

## **CONCLUSIONS**

### **24<sup>th</sup> PERMANENT HIGH LEVEL GROUP MEETING**

**23 MARCH 2012, VIENNA**

1. The meeting was chaired by Mr. Danilo Barjaktarovic for the Presidency in office and Mr. Fabrizio Barbato, Deputy Director General for Energy at the European Commission, for the European Union as Vice-Presidency.

### **AGENDA ITEM ONE – THIRD INTERNAL ENERGY MARKET PACKAGE**

2. Recalling the Ministerial Council decision 2011/02/MC-EnC, of 6<sup>th</sup> of October 2011, and the time line as envisaged in the Implementation Plan, adopted at the 23<sup>rd</sup> PHLG meeting in December 2011, the Secretariat informed on the response by the Contracting Parties and the reported undertaken steps concerning the implementation activities. The Contracting Parties provided concrete operational data on the topic.
3. PHLG took note of the statements of the Secretariat and the Contracting Parties, related to the implementation of the 3<sup>rd</sup> package. The Secretariat reiterated its readiness to provide operational support where needed and requested. It also stated that so far no particular question or request has been deposited by any Contracting Party. The PHLG recalled the need to monitor the progress status of individual Implementation Plans and to address questions on open issues and share difficulties, with a view to the preparation of the forthcoming Workshop in June 2012. The new deadline for sending the correlation tables to the Secretariat is 30<sup>th</sup> April 2012.
4. Concerning the procedure for adoption of Network Codes within the Energy Community Secretariat announced that a proposal for a Procedural Act is being finalized and will be tabled for the next PHLG meeting for discussion and adoption.

### **AGENDA ITEM TWO – SECURITY OF SUPPLY**

5. The Secretariat presented summary information on the key challenges in energy supply within the Winter of 2011/2012, throughout the Energy Community. The Commission presented the EU experience and lessons learnt. The Contracting Parties provided additional input and comments on that matter.
6. In view of the need for enhanced transparency and coordination, the PHLG agreed that a communication procedure between the Contracting Parties and the Secretariat shall be established so as to ensure the emergency data to be provided to the Secretariat promptly and in standard format, in line with the Treaty and Directives 2003/54/EC, 2003/55/EC, 2004/67/EC and 2005/89/EC.

7. On this ground, the Secretariat referred to the established Security of Supply Coordination Group, which in practical terms has not been active. The Secretariat proposed that the members of the Security of Supply Coordination Group shall be focal points from the Contracting Parties in charge of coordinating the communications with the Secretariat on safeguard measures, (e.g. such as those applied by some Contracting Parties in February 2012), in order to ensure compliance with the obligations from the Treaty. Moreover, with regard to the critical dependence on electricity, gas and oil supply, the Group should have a mandate to address the security of supply in an integrated manner and propose mutually coordinated preventive measures to the PHLG.
8. The Secretariat was invited to present at the next PHLG meeting its assessment on the need to amend the mandate of the Security of Supply Group and to propose procedural rules, concerning its operational functioning and to submit it to the PHLG for discussion. The Contracting Parties, Participants and Observers are invited to nominate the members of the Group, and communicate their contact details to the Energy Community Secretariat without delay.
9. Romania noted its expectations that – further to the Contracting Parties – also the EU Participants from the region of SEE are actively involved in the work of the SoS Coordination Group.

### **AGENDA ITEM THREE – REGIONAL ENERGY STRATEGY**

10. The Secretariat and the Chair of the Energy Community Strategy Task Force (Strategy TF), Mr Cristóbal Burgos, presented information on the meetings of the TF and on its conclusions, as well as on the planned next steps.
11. PHLG welcomed the progress, achieved so far by the Strategy TF, and invited Contracting Parties to be actively involved in the Strategy development, so the planned deadlines for its adoption are adequately met. On this ground, the Contracting Parties were further encouraged to provide the relevant information, which they consider adequate within the overall concept of the document.
12. It was recalled again that the Strategy needs to be finalized by end of May 2012, so that it can be endorsed by the PHLG in June 2012. PHLG agreed with the proposal that the Strategy will be developed in two stages: 1. A Strategy Paper to be endorsed by the PHLG in June and respectively, by the MC in October; 2. Define and assess the projects of regional interest, based on the methodology and criteria agreed in stage 1, after the MC in October; in this respect, the Task Force will analyse the need for extending its timeframe and will make a proposal to the PHLG in June.
13. Summary data on the recent Energy Community developments, concerning the regional gas market, was presented by the Secretariat. The Commission encouraged Contracting Parties to be unambiguous about their gas market policies, as public and private investors need now clear signals more than ever.
14. The Secretariat briefly outlined the progress achieved in gas infrastructure development in the context of the Energy Community Gas Ring. Reference was made to the project submitted to the ongoing round of the Western Balkans Investment Framework (WBIF) for a Regional Study on Gas to power initiative and gas ring, submitted by ECS to WBIF Secretariat in February 2012, with the support letters from practically all CPs in the Western Balkans. The World Bank will coordinate with ECS the preparation of the Study. PHLG welcomed the initiative as being a step forward for the preparation of investments in gas supply and power generation in the Western Balkans.

15. The PHLG invited the Contracting Parties in the Western Balkans to provide further support to the realization of the Gas to Power Initiative, particularly in submitting sufficient and consistent inputs in order to reach a coordinated regional overview. This includes their commitment to organise the Workshops on the topics for the relevant stakeholders in each capital, in cooperation with the Secretariat. The Secretariat expressed its view that Contracting Parties should get more involved in the activities of ENTSOG and consider intensifying further cooperation, in order to contribute to the quality of ENTSOG's work in drafting the updated Ten Year Network Development Plan and network codes.
16. Donors' representatives confirmed their understanding that gas should play a key role in the region and their confidence that ongoing projects will be materialised and can be backed up with regulatory reforms (WB, EBRD, USAID).
17. All Contracting Parties confirmed their support to the ongoing initiatives and upcoming workshops.
18. Ukraine presented brief information on the status of its gas transportation system and on the plans and expectations concerning its modernization. The modernisation of the Ukrainian gas transportation system and its increased efficiency will strengthen and support the energy security of the Region. Modernization of the Ukrainian GTS and uninterrupted supply is important for the security of the functioning of the single European gas market and can play a key role in the implementation of the Energy Community Gas Ring.
19. The Commission, as well as EBRD, World Bank, confirmed their support to the modernisation of the Ukrainian gas transit system and that it has set a goal for its rehabilitation by 2020. It moreover underlined that the Regional Energy Strategy Task Force is also an appropriate framework to discuss on the role of Ukraine and its Gas Transmission System from a regional and European perspective.
20. The importance of the Ukrainian GTS should be taken into account during the establishment of the Regional Energy Strategy goals in the context of the energy security of the EU and the Energy Community countries, whereby third party access and transparent management in line with the Energy Community Treaty should be fully ensured.

#### **AGENDA ITEM FOUR – MARKET OPENING**

21. Following the request by PHLG, the Secretariat presented its outline of a proposed template, concerning the Local Action Plans (LAP) for the Electricity Wholesale Market opening. The template is introduced as a common platform for planning and monitoring of structural measures taken by each Contracting Party on local level, as a prerequisite for effective implementation of the steps on regional level specified by the ECRB and ENTSO-E and endorsed by the PHLG, targeting the establishment of a operational regional wholesale electricity market compatible with the EU Internal Market target model.
22. PHLG took note of the comments, made by the Contracting Parties, in relation to the template on the Local Action Plan for the Electricity Wholesale Market opening and the concerns, expressed during the discussions, which need to be further elaborated.

23. PHLG thanked the Secretariat for its Report on Regulated Energy Prices and Tariffs in the Energy Community drafted upon invitation by the PHLG in October 2011. The Contracting Parties were invited to submit their comments on the report by the end of April 2012, including both the analytical part and the recommendations. The Secretariat was invited – based on the comments received – to further develop a proposal under Title III of the Treaty and to submit it to the ECRB for advice before submitting it for discussion at one of the next meetings of the PHLG. Where suitable, the topic shall be included in all relevant meetings of the Energy Community or additional meetings might be considered.
24. World Bank recalled that when regulated prices are removed for large consumers, generators will no longer have the obligations to supply them at regulated tariffs. Thus, it is essential that state owned utilities are required to sell at established power exchanges or through other competitive procedures and publish the contracts for full transparency and accountability.

#### **AGENDA ITEM FIVE – RENEWABLE ENERGY SOURCES – IMPLEMENTATION OF DIRECTIVE 2009/28/EC**

25. The Chair of the RE TF presented the status of the process towards the adoption of Directive 2009/28/EC that are reflected also in the conclusions of the 8<sup>th</sup> RE TF Meeting, which took place on 6<sup>th</sup> of March 2012. The technical remarks received from the Contracting Parties in relation to the input data for 2009 have been considered to the extent that they were compatible with the need for application of a consistent methodology. The PHLG endorsed the results achieved so far and urged the Contracting Parties that have not yet confirmed the 2009 baseline data to finalise the process shortly and to communicate it to the RE TF Chairman.
26. The RE TF Chairman forwarded to the PHLG the requests by most of the Contracting Parties for a correction of the additional effort proportional with the remaining time for the implementation until 2020.
27. The Commission presented the Proposal to the Ministerial Council of the Energy Community on the implementation of Directive 2009/28/EC and amending the Article 20 of the Energy Community Treaty, as adopted on 19<sup>th</sup> March.
28. PHLG, taking note of the presentations, invited the Secretariat to organize a technical meeting in May 2012 as to discuss the Commission's proposal for Decision on the implementation of Directive 2009/28/EC as well as to clarify the outstanding open issues on national level.
29. The Secretariat recalled the strict time line, which needs to be followed, as to have the Decision adopted by the Ministerial Council, which presupposes endorsement by PHLG at its next meeting in June 2012.

#### **AGENDA ITEM SIX – OIL**

30. The Secretariat presented its Explanatory Note on the work so far, concerning the preparation for adoption of the Oil Stocks 2009 Directive. The upcoming workshop on 25-26 April 2012 was also recalled.
31. PHLG welcomed the presented information and the draft decision and expressed its expectations to receive full set of draft documents, concerning the implementation of the Directive, for endorsement during its next meeting in June 2012, so the

Ministerial Council is invited to consider them for their adoption in October 2012 in due time.

#### **AGENDA ITEM SEVEN – STATISTICS**

32. The Secretariat briefed PHLG on the outcome of the recent Workshop on Statistics (7<sup>th</sup> March 2012), as well as on the progress achieved in the harmonization of energy statistics with the agreed common platform by Contracting Parties. The PHLG welcomed the fact that the Contracting Parties can present their statistics in a unified format.
33. The Parties noted that the progress was made with limited resources and that further implementation of their respective action plans need to be revised, particularly time wise, to take account of available financial, technical and human resources.
34. PHLG welcomed the presented information and the proposed approach and invited the Secretariat to elaborate a proposal for consideration and endorsement at the next PHLG meeting in June 2012, so the Ministerial Council is invited to consider them for their adoption October 2012 in due time.

#### **AGENDA ITEM EIGHT – ENERGY EFFICIENCY**

35. The Secretariat presented the update on the implementation of Directives 2006/32/EC and 2010/30/EU.
36. The Contracting Parties briefed PHLG on their plans to further implement the energy efficiency Acquis, especially with regards to the Energy Performance in Buildings Directive (EPBD). The PHLG thanked the Secretariat for its efforts in assisting the Contracting Parties in the implementation, with both comments on the primary and secondary legislation, but moreover with facilitating additional technical expertise to be provided by donors at the regional level; this includes the Study on the implementation of the EPBD (Energy Community funds) and its follow up with a Norway grant, the GIZ Regional Open Fund Energy Efficiency, the EBRD TA for energy efficiency in public sector - legislative gap analysis, USAID - Synenergy, etc.
37. The Secretariat also provided information about new WBIF energy efficiency window for investments in public and private sector. PHLG welcomed the initiative and recommended the Secretariat to continue its active engagements in regional programmes for energy efficiency.

#### **AGENDA ITEM NINE – MISCELLANEOUS**

38. The Secretariat recalled the state of implementation of the Sulphur in Fuels Directive (1999/32/EC), referring to its report which will be made available at the Secretariat's website. The Contracting Parties which have not yet presented their implementation roadmaps, were invited to present them to the Secretariat, in line with the requirements which have been specified in bilateral discussions, as soon as possible. The Secretariat reiterated its readiness for assistance in overcoming all obstacles to full implementation.
39. The Secretariat reminded on the necessity for concrete work on Contracting Parties' level in relation to implementing the adopted Generally Applicable Standards List

and for update of the List in the context of related ongoing projects in several Contracting Parties. The Secretariat is expected to reiterate collection of data on the plans for the implementation of the standards.

40. The Secretariat presented an overview of the considered studies 2012.
41. The recent amendment of the 2012 Energy Community Reimbursement Rules was recalled by the Secretariat.
42. PHLG reviewed the Energy Community Event Calendar first half of 2012. Respective link to the Energy Community Work Programme for 2012 was made.
43. Bulgaria provided information on a training course on energy diplomacy, organized by the Bulgarian Diplomatic Institute, and invited the Contracting Parties and Observers to participate. Bulgaria expressed its wish to associate the Secretariat with the preparation of the event.

For the Presidency:



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Danilo Barjaktarovic