



# **INTRODUCING THE ENERGY COMMUNITY GOALS, ACHIEVEMENTS AND INVESTMENT CHALLENGES**

ELEC Black Sea Conference  
Bucharest 17 – 18 June 2011



CONTRACTING PARTIES



EUROPEAN UNION



OBSERVERS

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- A light gray map of Europe and surrounding regions, including parts of North Africa and the Middle East. Countries are labeled with their names in uppercase. The map is used as a background for the agenda items.
1. ABOUT THE ENERGY COMMUNITY(IN BRIEF)
    - ▶ GEOGRAPHIC SCOPE
    - ▶ WHY AN ENERGY COMMUNITY?
    - ▶ LEGAL FRAMEWORK
    - ▶ GOALS
    - ▶ INSTITUTIONS
  2. WHERE DO WE STAND: CHALLENGES AHEAD
  3. FOCUS: INVESTMENTS

# ENERGY COMMUNITY

## THE TREATY ESTABLISHING THE ENERGY COMMUNITY

signed in October 2005; entered into force on 1 July 2006

### 9 Contracting Parties (CPs)

Albania, Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia, UNMIK and... Ukraine (2011!!!)  
On behalf of European Union

### 3 Observers

Turkey, Georgia and Norway

### 14 Participants

Austria, Bulgaria, Cyprus, Czech Republic, France, Germany, Greece, Hungary, Italy, The Netherlands, Romania, Slovakia, Slovenia, United

Kingdom



- ∅ **CREATE SINGLE REGULATORY SPACE FOR TRADE IN NETWORK ENERGY**
- ∅ **ENHANCE SECURITY OF SUPPLY**
- ∅ **IMPROVE ENVIRONMENTAL SITUATION**
- ∅ **DEVELOP MARKET COMPETITION**
- ∅ **CREATE A STABLE REGULATORY AND MARKET FRAMEWORK – ATTRACTING INVESTMENTS**

## **HOW DO WE ACHIEVE THESE GOALS?**

- Ü Harmonise national legal frameworks – based on the Acquis
- Ü Cross border harmonisation – set up a Coordinated Auction Office
- Ü Adopt Market rules
- Ü Market opening - deadlines
- Ü Network TPA
- Ü Transparency
- Ü Market based prices
- Ü Promote and support infrastructure investments

### 8 THE TREATY ESTABLISHING THE ENERGY COMMUNITY

q Implementation of the Treaty (!) – *acquis: energy, RES, energy efficiency, environment, competition* – possible extension to oil

- ▶ Deadlines (and Roadmaps)
- ▶ Institutional framework: PHLG, MC, Fora

#### q REQUIREMENTS

- Ø Enhanced regional cooperation - regional market; infrastructure development; harmonisation of legislation and institutions
- Ø Political, economic and legal framework stability as a condition for investments

#### q BENEFITS OF REGIONAL APPROACH

- Ø Optimal use of existing capacity of transportation and production
- Ø Improvement of investments □ aggregation of small markets/ economies of scale
- Ø Process support/ EU Integration
- Ø Energy security of supply

## □ KEY

# CHALLENGES

The ENERGY COMMUNITY : some hurdles

- Ø Insufficient and ageing generation capacity/ more to be retired by 2020
- Ø Non compliance with environmental standards (LCP Directive 2017)
- Ø Insufficient and/or congested electricity interconnections
- Ø Lack of gas infrastructure and gas interconnections

**8 Attracting energy investments – is of crucial importance for the Energy Community**

## □ KEY CHALLENGES

- Implementation of national Legislation
  - Transposition of the Acquis in primary national legislation – quite advanced, BUT... full implementation and compliance still lagging
- Market liberalisation – especially in the end – use supply
- Wholesale market opening
- Different treatment of national and CB flows (regulatory model, custom duties, excise et al)
- Reduced level of competition (in generation)
- Independence of regulators
- Stability and predictability of regulatory frame
- Regulated energy prices
- Cumbersome and lengthy tendering process for new investments



## □ POSSIBLE SOLUTIONS

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- STRICTER ENFORCEMENT OF THE TREATY – USING ALL THE MECHANISMS AVAILABLE (THE STICK, THE CARROT AND THE TAMBOURINES PRINCIPLE)
  - REGIONAL INVESTMENTS ACTIVELY PROMOTED AND SUPPORTED (WBIF/IPF, PROJECT MEETINGS WITH STAKEHOLDERS, INVESTMENT CONFERENCES, INVESTMENT TASK FORCE, ETC).
  - SUPPORT TO REGIONAL INITIATIVES FOR CROSS BORDER TRADE (COORDINATED AUCTION OFFICE)
  - CLOSER COOPERATION WITH PRIVATE INVESTORS AND IFIS (ADVISORY PANEL)



## □ A FEW PROMISING DEVELOPMENTS

- 400 kV INTERCONNECTION SERBIA (Pancevo) – ROMANIA (Resita)
- GAS INTERCONNECTION BULGARIA (Sofia) – SERBIA (Nis)
- 400 kV INTERCONNECTION ROMANIA (Suceava) – MOLDOVA (Balti)
- GAS INTERCONNECTION ROMANIA (IASI) – REPUBLIC OF MOLDOVA (UNGHENI)



## □ SOME CONCLUSIONS

THE ENERGY COMMUNITY MAY BE CONSIDERED:

- “ A SUCCESS STORY”
- A SOLID INSTITUTIONAL FRAMEWORK FOR MUTUAL SUPPORT AND EXCHANGE OF EXPERIENCE
- A MODEL FOR REGIONAL COOPERATION ON ENERGY, THAT CAN BE REPLICATED IN OTHER GEOGRAPHICAL AREA



**THANK YOU FOR YOUR ATTENTION**

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