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## SUMMARY OF THE ADOPTION OF THE ACQUIS COMMUNAUTAIRE

- **Scope of the report:**
  - Respond to the request of the 16th PHLG conclusions (Item 20) and the ECS WP(B.2)
  - Identify the current status of adoption of the relevant acquis by Contracting Parties, for monitoring purposes and as an information base for Parties and the EC
- **Approach:**
  - Detailed Questionnaire, Country missions and Parties' relevant legislation.
- **Key Findings:**
  - Of a general nature:
    - 3 groups: Accessing Parties; Candidate Parties; Potential Candidate Parties
  - Specific to each Party

- Albania started negotiations for the **SAA** in January 2003 and are nearing completion (approximation of domestic legislation to EU standards).
- The basic **Institutional Framework** (ministries, regulator, TSO, agencies) has been established and related to electricity market operation only.
- Alignment to the **Electricity** acquis is underway. The key remaining issues are market opening (eligibility and timetable) and the unbundling of the DSOs. The unbundling of the TSO is near to completion. Improvement of collection rate and decrease of losses require continuous attention and monitoring.
- Nowadays there is no **Natural Gas** market in Albania, and consequently no gas regulatory framework and authority.
- The **Competition** Authority is established in 2004 and supposed to cooperate with the Regulatory Authority (Law on Protection of Competition from 2003).
- Albania has legislation on **Energy Efficiency**, but has not the one related to the **Renewable** sources.
- Willing to form a required **Environmental** legal framework, especially by enabling public participation and start watching GHG emissions. Albania's Parliament ratified the Law for ratification of the Kyoto Protocol (Dec 2004).

- Negotiation talks for a Stabilisation and Association Agreement (**SAA**) just started in January 2006.
- The basic **Institutional Framework** (ministries, regulators, ISO/TransCo) has been established and related to electricity market operation only. Complex.
- Alignment to the **Electricity** acquis is underway. The key remaining issues are market opening (eligibility and timetable), unbundling of the DSOs and tariff harmonisation. The unbundling of the ISO/TransCo has been completed. Consolidation of the electricity regulators is now necessary.
- The **Natural Gas** sector is still not regulated, but a work on drafting of the legislation has recently commenced. Currently only one supplier (one pipeline).
- The **Council of Competition** is established in 2004 and supposed to cooperate with the Regulatory Authority (Law on Competition from 2005).
- No specialised agencies neither for **Energy Efficiency** nor for **Renewables**. Systematic approach does not exist and institutionalisation in this field is needed to avoid development on a voluntary case-by-case basis.
- Absence of **environmental** policy and strategy, as well as legislation on environment at the state level (primarily dealt with at the entities level).

- Bulgaria concluded the accession negotiations with the European Union in 2004. The chapters on Energy, Competition and Environment were closed in Dec 2004.
- The basic **institutional framework** in the areas of energy, competition and environmental has been established.
- The **electricity** acquis is almost fully adopted. The key remaining issues are the unbundling of the TSO and the unbundling of DSOs. The implementation of both, is expected by January 2007.
- The **natural gas** legislation is mostly in line with the acquis. Additional efforts should be devoted to enhancing the unbundling of the TSO.
- In the area of **Competition**, antitrust practices and State Aid measures are tackled in the Protection of Competition Act and the State Aid Act.
- As for **Renewable Energy Sources**, only the biofuels for transport directive is still to be transposed. A draft law on RES is addressing the issue.
- The key **environmental** acquis is in place. The key challenge will be ensuring the financing for its full implementation.

- As **EU Candidate Country** it has entered the process of EU accession. Negotiations got started (the screening processes are ongoing).
- The basic **Institutional Framework** (ministries, regulator, TSOs/DSOs) has been established and related to electricity and gas market operation.
- Alignment to the **Electricity** acquis is finished. Primary legislation in place, secondary yet to be completed. The unbundling provisions need compliance checking from implementation viewpoint.
- Amendments to the existing Law on **Gas** Market have to be accomplished in compliance with the Directive 2003/55/EC (ongoing, by the end of 2006).
- The **Competition Agency** cooperates with the Regulatory Agency on the basis of signed agreement (Act on Protection of Competition from 2003).
- Road map for **Renewable** energy is needed in order to set up a predictable framework for the long term development of renewable sources. Action plan on **Energy Efficiency** is needed with commonly agreed objectives.
- Fund for **Environment** Protection and Energy Efficiency has been established. Continuous development of horizontal legislation needed (EIA and public participation. Ratification of the Kyoto Protocol to the UNFCCC (EU accession).

The basic **institutional framework** in electricity, gas, competition, energy efficiency and environment has been established.

The **electricity** acquis is reflected in the new Energy Law, that is up for debate in the Parliament. The Law on Electricity and Gas Market was adopted in May 2005; the Market rules are in the final stage of adoption. The Regulatory Commission, the Electric Power System Operator (TSO and dispatch center), the Market Operator and the DSO are in place. TSO and DSO have been legally unbundled.

The **gas** market is not very developed and there is one single gas transportation and distribution company, Makpetrol. The Gas Directive was reflected in the Electricity and Gas Market Law.

The key **environmental** acquis related to the Treaty has been adopted and partially implemented.

In **competition**, the Law on Protection of Competition stamps the trading abuses, and the state subsidies are strictly regulated by the law. The Regulatory Commission oversees the enforcement.

The **Energy efficiency strategy** was prepared in 2005 and an Action plan on **renewable energy sources** will be developed.

- Montenegro participates in the **SAP** on the basis of the "twin-track" approach.
- The basic **Institutional Framework** (ministries, regulator, TSO) has been established and related to electricity market operation only.
- Further alignment to the **Electricity** acquis is needed as the Energy Law from 2003 has its basics in the EU Directive 96/92. Primary legislation in place, secondary yet to be completed. The unbundling provisions need compliance checking from implementation viewpoint (functional in 2005; legal in 2007).
- The **Natural Gas** market does not exist, and consequently no related legislation.
- **Competition** agency does not exist. Within the Ministry of Economy there is an organisational unit called Trade Sector which is authorised for competition related issues (Law on Protection of Competition from 2003; the Energy Law contains provisions related to competition and competitive supply).
- The Montenegrin Unit for **Energy Efficiency** has been organised within the Ministry according to the Energy Efficiency Strategy and related Action Plan for 2005-2006. **Renewables** have a relatively high potential and there is a need to create stable and favourable environment for their use and development.
- The Law on **Environmental** Impact Assessment has passed a procedure in the Parliament in December 2005, and will be enforced in January 2008.

- Romania concluded the accession negotiations with the European Union in 2004. The chapters on Energy, Competition and Environment were closed in Dec 2004
- The **institutional framework** in electricity, gas, competition, renewable energy sources and environment is in place and in compliance with EU.
- The **electricity** acquis is almost fully adopted. An amended **Electricity Act** is in the Parliament for debate. The key remaining issue is the unbundling of DSOs. Its implementation is expected by December 2006.
- The **natural gas** legislation is mostly in line with the acquis. Additional efforts should be devoted to achieving the full unbundling of the TSO and the legal unbundling of the DSOs. The implementation expected by January, respectively July 2007.
- In the area of **Competition**, antitrust practices and State Aid measures are tackled in the Law on Competition, amended in 2005 and in full compliance.
- **Renewable Energy Sources**: there is a Law and a National Strategy on RES; also mandatory quota of Green Certificates and a Market to trade these.
- The key **environmental** acquis is in place. The challenge will be ensuring the financing for its full implementation.

- Although temporarily on hold, Serbia is negotiating a Stabilisation and Association Agreement with the EU.
- The basic **institutional framework** is in place although it was expressed the need to improve the resources and capabilities of the Ministry of Mining and Energy.
- The approved **electricity** legislation is mostly in line with the acquis. By summer it is expected to be adopted the Transmission Grid Code, the Market Rules and a new tariff methodology. The legislation does not foresee however legal unbundling of DSOs between network and retail activities. Special assistance is needed to tackle the current prices level well below costs.
- In **natural gas**, the primary legislation is mostly in line with the acquis. The secondary legislation is now being prepared. However the legislation does not foresee legal unbundling of the TSO.
- In the area of **Competition**, State Aid measures need still to be addressed in the legislation.
- As for **Renewable Energy Sources**, the Directives on the promotion of electricity from RES and biofuels for transport are still to be transposed.
- Serbia is in the process of implementing the acquis on **environment**. Considerable financing will be however necessary for its full implementation.

- Turkey has been working on the alignment of its legislation with the *acquis communautaire* as a candidate country to the European Union.
- Turkey has established the basic **institutional framework** in the areas of energy, environment and competition.
- The **electricity** *acquis* for the liberalisation of the electricity sector along the lines of the *acquis communautaire*. The most remarkable issue still to be adopted is the legal and organisational unbundling of the distribution companies.
- In **natural gas**, the regulatory and legal framework is mostly compatible with 2003/55/EC Natural Gas Directive. The key remaining issue is the unbundling of the TSO.
- In **competition**, the legal basis for antitrust provisions is provided by the Competition Law. However, State Aid provisions have not been adopted yet.
- As for **renewable energy sources**, the Promotion of electricity from Renewable Energy Sources is addressed in a new law. A Draft Law on Energy Efficiency shall address the provisions on biofuels for transport.
- In **environment**, Turkey is working on the implementation of the *acquis*. The economical implications of its full implementation are being assessed.

- The basic **institutional framework** in electricity, competition, and environment has been established.
- The **electricity** acquis is reflected in the Electricity Act, the Energy Regulator Law, the Energy efficiency and renewable energy sources law. The Energy Regulatory Office (ERO) was set up in 2004, as an independent body. The TSO was only recently separated from the Kosovo Electricity Company and is expected to start operating by July 2006.
- The **natural gas** sector is not developed in UNMIK.
- In the area of **Competition**, the Energy Regulatory Office has powers according to the Law on Energy Regulatory Office to ensure antitrust practices, effective competition in the market.
- **Renewable Energy Sources** are treated in the Energy Strategy and the Ministry of Energy and Mining shall set targets for electricity generated from renewable energy sources.
- The key **environmental** acquis related to the power sector is reflected in the electricity legislation and the criteria for licensing power operators. Other directives (85/337/EEC and 79/409/EEC) will be adopted at a later stage.

## KEY NEXT STEPS

- 1. Parties and the ECS will deepen the analysis of the acquis implementation, as well as of the functioning of the energy markets. A progress report would be presented at the next PHLG meeting, in November 2006.**
- 2. Based on (1), ECS will assist the Parties to prepare roadmaps for the markets opening on both state and regional levels.**
- 3. ECS and the Parties will identify the need for further technical assistance with the adoption of the acquis. ECS will facilitate Parties' dialogue with donors**