THE ENERGY COMMUNITY

Extending the EU internal energy market

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INOGATE biannual meeting
Brussels, May 2011
1. Generally agreed approach towards common principles
   - security of supply
   - competition – in the energy markets
   - environment.

   Yet, large differences EU vs. than South East Europe

2. Need for a common framework: EU internal energy policy as unifying factor
   - economic perspective: optimizing development and investments.

   The Treaty establishing Energy Community as an answer
ENERGY COMMUNITY
Objectives and means

OBJECTIVES

a) short term
Create a single and stable regulatory space coupled with a stable market framework attracting investment

b) medium term
Integrated regional energy market that increases cross-border trade in energy, guarantees energy supply and takes into consideration climate and social aspects

c) long term
The regional energy market should be fully integrated in the EU internal energy market

MEANS

• application of the EU acquis communautaire…

• …through the implementation of the Energy Community Treaty
STAKEHOLDERS
Parties, Participants, Observers

Parties
★ the European Community
and 9 Contracting Parties:
★ Albania
★ Bosnia & Herzegovina
★ Croatia
★ former Yugoslav Republic of Macedonia
★ Moldova
★ Montenegro
★ Serbia
★ Ukraine
★ UNMIK

14 Participants
3 Observers (Georgia, Norway, Turkey)
Donors and Business
ENERGY COMMUNITY LAW

Relevant acquis

- The acquis adopted by the Energy Community Treaty
  - Electricity
  - Gas
  - Environment
  - Competition
  - Renewable energy

- Evolution of the acquis
  - Adopted by the Ministerial Council
    - Security of electricity and gas supply (2007)
    - Energy efficiency (2009; 2010)
  - Recommendations (2010)
    - Third package for electricity and gas markets and RES
  - Planned for adoption
    - RES; Third package (2011)
    - Harmonisation of energy statistics (2012)
TREATY OBLIGATIONS

Commitments by the Parties

1. Title II: The Extension of the *acquis communautaire*

   Scope: 9 Contracting Parties – Task: to implement the acquis in the national laws

2. Title III: Mechanism for operation of Network Energy Markets

   Scope: 9 Contracting Parties and 7 neighbouring EU Member States
   Tasks: cross-border transmission, transportation of network energy, security of supply statements, high level energy provisions to citizens.

3. Title IV: The Creation of a Single Energy Market

   Scope: 9 Contracting Parties & 27 EU Member States
   Task: free movement of network energy
INSTITUTIONAL FRAMEWORK

Roles and responsibilities

- Institutions established by the Energy Community Treaty
  - Ministerial Council
  - PHLG
  - ECRB
  - Athens Forum
  - Gas Forum
  - **Energy Community Secretariat**

- Institutions established later
  - Social Forum (2008)
  - Oil Forum (2009)
  - CAO Implementation Group
  - Energy Efficiency Task Force
  - Renewable Energy Task Force
  - Environment Task Force

- Guardian of the Energy Community Treaty
  - Assistance to the Contracting Parties in implementing the acquis
  - Monitoring and reporting
  - Dispute settlement
IMPLEMENTING TREATY
Approach and benchmarking

1. True and fair reporting (annually)

2. Concrete and continuous assistance (detailed Contracting Parties compliance profiles, missions, communication)

3. Implementation partnerships (working on particular issues)

4. Cooperation with and among regulators (Competition authorities as well)

5. Investments and compliance

6. Dispute settlement mechanisms – assisting role

7. Regional dimension
REGIONAL COOPERATION

Benefits and vision

1. Access to larger and predictable electricity and gas markets
2. Removal of legal and administrative barriers
3. Coordinated approach to investments
4. Availability of reliable, low-cost and environmental friendly sources of energy
5. Improving the energy security
6. Platform for common decisions within long-term energy strategy
6 Contracting Parties with gas market
Total consumption 9 Bcm/y
Ukraine alone - 75-80 bcm/year
Import routes from Russia

Source: WINGas
ENERGY COMMUNITY GAS RING CONCEPT

- Russian gas via Hungary and Serbia or Croatia
- Caspian gas via Romania (Nabucco)
- Caspian gas via Romania (White Stream & PEGP)
- Russian gas via Bulgaria (Blue Stream or South Stream/’Nord’)
- Caspian or Russian gas via Greece (TGI or TAP or South Stream/Sud’)
- Mix of gas via Croatia
- Offshore?

SOURCES: WINGas ECA, SEE Regional Gasification Study, World Bank and KfW
Conclusions

The Treaty owes much to the 1951 European Coal and Steel Community (ECSC) Treaty

An expression of:

1. political will
democratic development; EU perspective

2. economic reasoning
investments, regionalism of the problems

3. clear, familiar and effective legal framework
on the ground of more than 50 years experience.
“The Energy Community is a success and model for regional cooperation on energy matters”

“The interest in the Energy Community is growing throughout the region. The centre of gravity of this project – which was inspired by a strong EU pre-accession component – has started to shift towards the East.”

European Commission, 10 March 2011

The Energy Community is enlarging and shall continue to attract new members
For further reports and presentations refer to www.energy-community.org