

Bucharest Conference (June 17th/18th 2011) on energy & transport infrastructure

ELEC Conference stresses need for regional cooperation around Black Sea

“The new geo-strategic gravity pull makes the European Union look more and more eastward to the Black Sea Region that historically has been in the influence sphere of Russia and Turkey. The time is ripe for the Black Sea Region to develop a regional identity between all these countries that have different degrees of integration in the European Union”.

“Regional cooperation within the Black Sea Region can best be achieved on a sector basis, e.g. energy and transport infrastructure”, Bernard Snoy, president of the European League for Economic Coordination said. He did so in his concluding remarks at the end of the Black Sea Conference “Renewable energy and transport infrastructure: a new challenge for EU-Black Sea cooperation”. The Conference took place in Bucharest on June 17th and 18th in the premises of the National Bank of Romania, on the occasion of the first meeting of ELEC’s Central Council in its new member section Romania.

Bernard Snoy stressed that ELEC is a network of individuals, dedicated to European integration. ELEC can provide information, encourage debate and circulate ideas via publications. In its support for regional cooperation in Europe, ELEC is well placed: it is independent, a part of civil society and its entrepreneur members have a hands on approach.

As always, economic cooperation has to precede political cooperation. ELEC has now discovered a new frontier, the Black Sea, a region that is at the same time very rich in culture. “No country can embody the cooperation between the EU and the Black Sea better than Romania, a bridgehead between the Western and Eastern part of the Black Sea”, Snoy added. “Our aim must be that after Bucharest, we can meet again in Sofia, Odessa or Istanbul”.

Snoy pointed out that the challenges in the Black Sea region are not only economic and social. Migration, poverty and the combat against terrorism and crime need attention too. Referring to the presentations that were given by experts at ELEC’s Black Sea Conference, Snoy said that energy and transport infrastructure are two sectors where regional cooperation is essential, and this while taking into account the environmental aspects. Both energy and transport depend on networks. They have to be planned in an integrated way at a regional level.

A short word of welcome was delivered by Radu Deac, ELEC Romania’s president, while the opening remarks were made by Mugur Isarescu, the governor of the National Bank of Romania. He pointed out that when Romania and Bulgaria joined the European Union in 2007, one of the assets they brought was their close trade and integration with other Black Sea countries. But a lot still has to be done. The governor referred to his

personal “indicator of Black Sea cooperation”: when he wants to fly from Bucharest to Tbilisi in Georgia, it still takes him a day, because of the many stop-over’s and even going west to Vienna first.

At the start of the conference, messages of welcome were pronounced on behalf of the Romanian president and the prime minister and by the minister of economy in person. In it, the role of the Black Sea Region as a transport corridor and as a source of energy was underlined, with Romania as a central player. At the same time, Romania fully supports the European policy on renewable energy, and has taken up more than its part in the target to reach 20% by 2020.

Renewable energy

On behalf of the directorate-general Energy of the European Union, Niculae Idu, head of the EC Representation in Bucharest, gave an overview of the many activities the EU developed to enhance cooperation with the Black Sea Region: the Black Sea Synergy Initiative, Inogate, the Baku Initiative, the Eastern Partnership and the bilateral energy cooperation with each of the countries in the region. The Black Sea Region is very important given the renewable energy targets of the EU. The potential for renewable energy is enormous, from the hydropower potential in Georgia and Ukraine to the solar and wind power potential of Russia. Romania has a potential of 17 TWh for hydro, 23 TWh for wind and 88 TWh for biomass. On energy infrastructure, the EU gives priority to the southern corridor to bring gas from the Caspian Sea to the EU.

Ioan Dan Gheorghiu, chairman and CEO of the Institute for Studies and Power Engineering in Bucharest emphasized the many available sources of renewable energy in Romania. They are so abundant, that Romania can reach 24% renewable energy in 2020 and that part of the renewable energy production can be exported. Nuclear energy is part of it. Romania can not do without and there is a great acceptability in the country. The German decision to close plants will pose a great problem, including for CO₂ goals. Apart from promoting renewable energy, Romania promotes energy efficiency, e.g. by building passive houses.

Violeta Kogalniceanu said the Energy Community Treaty, which entered into force in 2006, is a platform for energy cooperation between EU members and a number of neighboring South Eastern countries. Now that Romania and Bulgaria have become members of the EU, the contracting parties are the Western Balkans, Moldova and Ukraine. The observers Turkey, Georgia and Norway could become Energy Community members later on. To create a single regulatory space for trade in network energy, national legal frameworks are harmonized based on the EU “acquis”, as if these countries were members of the EU. So the regional cooperation takes the form of integrating these neighboring countries in the EU by integrating energy. There are of course still a number of hurdles, such as the environmental standards, implementing the “acquis” in national legislation, market liberalization and attracting investments. But the developments are promising, such as the electricity interconnection Serbia-Romania and Romania-Moldova and the gas interconnection Bulgaria-Serbia and Romania-Moldova.

Luca Lazzaroli director for South-East Europe of the European Investment Bank pointed out that the EIB is not only active in the EU but also in pre-accession and Eastern Neighborhood countries. Energy lending more than doubled in a few years time to 18 billion euro in 2010. Renewable energy, energy efficiency, diversification and security have the highest priority. Regional integration around the Black Sea is hampered by the lack of regional identity and by the poor economic conditions and infrastructure left over from the socialist period. The need for investments is enormous. There is an untapped potential for renewable energy. In 2008-2010 the EIB energy lending in South East Europe amounted to 3 billion euro (of which 350 million for renewable energy, 300 million for energy efficiency). The EIB uses a broad range of financial instruments, but regulation can be a problem in bringing financiers and developers together in a project. Examples of EIB intervention are Croatian gas pipelines, hydropower plants in Turkey, a wind farm in Cyprus and energy efficient renovation of apartments in Romania.

Transport infrastructure

Marjeta Jager, director in charge of general policy at the directorate general Mobility and Transport of the European Commission thinks the Black Sea Region has a great potential to become a transit region. It is a bridge from Europe to the Far East and the Caucasus, with Romania as an essential link. After decades of under-investments, infrastructure is the key element for the free movement of people and goods and of social and economic development. The EU develops a great number of initiatives to enhance transport infrastructure in the Black Sea Region. Next month's communication on transport policy will be very important for a faster, cheaper and more efficient transport. The Neighborhood Policy includes infrastructure funds for the Black Sea countries. Public funds and private equity will have to get together. In the Danube region both river and road transport are promoted. Increasingly "the polluter pays" principle will be used.

Alexandru Nazare, Romanian secretary of state of transport and infrastructure said that Romania's close ties to the Black Sea were an advantage when it entered the EU. Infrastructure and finance are two twin brothers that need the same speed. Romania is in the front seat to play a role between East and West. A lot of infrastructure projects concerning Romania, also have a high European relevance: the waterway with Constanta, the bridges over the Danube between Romania and Bulgaria, the rail link between Budapest, Bucharest and Constanta, the Black Sea Ring Highway and the "Motorways of the (Black) Sea". It is of utmost importance to plan ahead because in infrastructure, 20 years is a short time. Public Private Partnerships (PPP) are a good instrument, but are not easy to accomplish.

Manish Vasistha of the transport team of the European Bank for Reconstruction and Development emphasized the need for good procurement practices. The EBRD offers a wide range of financial instruments, from debt to equity. PPP attracts a lot of interest but its application remains limited: projects must be economically viable. Priorities have to be made, because infrastructure finance demands huge sums of money, not in the least for maintenance. The EBRD has financed projects such as the construction of cargo vessels

for the port of Odessa (Ukraine), a container terminal in Odessa, port development in Constanta etc. Sustainable transport is a key target, since transport accounts for 23% of CO₂ emissions and 60% of world oil consumption. The EBRD supports energy efficiency measures such as braking systems in rail, building improvements in ports, slow-steaming in shipping, fleet modernization in aviation and sustainable transport networks.

Traian Chebeleu, deputy secretary general of the Organization of the Black Sea Economic Cooperation (BSEC) pointed out that his organization was launched in 1992 to foster regional cooperation around the Black Sea. It includes not only economic cooperation, but for example also the fight against crime and terrorism. In the field of transport, two bold projects are the Black Sea Ring Highway (of which parts in Turkey and Greece are already in operation) and the Motorways of the Sea that will strengthen links between 41 Black Sea ports. Several projects are aimed at facilitating road transport of goods. A shortcoming in the regional transport cooperation is the slowness of implementation of agreed projects. Not all countries have the same priorities. Unresolved disputes linger on. For example, for the Black Sea Ring Highway there is still no agreement on the exact route and the connections points at the borders.

At the end of the Black Sea Conference ELEC president Snoy thanked the organizers of the conference and especially ELEC Romania and his president Radu Deac. This conference has made an important contribution to the subject of EU-Black Sea cooperation in the field of renewable energy and transport infrastructure. A follow up is needed in the coming years. The conclusions must be backed up by civic society to make sure that they are taken into account