments enabling Europe to achieve the 2020 targets in an efficient manner.

Even in the current economic situation we should not allow short term fiscal constraints to divert us from our long term energy goals. Indeed, any delay in reaching our objectives can significantly raise costs, as the cost of climate change abatement and adaptation rise. So we need to move ahead rapidly with the major investments we need in energy infrastructure and electricity generation capacity.

Given the high levels of investment necessary, it is important that the financing is managed as efficiently as possible and that costs are kept to a minimum. The Commission's January Communication on renewable energy highlighted three elements in particular that will contribute on this point:

1. We will work with Member States to reform their national support schemes, and strive to ensure that these different national schemes work coherently. To date, such schemes and reforms are quite uncoordinated, and can have significant negative impacts on market developments and investment. Recent retroactive changes - which the Commissioner has criticised – are a case in point. Prolonged uncertainty about effective implementation of support schemes, as well as instability of support measures should also be avoided by Member States; unfortunately, this is also the case for Romania, therefore the Romanian authorities are urged to bring stability and predictability to the national renewable energy sector and to effectively implement, without further delays, the support system laid down by the legislation.

2. We will encourage greater use of the "cooperation mechanisms" provided by the Renewable Energy Directive, which allow Member States to share the costs for such investments by developing renewable energy resources in joint projects among themselves or with third countries or supporting renewables in joint support schemes;
3. Future EU funds and financing instruments will be improved to ensure they provide greater leverage and effectiveness, in the context of the future financial framework after 2013.

## **Conclusion**

In summary, the EU has a long-standing record of cooperation on energy in the Black Sea region and with its coastal states. As outlined in my speech, several existing and potential instruments underline and contribute to the strategic importance of such cooperation. The EU will continue to support this cooperation and ensure that our common ambitious energy objectives are achieved. This partnership should eventually allow us to build a virtual bridge across the Black Sea, linking our interests and efforts, addressing our common challenges, and creating a safe, secure, sustainable and affordable energy world.

Thank you for your attention.

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