

News across the Energy Community Region

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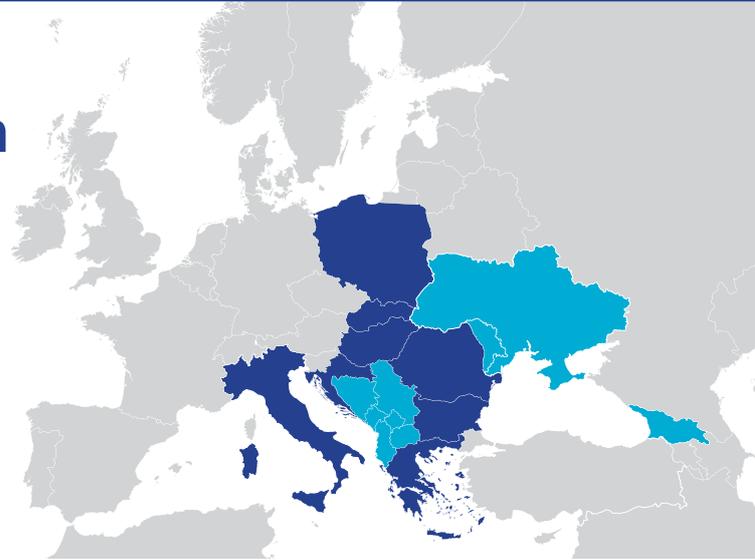
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Dear reader,

While 2018 activities are already in full swing, I would like to take a moment to reflect on the year gone past. Looking back now, one thing is clear. We would not have been able to accomplish so much without combining our expertise and efforts with those of other leading international organisations – our partners in pushing for energy reforms in the EU's neighbourhood.

In 2017, together with the European Commission, World Bank and the European Bank for Reconstruction and Development (EBRD), the Secretariat developed a Gas Sector Reform Implementation Plan 2.0 for Ukraine, which you have already read about in the previous issues of this newsletter. In this edition, we will provide you with more information about the struggle for Ukraine to adopt a compliant public service obligation act in the gas sector, which the Secretariat drafted together with the World Bank. We will also zoom in on energy reforms in Moldova, where we joined forces with the International Monetary Fund (IMF), EBRD and the European Investment Bank (EIB) to develop action plans in the electricity and gas sectors, the adoption of which was a precondition for crucial infrastructure loans to the country.

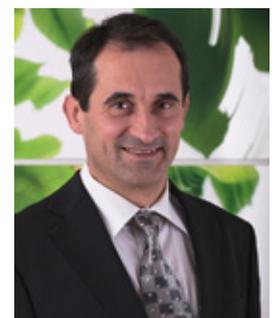
In the same year, the Secretariat also formalised its cooperation with a number of international organisations, including with EBRD and the United States Agency for International Development (USAID) by signing Memoranda of Understanding. We also signed a cooperation agreement on joint implementation of

CESEC priorities with DG Energy. This year we will take cooperation a step further. In March 2018, we are launching a new donors' coordination platform in order to better identify the needs of countries and ensure there is no unnecessary overlap in donor activities.

Looking ahead, Bulgaria's Presidency of the Council of the European Union in the first half of 2018 presents a genuine opportunity to make progress on regional energy market integration in the Balkan region and beyond. The construction of the Balkan European gas hub would have a clear positive impact on the diversification of gas routes and sources and thus security of supply of the Energy Community Region, as would the opening of the Trans-Balkan transit route's capacity to third parties. The latter would unlock the huge existing capacities, allowing gas from existing sources – such as Greece's LNG terminal in Revythousa – to diversify the region.

Looks like another action packed year is ahead, stay tuned to the Energy Community!

Janez Kopač,
Director of
the Energy
Community
Secretariat



Gas Market Reform – Ukraine at a Crossroads



As much as international observers agreed that the Gas Law drafted jointly with the Energy Community Secretariat and adopted by the Verkhovna Rada in April 2015 constituted a milestone for reforms in Ukraine, they now concur in the view that reforms have slowed down or even been reversed lately. The developments in the gas sector, sadly, illustrate that quite well. This is particularly worrying as Ukraine's future, both as a market and as a transit country for gas to Europe, is being decided these months. All stakeholders, under the responsibility of the Government, need to pay more than just lip service to a revival of the reform spirit. They need to take concrete actions to prove their reliability and to make good for the time lost since 2015. In doing or not doing so, they will have to be measured by the commitments made in domestic legislation and under the Energy Community Treaty. On both accounts, the picture looks rather gloomy.

The most prominent element of Ukrainian gas sector reform is probably unbundling of the vertically integrated gas incumbent Naftogaz. When the Secretariat supported the establishment of a new transmission system operator, MGU, under the direct control of the Ministry of Coal and Energy, complaints about the Government's constant interference in the operation of the current operator, Ukrtransgaz, had not been very vocal yet. In September 2017, however, this interference triggered the resignation of the independent members of the Naftogaz supervisory board, an event casting doubts on the Government's seriousness of separating political and commercial interests. Has the Government learned a lesson?

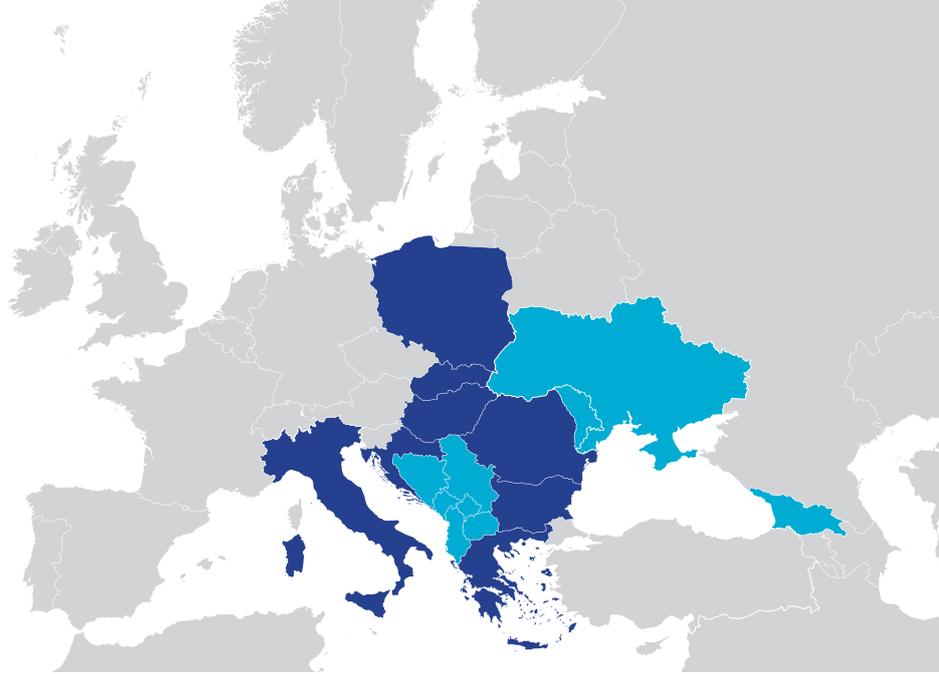
Much will depend on the people in charge. The deputy minister responsible for gas was the former CEO of Ukrtransgaz and as such knows the transmission business well. At the same time, his tenure at Ukrtransgaz is currently subject to criminal investigations by the prosecutor general. Moreover, the Ministry has still not even initiated let alone completed some of the main prerequisites for real transmission unbundling, including changes to the Law on Cabinet of Ministers and the transfer of control over Energoatom, the state's largest electricity producer. Given that compliance with the Third Energy Package is a central argument in the arbitration procedure between Naftogaz and Gazprom in Stockholm, unbundling should be taken more seriously.

The proverbial window of opportunity, maybe the last one, was opened recently when the Government published a call for expression of interest for international partners of MGU. By that call, the Government is looking for foreign transmission system operators to consolidate MGU's credibility and reliability as operator of Europe's largest transit pipeline. It is not exaggerated to say that how this process will be handled, and who will finally be selected (in a manner compliant with the Energy Community acquis) will decide about the future of gas transit through Ukraine, not least in comparison to alternative pipeline routes currently being developed. The process got off to a bumpy start due to lack of cooperation between the Government and Naftogaz. Yet the window still remains open, and the Secretariat will do everything to support the process.

The same goes for the reorganization of the internal gas market of Ukraine. In contrast to the liberal spirit of the 2015 Gas Law, the market is still characterized by high concentration, primarily in the retail segment (the regional suppliers, the so-called oblgazes). The instrument by which this factual concentration is turned into a legal one is a governmental resolution establishing public service obligations (PSO). As much as they were acceptable as a tool designing a smooth transition from a post-Soviet to an open market back in 2015, their constant prolongation after each one-year period cements the prevailing market positions. What is worse, their design has recently become even more protectionist (by locking in gas procured in Ukraine in an all but monopolistic supply chain) and by proposing to subsidize the oblgazes with a generous and unjustified profit margin of up to 10 percent. In 2017, the Secretariat challenged the currently applicable PSO resolution by way of an infringement procedure, and – together with the World Bank – proposed alternatives, which would strike a better balance between protecting household customers and giving them a real choice. The negotiations on those are ongoing.

Ukraine is and should remain Europe's most important transit route for natural gas, as well as one of its largest gas markets. To keep it that way and to develop its potential, the reform path needs to be continued. Compliance with the Energy Community rules is the litmus test for that.

Cooperation Agreement between the Secretariat and DG Energy Gives Formal Shape to the Target of Market Integration in the Title III Region



The Energy Community Secretariat and the Directorate-General for Energy (DG Energy) of the European Commission signed on the sidelines of the Central and South-Eastern European Energy Connectivity (CESEC) ministerial meeting in September 2017 a cooperation agreement on joint implementation of the CESEC priorities.

Although not prescribing legally binding obligations, the so-called 'Administrative Arrangement' is an excellent example of progress made on moving the Contracting Parties and EU countries of the Title III Region closer together also on an institutional level. The Arrangement gives formal shape to the mutual agreement between the two institutions on joint governance of the regional integration process. This fact received additional impact from the expansion of the CESEC initiative beyond gas to also electricity, renewables and energy efficiency in September 2016. The cooperation agreement defines the working modalities for joint preparation and chairing of technical working groups, mutual exchange of information and cooperation on progress monitoring in the context of the CESEC initiative.

CESEC has proved to be an effective platform for solving common challenges and addressing shared interests of the Title III countries. The need for cooperation between the Title III countries goes beyond mere political or legal arguments. The countries share common challenges, have comparable market structures and development

status and are closely interconnected – not only in a physical way. This interdependence has an impact on the everyday lives of citizens. Energy market developments and strategies on a wider regional level can contribute to energy supply and network operation security, cost- and energy-efficient energy systems and cost-effective renewa-

bles development, overall increasing social welfare.

Experience made with the CESEC initiative, as an efficient and output-orientated platform for jointly developing common technical and legal solutions for the Title III countries, complementary to the activities →

CESEC initiative promotes first Title III measure on harmonised licensing

Based on conclusions of the 2017 CESEC ministerial and input from the gas regional initiative of the Agency for the Cooperation of Energy Regulators, the Secretariat developed a proposal for harmonisation of licensing regimes in the Title III countries applicable to the supply of wholesale and final customers in electricity and gas.

The Secretariat's proposal targets the adoption of a legally binding measure requiring the Title III countries to adjust their legal and regulatory rules in order to:

- Abolish licenses together with local seat requirements for wholesale trade;
- Harmonise requirements for and mutually recognise licenses for retail supply to end-customers;
- Maintain financing and enforcement powers of regulators;
- Address taxation requirements; and
- Mutually recognise judgements, decisions and penalties.

The measures proposed aim at minimising the administrative and financial burden for existing market participants and new market entrants while maintaining the necessary regulatory supervision. Licensing regimes may indeed serve the purpose of reaching legitimate public policy objectives. However, to the extent possible, these objectives should be attained by other, less burdensome measures.

The CESEC process proved to be a helpful platform for agreeing and progressing on related legal measures. The Secretariat's proposal, supported by the European Commission, has been discussed with EU and Energy Community market participants, institutions and representations under the CESEC umbrella. Based on the positive feedback received, the Secretariat is confident that the concept can materialise into the first legal measure applicable for the Title III countries. Realisation will require a decision of the Energy Community Ministerial Council. Formal political support of the CESEC ministerial in 2018 will be equally important.

→ of the Energy Community Secretariat, is a promising starting point for future related activities. The adoption of a first set of Third Energy Package gas and electricity network codes and guidelines in January 2018 in the Energy Community contributes to reaching a level playing field on the legal side.

On the technical and operational side, the Secretariat will continue focussing on its CESEC-linked gas activities bundled under the 'Gas Action 2020' and related priorities for electricity bundled under the Western Balkan 6 Initiative.

First set of Third Energy Package gas and electricity network codes and guidelines adopted

On 12 January 2018, the Energy Community Permanent High Level Group formally adopted two Third Energy Package network codes in gas and three in electricity. The adopted documents are:

- Guideline on Congestion Management Procedures for gas;
- Network Code on Interoperability and Data Exchange Rules for gas;
- Network Code on requirements for grid

- connection of generators in electricity;
- Network Code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules in electricity; and
- Network Code on Demand Connection in electricity.

Deadlines for transposition and implementation of the gas network code and guideline have been set for 1 October 2018, with some exceptions foreseeing a deadline of 2020. In the area of electricity, transposition is required by 12 July 2018, while the deadline for implementation expires three years from there on, mirroring the model applied at the EU level.



2018 – Big Changes ahead for Power Generation in the Energy Community



The beginning of the year 2018 marks the entry into force of the Large Combustion Plants Directive in the Energy Community. The Directive establishes emission limit values for sulphur dioxide, nitrogen oxides and dust for fossil-fuel firing power plants with a rated thermal input of equal to or greater than 50 MW. All Contracting Parties except Albania, which currently does not have an operational plant that falls within the scope of the Directive, will have to take measures to comply.

In order to meet the new requirements, operators of these installations need to invest

in emission abatement measures (including retrofitting), alternative generation capacities, changes of the fuels used and energy efficiency measures. At the end of 2017, Serbia announced the shutting down of eight coal-fired power plant units to comply with the Directive, to be compensated by the construction of seven new wind farms and two natural gas and coal-fired power plants meeting higher emission standards. Montenegro is also in the process of considering the options to offset the outgoing capacities of its only large combustion plant, subject to limited lifetime derogation and planned to be going off line in 2021.

Energy Community to Adopt 2030 Energy and Climate Targets

Climate change finally gets the attention it deserves within the Energy Community. The first piece of European legislation specifically aimed at reducing greenhouse gas emissions, the so-called Monitoring Mechanism Regulation is starting to be implemented. Following the Ministerial Council of the Energy Community in December 2017, the Contracting Parties agreed to develop integrated national energy and climate plans. The steps ahead include the adoption of 2030 targets for energy efficiency, renewables and greenhouse gas emission reduction.

A study carried out in 2013 by the Energy Community Secretariat found that for most Contracting Parties, the benefits of implementing the requirements of the Large Combustion Plants and Industrial Emissions Directives outweigh the costs more than 15 times.

Former Yugoslav Republic of Macedonia Begins Energy Market Opening towards Bulgaria and Greece



Besides Bosnia and Herzegovina, former Yugoslav Republic of Macedonia is the only Contracting Party that has not aligned its national legislation with the Third Energy Package, and one of the few Contracting Parties that has not transposed the Renewables Directive of 2009. In addition, Macedonia is the only Contracting Party where small non-household customers and all households are prohibited from exercising their right to choose their energy supplier. Yet, paradoxically, with around 47% of total electricity consumption covered by the open electricity market, former Yugoslav Republic of Macedonia is the Contracting Party with the second highest market opening. The gas sector, even though limited in size, has been fully open since 1 January 2015.

The wind of change that the country's new Government brought led to a revival of cooperation with the Energy Community. A new draft Energy Law aimed at transposing the Third Energy Package has already been prepared with strong involvement of the Secretariat, and its adoption is expected by March 2018. Adoption of the Law is a precondition

not only for rectifying the breaches established by the Energy Community Ministerial Council in two cases related to the lack of Third Energy Package transposition and lack of market opening, but also for certification of its electricity and gas transmission system operators and upgrading the powers of the Energy Regulatory Commission in line with the Third Energy Package.

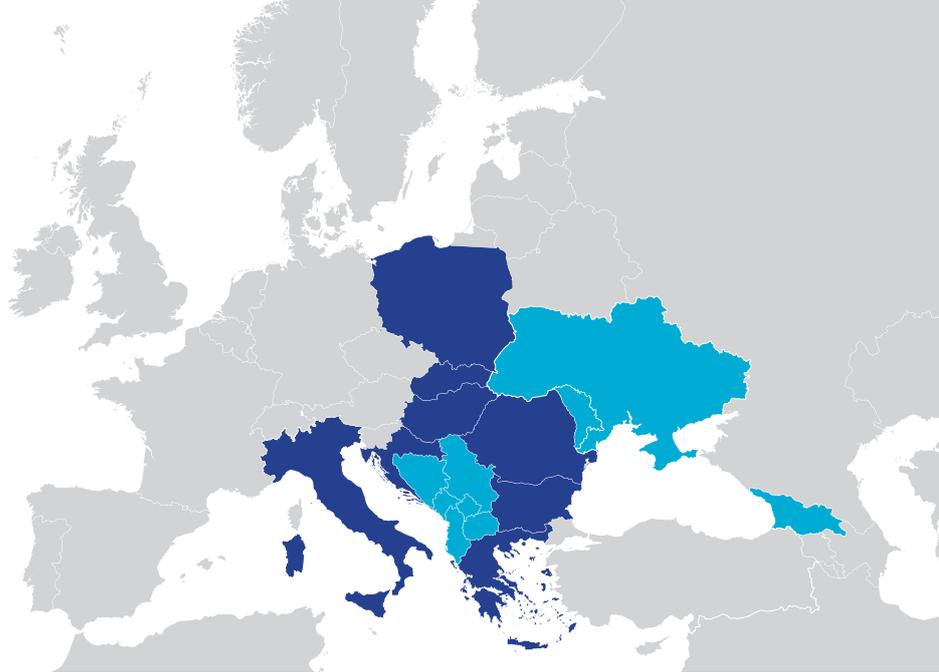
At the same time, and despite the outdated primary legal framework, MEPSO is actively participating in the regional and national projects in the framework of the Western Balkan 6 Initiative. On 25 January 2018, a technical assistance project aimed at supporting establishment of a day-ahead electricity market in former Yugoslav Republic of Macedonia was launched. Besides supporting national reforms, the project goes hand in hand with the ongoing efforts to establish regional day-ahead market coupling in the Western Balkans.

In the framework of the WB6 Initiative, the country's transmission system operator and Government are showing interest in

strengthening cooperation with their Eastern neighbour, Bulgaria, not excluding even the possibility of electricity market coupling between the two. Moreover, Macedonian and Bulgarian Governments have confirmed their political intention to strengthen the security of gas supply of the two countries in a bilateral memorandum of understanding signed in August 2017.

Similarly, due to the improved relations with Greece, cooperation in the natural gas sector is expected to be intensified with this EU Member State, drawing on the memorandum of understanding from October 2016 signed between Macedonian Energy Resources and Greek natural gas transmission system operator DESFA. The memorandum envisages the construction of a 160-kilometer-long gas interconnecting pipeline. The new pipeline will allow former Yugoslav Republic of Macedonia to use all the natural gas sources that are available to Greece, including natural gas from the Trans Adriatic Pipeline (TAP), thus providing for increased security of supply and diversification of sources.

Parliamentary Plenum Report Highlights Importance of Cross-border Cooperation to Enhance Security of Energy Supply



At its meeting on 19 December 2017 in Vienna, the Energy Community Parliamentary Plenum, which brings together Members of Parliament of Energy Community Contracting Parties and European Parliament, adopted the first ever report¹ focusing on security of energy supply in the Energy Community Region. In its report, the plenum stressed that no country in the

Energy Community Region can successfully ensure its security of energy supply without cooperation with its neighbours. Moreover, efficient cross-border cooperation among Contracting Parties as well as EU Member States and complete compliance with the acquis was deemed essential for successfully ensuring security of energy supply. The plenum also expressed concerns regarding

the outdated legislation on security of gas and electricity supply currently applicable in the Energy Community.

The report was co-drafted by Mr Lev Pidlietskyi, Member of the Ukrainian Parliament, and Mr Claude Turmes, Member of the European Parliament.

European Network of Transmission System Operators for Gas to Strengthen Cooperation with Energy Community Gas Transmission Companies

The Energy Community Secretariat together with the European Network of Transmission System Operators for Gas (ENTSO-G) have agreed to create an External Contact Platform, the purpose of which will be to exchange information and viewpoints between ENTSOG and non-EU gas transmission companies, in particular from the Energy Community Contracting Parties. The platform will serve to propose possible coordination activities and cooperation on technical issues.

In contrast with the European Network of Transmission System Operators for Electricity (ENTSO-E), Energy Community gas transmission operators are not able to participate in the structures of ENTSOG as equal members at present for legacy reasons. However, the creation of an integrated pan-European gas market requires greater cooperation between the Energy Community and EU on issues related to the transmission of gas. The Platform will thus bring the Energy Community gas transmission system operators clos-

er to ENTSOG before they can obtain full-fledged membership status.

The platform will aim to tackle issues of common interest such as data reporting and exchange, implementation of technical rules such as network codes, security of energy supply, interconnection agreements, ten-year network development plans and cross-border infrastructure projects. The first meeting is scheduled to take place in April in Brussels.

¹ https://www.energy-community.org/dam/jcr:c7a8d46e-34bc-49e4-ada0-cfb03fd3ad7f/PARL_report_SOS_122017.pdf.

Connecting Moldova to the European Energy Market



Perhaps for no other Contracting Party of the Energy Community the motto “building bridges and opening borders” has more significance than for Moldova, the country has strong energy infrastructure links to Ukraine but very limited interconnections with the European Union (via Romania)². What is more, Moldova’s strong dependence on imported energy supplies, of more than 80 percent and mainly on one single energy resource, gas, creates an absolute need to strengthen the country’s energy security. The country’s 2030 Energy Strategy made energy security a strategic objective.

Moldova adopted the Law on Electricity and the Law on Natural Gas in 2016, followed by the Energy Law in 2017. The drafting of these laws was supported by the Energy Community Secretariat in order to ensure that the internal market principles of the Third Energy Package were properly reflected. This goal has been achieved to a high extent, in spite of an open infringement procedure concerning the treatment of electricity losses in the tariff methodology.

The adoption of the laws was a precondition for enabling access to European finance for investments in two critical interconnection projects with Romania, one in gas and one in electricity. The projects are true game changes in terms of diversification in supply of gas and electricity sources from the European Union.

In the gas sector, the Ungheni-Chisinau gas pipeline segment, to be operated by the new transmission system operator Vest-MoldTransGaz (VMTG), is to be financed by loans from EIB and EBRD supplemented by a portion of an EU grant. The international financial organizations will also finance an electricity interconnection project with Romania, which is key to Moldova’s future integration into the European electricity grid, ENTSO-E. It will open up Moldova’s electricity market to increased competitive pricing.

In order to make these projects viable, a set of regulatory prerequisites has to be safeguarded and the country must press on with energy sector reforms. The regulatory practices need to fully reflect the legal framework (which in itself requires the adoption of secondary legislation). The reliability and credibility of the country’s energy regulatory authority, ANRE, needs to be improved in line with the recommendations of the Secretariat.

To assist ANRE in the proper transposition and implementation of the new regulatory framework, the Secretariat, together with the IMF, the EBRD and the EIB, formulated two reform action plans: EnerSAP for the gas sector and PowerSAP for the electricity sector. Their implementation is supported by a bilateral memorandum between ANRE and the Secretariat.

What is the EnerSAP?

The key areas included in the EnerSAP reform action plan are the adoption of secondary legislation for the implementation of the Law on Natural Gas and the establishment of a proper corporate governance framework for gas companies. The implementation of secondary legislation aims to introduce measures to achieve legal and functional unbundling in the gas sector³, introducing principles for third party access to gas networks and tariff setting, switching supplier rules and implementation of gas network codes in cooperation with the Secretariat. The introduction of an entry-exit tariff methodology for access to the gas networks and introduction of auctions for access to cross-border capacity, metering and data exchange rules to ensure interoperability of the gas networks are also covered.

What is the PowerSAP?

The PowerSAP covers reform actions in the electricity sector. The key areas are: certification of the electricity transmission system operator - Moldelectrica, the adoption of the concept design for the wholesale electricity market, the proper implementation of third party



² Moldova is not synchronously connected with the European system (ENTSO-E), but with the unified power system of Russia through Ukraine.

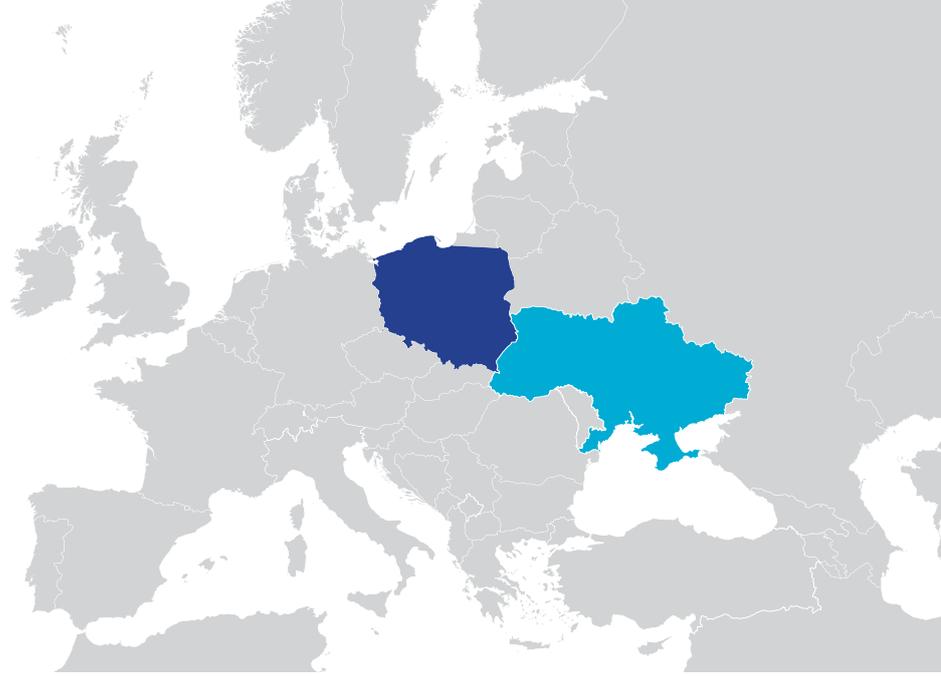
³ Acknowledging that the implementation of third party access and ownership unbundling in the gas sector is particularly difficult to implement due to the ownership structure of Moldovatransgaz, which is majority-owned by Gazprom, the Energy Community Ministerial Council granted Moldova a delayed implementation deadline to 2020.

→ access to transmission and distribution networks and methodologies for setting electricity and network access tariffs. The plan also includes measures to enable competitive access to electricity interconnection capacities to enhance cross-border trade and enable access to competitive electricity supplies from Europe. Strengthening the corporate governance of the transmission system operator and main state-owned enterprises like Energocon are also part of the measures included in the plan.

The implementation of the two plans remains challenging, and only the true commitment of Moldovan decision-makers to continue the reforms will make the shift to new market designs a success. In-between, attention needs to be paid to shaping the pathway to reform and a transitional market design. The most prominent action in this respect is the upgrade of the electricity procurement rules which the Secretariat has initiated at the end of last year.



Progress Made on New Gas Interconnector between Ukraine and Poland

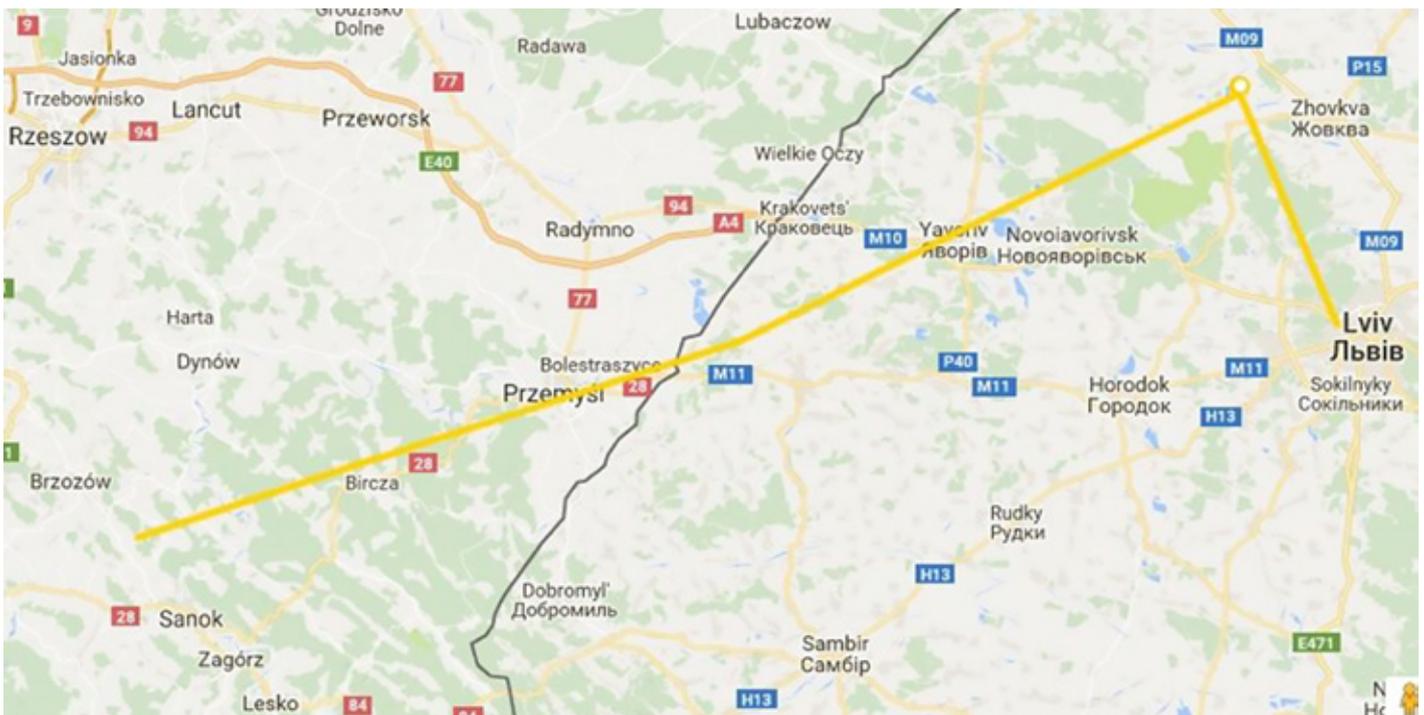


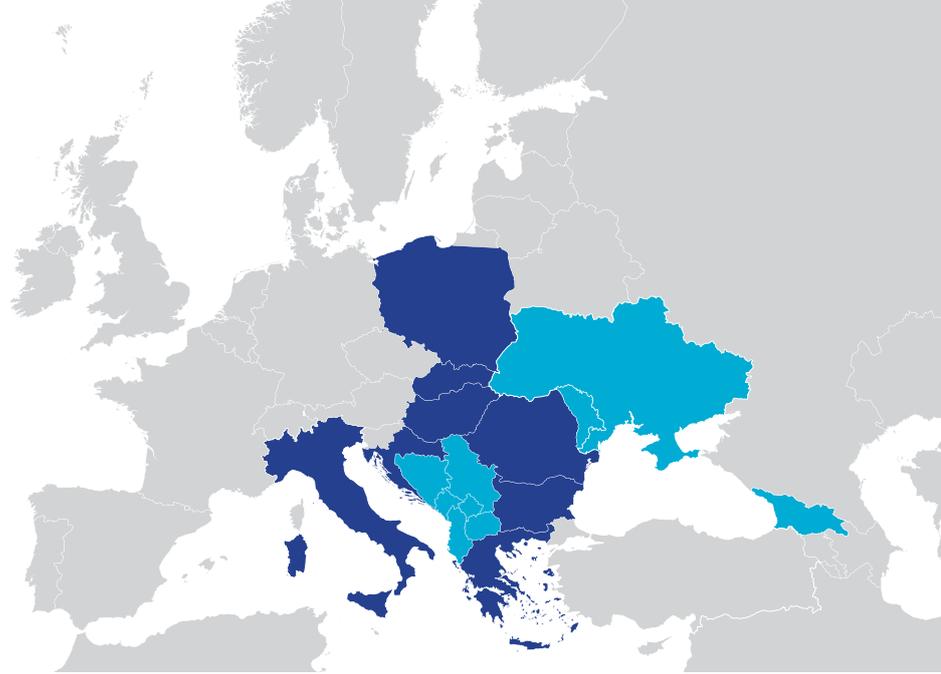
Under its Energy Community Gas Action 2020 agenda, the Secretariat actively facilitates the discussions on the construction of a new gas interconnector between Poland and Ukraine. The project has been awarded the Project of Mutual Interest (PMI) status in the Energy Community during the 2016 selection procedure. The new interconnector is expected to contribute significantly to the further development of the gas markets on the eastern border of the European Union and to enhance the market integration of Ukraine with the EU markets.

Bilateral discussions on the infrastructure project between the two countries' gas transmission system operators had been launched in 2016.

Since then, it has been identified that the active involvement of both countries' national regulatory authorities, as well as of the Energy Community Secretariat as coordinator, would facilitate the project's development. At a meeting of all stakeholders on 30 November 2016 in Belgrade, the parties clarified their expectations regarding

the project and possible procedures to be followed in order to test the market need for the interconnector. The parties agreed to set up a permanent working group, to be chaired by the Secretariat, and on a schedule to continue the discussion on an open season rulebook and the market test procedure. A follow-up meeting to discuss the updated versions of the relevant documents (open season procedures and agreement of transmission system operators) will be organized in March 2018 in Warsaw.





On the Bulgarian EU Presidency and the Energy Issue in the Western Balkans

“There is one injustice, which Europe has to fix – this refers to the countries of the Western Balkans. These countries do everything that is needed and what they can do to meet the requirements towards them; while we - their neighbors, partners, the EU countries – also need to do what is necessary so as to move their integration forward”. These words of the Bulgarian Prime Minister Mr. Boyko Borissov⁴ summarize substantial European and regional concerns. They also underpin the key focus of the Bulgarian Presidency of the Council of the EU, which started at the beginning of 2018.

Albeit restricted within the six-month timeframe of its Presidency, Bulgaria has a window of opportunity to use its unique position in the region to contribute to integration of the Western Balkan countries in the energy sector and beyond. One needs to recall that common energy developments in South East Europe were perceived as a key unifying factor for the countries of the region already in the early years of this millennium. The creation of the Energy Community, of which Bulgaria was initially a member before its accession to the EU, testifies to this.

As announced in its Presidency priorities, Bulgaria aims at leaving a substantial mark on the overall political and energy policy developments in South East Europe. Yet, it is clearly impossible to fulfil the priorities within such a short time-frame. The active and continuous support and guidance of the EU will be decisive in this process.

The Bulgarian EU Presidency priorities linked to the energy sector have to be considered in a wider context. Politically, the focus on the Western Balkans is deepening more and more intensively within formats established under different umbrellas - the EU dimension, the Energy Community, NATO, etc. On the bilateral level, a series of positive developments have laid down the groundwork for new energy cooperation. For example, the Government of FYR of Macedonia has made brave and successful moves to improve the country's relations with its neighbours (e.g. the Friendship Treaty with Bulgaria, ratified some weeks ago, the active communication with Greece on the name issue; the recent high-level level agreements on the construction of the gas interconnector between Bulgaria and Serbia, etc.).



Slavtcho Neykov, Chair of the Board of Managers, Energy Management Institute of Bulgaria

A key message as specified in Bulgaria's EU Presidency priorities is that the Western Balkans need a clear European perspective and this is directly linked to the connectivity between them and with the Member States⁵. Bulgaria announced that it will prepare “a clear action plan with each of the countries, without creating unrealistic expectations, but with concrete steps” as a way to long lasting peace, security and prosperity. Energy sector cooperation is a critical element of each plan. →

⁴ A statement during the World Economic Forum in Davos on 25.01.2018 as quoted in “24 chasa” <https://www.24chasa.bg/novini/article/6682352> (unofficial translation).

⁵ <https://eu2018bg.bg/bg/28>.



→ Bulgaria's connectivity focus is clearly interlinked with the priority topics in the energy field. These are: diversification of sources and routes; development of a model for a regional energy market; and increasing competitiveness.

Another key dimension, which will characterize the entire Bulgarian presidency, is the target to strongly push forward agreement on the "Clean Energy for all Europeans" package based on the major goal of developing the Energy Union. Bulgaria will have to broker compromise decisions within the EU in order to achieve tangible results. The discussion is certainly directly linked to South East Europe in general and to the Western Balkans in particular and cannot be put aside of the overall energy developments in the Western Balkan countries and their integration into the EU. In fact, the active involvement of these countries in the debate is a win-win for both sides – the Western Balkans and the EU Member States – particularly for those in the region of South East Europe.

Finally, there is another issue that deserves to be noted when it comes to the energy part of the official Presidency programme

– this is the interrelation with non-governmental organizations. The programme includes a special event on the role of non-governmental organizations in improving energy policy and its legal framework⁶. With an explicit focus on challenges in South East Europe and particularly in the Western Balkans, the event is to review to what extent the non-governmental sector has its say in the process of formulating and executing energy policy at European, regional and national levels and what needs to be improved. Topics such as Energy Union governance, consumer protection, market developments and energy poverty; the role of coal, nuclear and renewables in the climate change dimension; the role of new technologies; the transparency issue and legislative and regulatory procedures, etc. will be explored.

They say that so far there has never been an EU Presidency that was considered unsuccessful. Certainly, EU Member States and European citizens wish to see effectiveness and tangible results. With the strong focus on the Western Balkans in the frame of its EU Presidency, Bulgaria evidently aims at both.

When it comes to enlargement in the EU, it is typical for officials to refer to enlargement fatigue; however, at the same time, it should not be forgotten that there is also expectation fatigue of those who wish to join. Recalling that the European integration of the Western Balkans is as important for the countries from the region as for the EU itself, it is clear that this process requires continuous efforts by both sides so as to meet the integration criteria. Following the priorities of the Bulgarian EU Presidency related to the energy sector, it is clear that the Western Balkan countries – although not part of the EU – are in the focus of attention. Without any doubt – although within the very short timeframe of the Presidency – energy sector integration is a substantial tool for promoting the overall EU integration process. Hopefully, aside from attaining concrete results, they will also contribute to talking less about Europe at several speeds – neither the Western Balkans nor South East Europe deserve it.

Slavtcho Neykov

Chair of the Board of Managers
Energy Management Institute of Bulgaria

⁶ <https://eu2018bg.bg/en/political-meetings> (see 15.03.2018); for the event itself see www.conference-bg.com.

Unlawful destination clause in intergovernmental agreement on gas supply between Serbia and Russia to be dropped

The Presidents of Serbia and Russia have agreed to exclude a destination clause from the 2012 Intergovernmental Agreement on the supply of natural gas to Serbia. The compliance of the destination clause with European competition law was challenged by the Energy Community Secretariat in an infringement case brought forward by the Secretariat.

Energy Community Regulatory School launched

In December 2017, the Secretariat launched the Energy Community Regulatory School. The new initiative aims to provide targeted support to Energy Community regulators in the light of the continuous need to broaden their expertise in order to ensure pro-active and effective regulation of energy markets. Whilst primarily focused on regulators, the trainings are, subject to availability, also open to other participants of the Energy Community Contracting Parties and Observers. Five courses are envisaged in the first half of 2018.

Montenegro's RAE becomes first Energy Community regulator to join ACER working groups

The National Energy Regulator of Montenegro, RAE, became the first Energy Community regulator to have been granted observer status in the Gas and Electricity Working Groups of the Agency for the Cooperation of Energy Regulators (ACER). Participation in ACER's working groups of third country regulators is exceptionally possible subject to the fulfilment of strict criteria and approval by the Director of ACER. Among these requirements, legal compliance and continuous implementation of the Third Energy Package as well as regulatory independence rank the highest.

Regional projects for market coupling and cross-border balancing in the Western Balkans kicked-off

In December 2017, regional projects for technical assistance to support day-ahead market coupling and cross-border balancing in the Western Balkans were kicked-off under the Western Balkan 6 Initiative. The objective of the technical assistance implemented by the Energy Community Secretariat is to assist the WB6 and neighbouring EU transmission system operators, national regulatory authorities and power exchanges in the preparation and implementation of market coupling projects and platforms for cross-border balancing cooperation.

Regulatory School Training on Price Comparison Tools

21 February 2018
Vienna, Austria

Regulatory School Training on Electricity Market Coupling

28 February 2018
Vienna, Austria

Donors' Meeting "Working Together – Achieving More"

27 March 2018
Vienna, Austria

Regulatory School Training with Legal Focus

3 May 2018
Vienna, Austria

Vienna Forum on European Energy Law

4 May 2018
Vienna, Austria

Regulatory School Training on Market Surveillance and REMIT

15 May 2018
Vienna, Austria

Athens Forum Electricity

7 June 2018
Athens, Greece

Regulatory School Training on Gas Transmission Tariff Systems

18 June 2018
Vienna, Austria

Sustainability Forum

22 June 2018
Vienna, Austria

Informal Ministerial Council (by invitation only)

22-24 June 2018
Wachau, Austria

Energy Community Summer School

25 August – 1 September 2018
Split, Croatia



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