

# REPORT ON THE SOCIAL ISSUES IN THE CONTEXT OF THE ENERGY COMMUNITY

## I. BACKGROUND

The Treaty establishing the Energy Community has not foreseen the adoption of the social acquis in its body, but through several articles from the energy directives, it indicates the importance of the social dimension in the context of the energy sector reforms.

While the Treaty's core objective is to implement a successful reform of the energy sector that will increase market efficiency and will contribute to the improvement of living and working conditions of the people, it is acknowledged that this may also have an impact on energy affordability, especially for vulnerable residential costumers, in the transition phase.

Therefore, in order to complement the Treaty, in October 2007, the Contracting Parties signed the Memorandum of Understanding on Social Issues in the Context of the Energy Community (the Memorandum). The Memorandum indicates the political intent of the Signatories to take due account of the social dimension and outlines the principles and the context for a social dialogue in the energy sector at both national and regional levels.

Moreover, the Ministerial Council in its meeting of December 2007 decided that the Energy Community shall organise a Social Forum each year as a platform for discussion of the progress with the implementation of the Memorandum.

This report summarizes for information purposes the key achievements and undertaken steps, related to the social dimension in the Energy Community context.

## II. ACTIVITIES UNDERTAKEN TO IMPLEMENT THE MEMORANDUM

### 1. Areas of work

The Memorandum includes four areas of work, as follows:

**Public Service Obligations:** Ensuring economic, social and territorial cohesion, universal access, and a high level of consumer rights (Art.2 of the MoU)

**Social Partners:** Promoting the social dialogue with the Social Partner- introduction of effective mechanisms for information and consultation of Social Partners (Art.3 of the MoU)

**Management of Change:** Promoting the development of specific employment, training and support services (Art4.)

**Social Dimension:** Focusing attention on the following key areas (Art. 5 of the MoU).

- Workers' fundamental rights;
- Improved working conditions and standards of living;
- Improved working environment concerning the health and safety of workers;
- Equal opportunities.

It was envisaged that, in order to help to achieve objectives within the scope of this Memorandum, each Signatory in consultation with the relevant social partners should discuss the approach how to further address the issues within the social dimension. This approach should take into account the existing European social „Acquis Communautaire“.

The findings and the appropriate follow-up should be summarized in the form of **social action plans** to address the issues indicated in the previous sections of this Memorandum. The social plans should be drawn up with close cooperation of social partners.

## 2. Social Action Plans

Following the recommendations of the Memorandum, and with guidance of the Energy Community Secretariat, starting the second half of 2008 each Contracting Party has undertaken the following activities:

- Organized working group with large stakeholders representation including representatives of ministries responsible for energy and respectively for social policy, incumbent electricity and gas companies, trade unions, regulatory authorities, consumer protection organization, etc., in order to discuss the approach to the implementation of the Memorandum;
- Selected from the European Social *Acquis*, those Directives that are applicable to the areas of work of the Memorandum and started their transposition and implementation, and
- Prepared Social Action Plans, following a template discussed at the Social Workshop in May 2008.

At the date of this report, all Contracting Parties (with the exception of Moldova that only joined the Energy Community in May 2010) have prepared Social Action Plans.

Some Contracting Parties: Bosnia and Herzegovina, Croatia, former Yugoslav Republic of Macedonia, Serbia have approved these at the government level; Albania has approved it at this stage at the level of National Council of Labor – however, it is planned that the plan will be also approved by the Council of Ministers; in Montenegro and Kosovo<sup>1</sup> the social action plans will be approved at government level, in the coming months.

The Social Action Plans tackle all the areas of Public Service Obligations, Social Partners- Social Dialogue, Management of Change, Social Dimension with various emphases etc.

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<sup>1</sup> Under Resolution 1244 of the UNSC.

### **3. Transposition of selected EU Social *Acquis* in the national legislation**

In order to streamline the approach to the implementation of the Memorandum, the European Commission through its Directorate-General for Employment (DG EMPL), Social Affairs and Equal Opportunities provided the members of the Working Groups an indicative list of the European Directives that have links with the areas of the Memorandum.

Up to date five out of eight Contracting Parties reported on the EU Directives transposed in the national legislation (Croatia, Former Yugoslav Republic of Macedonia, Montenegro, Serbia and UNMIK). The remaining three reported that they are working on the preparation of the update.

### **4. The Social Forum**

Up to date, the Energy Community Secretariat in cooperation with DG EMPL organised three Social Fora in 2008, 2009 and 2010.

The focus of these was the preparation of the Social Action Plans, each year with an emphasis on a certain area from the Memorandum: social dialogue, management of change, vulnerable consumers.

The Fora were attended by a large number of participants from all stakeholders groups (policy makers, regulators, social partners, donors and International Financing Institutions, consumer organisations).

A key conclusion to be drawn by the Social Forum is that the debates pointed out that the social dialogue is not yet mature and properly institutionalised. Thus, e.g., in the Conclusions of the 1st Forum "Social Partners from the region also called for better recognition of social dialogue contribution to the social dimension of the Energy Community. It was also stressed that having regard the major process of change resulting from the development of the Energy Community, the working groups at national level should pay particular attention to the restructuring process".

The second Forum expressed its concerns about the access of all citizens to affordable energy. It welcomed the work undertaken by the ECRB Customers Working Group for the monitoring of the implementation of the Best Practice Guidelines on Protection of Vulnerable Household Customers, and recommended that this is pursued further.

The 3<sup>rd</sup> Forum discussed again the topic of energy vulnerability, Public Service Obligations and best practices and measures to protect customers; the initiative of former Yugoslav Republic of Macedonia to develop a program for reduction of the energy poverty was most welcomed and other Contracting Parties were invited to use the lessons learned from the preparation and implementation of such a Plan. ECRB Customer Working Group continues to work on the quality of services in electricity and gas and presented the results to the Forum.

The issues of consumers' rights and handling their complaints has become a topic of interest for the Forum and ERGEG presented its approach to solving problems; the Forum encouraged the Contracting Parties to further develop this area in their legislation and business practice, building on the experience of the EU Members States. It also recommended the Contracting Parties to pay due attention to these issues when implementing their Social Action Plans.

### **5. Study on employment in the gas and electricity sectors in the Contracting Parties to the Energy Community**

A study to look into the impact of the restructuring of the energy sector on employment was launched in 2009 by DG EMPL and is being prepared by the Vienna Institute for Economic Studies. An intermediate Report was presented at the 3rd Social Forum in June 2010, in Skopje.

The major concern of the Energy Community is that the national administrations, due to various reasons, are not fully prepared to implement the restructuring of the energy sector and manage the change in a sustainable way. In its conclusions the 2nd Forum “called on the working groups to pay special attention to preparing and monitoring the restructuring process resulting from the development of the Energy Community, the energy sector privatization processes, as well as the technological change”.

### **III. FUTURE ACTIVITIES AND STEPS**

From the analysis of the Social Action Plans and the conclusions of the first three Fora, it seems that there is a strong need for **capacity building and training** with respect to:

- *Vulnerable customer and their protection*; the work undertaken by the Customer Working Group of the Energy Community Regulatory Board is opportune and timely. Nevertheless this group is focusing on the regulatory aspects of tariff setting and public service obligations. The Social ministries will have to prepare safety nets and address the possible energy poverty with policy measures in line with the European models and in respect for the requirements of the Energy Community for market reforms. A training workshop on how to identify the vulnerable categories, and how to design policy measure that are targeting these will be organized in the 1<sup>st</sup> Quarter of 2011;
- *Restructuring the energy sector and management of change*; a possible series of TAIEX missions to present the EU best practices to the managers of the energy companies from the Contracting Parties will be discussed with the responsible actors for the management of TAIEX funding;
- *Implementation of the Social Action Plans*: Preparation and dissemination of the Best Practices with respect to Social Dialogue in the course of 2010 and 2011.
- At the 3<sup>rd</sup> Social Forum, the European Commission – DG EMPL pledged to organize one TAIEX financed *seminar on the practical dimension of implementation of labor law provisions and issues connected to management change*.

This respectively outlines the focus of attention in the Energy Community context, which shall be respectively considered in the work of the Energy Community institutions.