

## **5<sup>th</sup> Joint Working Group on Gas Infrastructure Investment and Regulation**

### **Final Conclusions**

#### **Meeting held on 13 September 2007 in Belgrade**

1. The Joint Working Group on Gas Infrastructure Investment and Regulation thanked very much the Serbian Authorities for their hospitality and wished Serbia well with its reform plans.
2. The Chairman welcomed the participants and outlined the objectives of the Group on Gas Infrastructure Investment and Regulation (GGIIR) as an informal working level group preparing inputs for the Gas Forum. Depending on the decisions taken as regards the setting-up of the Gas Forum, it is proposed that in future the GGIIR meets in Belgrade 1 to 2 months before the Gas Forum in order to prepare inputs in due time.
3. Economic Consulting Associates (ECA) informed the participants that the draft final report of the ongoing SEE Regional Gasification Study prepared under the lead and with the financing of World Bank and KfW is foreseen to be completed before the 1<sup>st</sup> Gas Forum in Maribor on 9<sup>th</sup> November 2007 and disseminated to the relevant share-/stakeholders in due time to provide for a preparation for the 1<sup>st</sup> Gas Forum.
4. The participants welcomed the presentation of ECA on the so called Western Balkan Ring concept. The project – which intends to connect all Contracting Parties via a ring, taking also the specifics of the region with regard to the electricity sector as well as the regional pipelines, LNG terminals projects and storage facilities – could contribute significantly to further gasification of SEE but could also provide significant benefits for upstream and downstream countries.
5. The Group agreed to retile the ring as the Energy Community Gas Ring, to directly reflect the fact that this gas ring could develop as an integral and essential regional infrastructure component of the Energy Community, provided the Contracting Parties confirm that they assign high priority to the Ring. The national members of the Group were requested to convey to their governments that clear indications from each Contracting Party would be welcome at the 1<sup>st</sup> Maribor Gas Forum. The World Bank pointed out that, given the back-loaded profile of expected financial revenues and the relatively high country risks, private sector development of the Ring at affordable transmission rates is not likely. However, the World Bank stressed that the Ring would greatly facilitate private sector investment, including gas-fired electricity generation and gas distribution. These catalytic impacts and the very substantial economic benefits of the Ring - benefits that would be captured not by the owners of the Ring but by the Contracting Parties and even the European Union countries - including security of supply, energy and supply diversification, environment, broader impacts on regional cooperation and integration triggered by the regional cooperation in the unification of the gas markets, etc. suggest that public sector development of the Ring, including possible grants, is justified and called for. Such financing can only be considered if (i) the Contracting Parties clearly demonstrate their national and regional commitment

to the Ring and (ii) accordingly include and assign high priority to the Ring in their national investment programs and (iii) request financing for the Ring in their national programs of EU and donor/IFI assistance.

6. The Group agreed that a detailed concept for the Western Balkan Ring and also other relevant projects should be presented and discussed at the 1<sup>st</sup> Gas Forum in Maribor on 9<sup>th</sup> November 2007. The Group invited World Bank/ECA to further examine existing capacity in their analyses.
7. The ECRB Gas Working Group chairman updated the Group on the latest development concerning the co - operation between regulators in the region. In this regard the Group stressed the key importance of an active operational co operation between regulators in order to create a favorable investment climate.
8. The Group thanked the Austrian Control Area Manager for the presentation on the long term planning process in Austria. The presentation demonstrated the procedure, the technical approach, the needed data but also the hurdles and highlighted that there is a need to take the local demands, in particular from industry and gas fired power plants, into account. This approach is a good example on how to determine the regional demand.
9. EFET also stressed the need for additional capacity for the mentioned countries for improvement of SoS and for provision of the proper infrastructure for competition.
10. The ERGEG Gas Regional Initiative – Group SSE – presented its assessment of 6 main routes of gas pipelines to Europe. The findings stressed the needs for improvements mainly with regard to capacity availability, thus supporting security of supply and competition.
11. On the basis of a presentation “Further gasification of SEE along PEOP – benefits of a common regional route?” the Group discussed the advantages of the common route of the PEOP and a gas transmission pipeline, in particular strengthening energy cooperation, improving the security of supply, increasing competition, strengthening economics of gas and oil supply and burdening the environment as little as possible. The PEOP as such and also some other planned oil pipeline projects in SEE could reduce environmental risks in the Adriatic sea and the Bosphorus but the full benefits would be provided for using a common route for oil and gas as presented. In that respect, the Group welcomed the announcement of a signature ceremony of an intergovernmental agreement to be organized in Brussels in October 2007 and of a promotion event for investors before end of 2007.