

ENERGY COMMUNITY WORK PROGRAMME 2008 – 2009

A. BACKGROUND

1. The current proposal of a Work Programme of the Energy Community for the period 2008 – 2009 has been developed by the Energy Community Secretariat (the Secretariat) taking into consideration :
 - The need for achieving the objectives of the Energy Community as defined by the Treaty establishing the Energy Community (the Treaty; EnC Treaty);
 - The need to follow the periodical tasks explicitly indicated by the Treaty, and to assist operationally the Contracting Parties in the process of fulfilling the Treaty requirements;
 - The status of development of the energy sectors of the Contracting Parties as well as their specific objectives;
 - The development and implementation of the EU energy policy as a background for cooperation among the Contracting Parties along the requirements of the Treaty.

For ease of reference, a summary of the activities in the Work Programme has been prepared in a table format (**Attachment 1**).

2. The Work Programme proposal covers the period 2008 – 2009 as to reflect the relevant link between the Work Programme and the budget of the Energy Community; following the requirement of Article 74 of the Treaty, the budget shall be adopted on biannual basis. Deliverables and respective time line are also noted on indicative basis.
3. The Work Programme does not explicitly focus on the provision of administrative support to the institutions under the Treaty via the organization of their regular

- meetings). However, the issue is covered in the Chapter on Cross-Cutting Activities.
4. The Work Programme indicates mostly operational activities of the Secretariat. However, this is being done with the understanding that – further to its tasks following from the Treaty – the Secretariat shall follow the guidance of the Ministerial Council and the PHLG. Besides, involvement of the other institutions of the Energy Community in the process of its performance shall be expected.
 5. The Work Programme envisages wide range of deliverables by the Secretariat . Technical assistance by the Secretariat to the Contracting Parties and preparation and presentation of reports, option papers, position papers, policy papers etc. (called further “reports”) shall be the main tools in this direction.
 6. On this ground, the current proposal has been prepared as to be presented to the Permanent High Level Group for endorsement and subsequent presentation to the Ministerial Council for consideration and eventual adoption.

B. CONCEPT OF THE WORK PROGRAMME

In preparing the current Work Programme proposal, the Secretariat has taken also into account the following principles that relate to the overall efficiency of the Energy Community process:

1. Linking each activity to the implementation of the Treaty, and contributing to a defined output with measurable impact.

It is the intention of the Contracting Parties that the implementation of the Treaty is achieved, as foreseen; therefore, the pragmatic approach has been followed in the Work Programme, as to achieve concrete results not only in the area of transposition but also in the area of implementation of the Treaty requirements.

2. Enlarging the focus to strengthen activities in areas that were less developed in the 2006-2007 Work programmes, including investment promotion, environment, renewables and competition, energy efficiency and social issues.
3. Targeting the regional perspective, while monitoring and supporting developments in line with the Treaty at national level.

It is assumed that regional results along the objectives of the Treaty can hardly be achieved without adequate preparation on national level. Therefore, the monitoring process will further play important role in the implementation of the Work Programme.

4. Building capacity and raising awareness within the Contracting Parties, through training on issues related to the implementation of the Treaty as well as to the wider objective of creating the regional energy market.

The current experience indicates necessity of such an approach as to achieve common understanding and implementation of the rules of the Treaty and the related *Acquis*.

5. Using mostly the human resource of the Secretariat – particular focus shall be paid to maximum support of the Contracting Parties by the Secretariat via providing technical assistance to them on the ground of their concrete needs. Missions on the spot shall be substantial, but not exclusive tool in this direction. Outsourcing shall be also used to the extent needed and agreed by the competent institutions.

However, it is hereby understood that the Secretariat, acting within the mandate, given by the Treaty, shall further rely on the guidance of the PHLG and the Ministerial Council and shall coordinate its activities with the ECRB and the Fora.

6. Following the requirements of Article 4 of the Treaty, the Secretariat shall rely on the guidance of the European Commission in the implementation of the Work Programme.

C. PRIORITY AREAS OF ACTIVITIES IN 2008 – 2009

The following key areas of activities are considered necessary to be further developed within the period, along the lines of the indicated background and the concept:

1. Activities of general nature towards the implementation of the Treaty
2. Electricity
3. Gas
4. ECRB Activities
5. Environment
6. Renewables
7. Competition
8. Security of Supply
9. Energy Efficiency
10. Investments
11. Social Dimension
12. Regional and Cross-border issues
13. Cross-cutting activities

The arrangement above does not reflect priorities within the relevant areas.

It is on this ground that the Work Programme has been developed from the point of view of its structure.

D. LIST OF PRIORITY AREAS AND ACTIVITIES IN THE WORK PROGRAMME

I. ACTIVITIES OF GENERAL NATURE TOWARDS IMPLEMENTATION OF THE TREATY

This part of the programme reflects ongoing activities, following the requirements of the Treaty as well as activities, which aim at creating general framework facilitating the Treaty implementation.

The key task is to provide objective information as a background of relevant decisions by the competent Energy Community institutions as well as to facilitate the necessary steps by the Contracting Parties allowing adequate implementation of the Treaty provisions.

1. Ongoing activities

A particular attention is paid to the regular reporting as to reflect the proper implementation of the Treaty. Further to its explicit requirements (e.g. Articles 52, 67), the Ministerial Council also has identified the issue of the monitoring process for following the obligations under the Treaty to be of crucial importance (e.g. Conclusion 7 of the Ministerial Council meeting on 29th June 2007).

In this aspect, the relevant analytical work of the legislative framework of the Contracting Parties has been also explicitly envisaged as a follow-up of the already established traditions in this aspect.

Therefore, the following concrete activities are planned:

- Review of the proper implementation of the Treaty by the Parties in accordance with Article 67 b

Deliverables: Periodical and annual reports based on the agreed roadmaps, national plans and findings on the ground of the benchmarking of electricity and gas sectors. Further, explicit information on the implementation of the primary legislation in compliance with the Acquis shall be targeted.

Time line: The annual reports shall be presented at the Ministerial Council meeting in the second half of the relevant year and the periodical reports – in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

- Technical assistance by the Secretariat to the Contracting Parties to prepare or update national primary energy legislation for compliance with the Treaty (upon request of Contracting Parties).

Deliverables: Opinions and recommendations to the Contracting Parties.

Time line: Operationally agreed with the Contracting Parties.

- Monitoring of the elaboration and respective development and implementation of secondary legislation, including market rules

Deliverables: The findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

2. Activities to facilitate the Treaty implementation

- In this area, explicit focus is envisaged in relation to development of a common concept for energy statistics for the purposes of the Treaty.

Deliverables: A unified approach towards collecting needed information as to facilitate effectively the decision making process. This will allow efficient operation with available data among all Parties. At this stage, there is no single mechanism for collecting and processing data for the needs of the Energy Community and taking adequate decisions requires such unified approach.

Time line: The Work Programme planning proposal envisages that this might be completed by the first half of 2009. When developing the approach towards energy statistics, the EU experience shall be used as a key background.

- Further, concrete steps towards implementation of the Generally Applicable Standards of the European Community as adopted by the Ministerial Council (Conclusion 2, Annex 1 point 6 – Ministerial Council meeting on 29th June 2007) are planned. This concerns development of national plans for bringing the Contracting Parties' Network Energy Sectors into line with the Generally Applicable Standards of the European Community and their consequent implementation.

Deliverables: Developed national plans, prepared by the Contracting Parties. The Secretariat shall provide technical assistance in this direction.

Time line: The Treaty (Article 22) indicates that these should be developed by June 2008.

- Besides, following the guidance of the Ministerial Council (Conclusion 4, Ministerial Council meeting on 29th June 2007), analysis of establishment of dispute settlement mechanism is envisaged.

Deliverables: The Secretariat shall prepare a report with analysis of the possibility to establish dispute settlement mechanism and proposal for options for such mechanism.

Time line: June 2008.

- Technical assistance to the Observers (without Norway) in the process of integration in the Energy Community.

Deliverables: The Secretariat, under the guidance of the European Commission, shall provide technical assistance to the Observer countries as to support them to follow the Treaty requirements. In this aspect, particular focus on identification of the key areas of necessary assistance on the ground of the main requirements of the Treaty shall be paid. The findings shall serve for planning and performance of concrete activities .

Time line: subject to concrete elaboration within the Programme period.

- Further, following Article 24 of the Treaty, concrete measures shall be considered as to support the implementation of the *acquis* via identification of the adequate correspondence of institutions under the relevant legislative acts, the existing institutions in the Contracting Parties and those under the Treaty. On the ground of concrete analysis, draft measures shall be proposed by the Secretariat for consideration by the competent Energy Community institutions.

Deliverables: Concept paper and draft of necessary measures shall be developed by the Secretariat.

Time line: first half of 2008.

Human Resources and Budgetary aspects

The activities on this part of the Work Programme envisage mainly involvement of the Secretariat's staff.

This refers explicitly to the legal, electricity, gas and infrastructure experts. The process is ongoing throughout the discussed period.

Envisaging specific resources on development of the energy statistics approach might be considered and respectively proposed to the competent Energy Community authorities.

Human Resources¹

Staff Months

19

¹ At the day of finalizing the draft Work Programme (07.09.2007), any reference to the Staff Months does not reflect involvement on the ground of the ECRB Work Programme 2008-2009. Further, in principle the assumptions of the staff-months distribution shall be considered indicative and approximate. These are based on 12 months involvement of each member of the staff per annum.

II. ELECTRICITY

This part reflects the tasks of the Secretariat related to monitoring on the implementation of the Directive 2003/54/EC, the Regulation 1228/2003/EC, the Directive 2005/89/EC and on the legal aspects of electricity market liberalization in the Energy Community as contemplated by the Treaty. The relevant findings shall be the background of concrete technical assistance by the Secretariat to the Contracting Parties as to help them achieve the implementation of the acquis.

This part also reflects the scope of activities of the Secretariat related to providing technical assistance to the Contracting Parties in the development and integration of the electricity market.

1. Monitoring activities

Related to the monitoring activities, the Secretariat will continue the benchmarking on the institutional, legal and regulatory framework in the Contracting Parties having in view the following aspects:

- Institutional organization of the electricity sector:
 - institutional framework as related to the overall market structure, regulatory authority, competition authority, policy making institutions, as well as the customer structure and customer protection authority;
- Public service obligation and customer protection:
 - considered as a set of legal and regulatory measures related to market instruments on the one hand and policy measures, priorities and incentives on the other, aimed for universal and secured supply of electricity to the consumers;
- Provisions related to monitoring the security of electricity supply:
 - overall institutional, legal and regulatory framework related to this issue;
- Technical rules:
 - related to availability of transmission and/or distribution grid code, electricity metering code, conditions for electricity supply, market rules and other corresponding secondary legislation;
- Provisions for construction of new electricity infrastructure:
 - provisions in the primary and secondary legislation related to conditions, authorizations and administrative procedures for new generation and transmission capacity construction as well as for granting concessions on primary energy resources, connection to the grid and access to the

market, as well as overall investment, procurement and taxation conditions;

- Unbundling provisions and access to the accounts:

provisions in the legislation related to the financial, legal, and technical unbundling of the electricity industry;

- Third party access provisions:

provisions related to any third party access to the transmission and distribution networks;

- Market opening provisions:

any legal and administrative conditions applied on a consumer for granting its access to the free electricity market and/or free selection of the supplier;

- Cross-border trade conditions:

applied administrative, commercial and regulatory conditions related to the rights of use of interconnecting transmission capacities and participation in the cross-border market.

2. Market related activities

In addition to the monitoring and benchmarking of implementation of the Acquis, The Secretariat will focus its activities on reviewing the state of play and providing technical assistance to the Contracting Parties in the process of development and integration of the electricity market, mainly within the scope contemplated in the Road Maps as agreed at the Ministerial Council in November 2006. This will include primarily the following activities:

- Support and review the elaboration and subsequently implementation of the rules for the market design;
- Assist and review the development and the application of provisions for the wholesale market;
- Assist and review the development and the application of provisions for the retail market;
- Support and review the development of tariff methodologies provisions and the subsequent implementation of these provisions;
- Assist and review in co-operation with ECRB the development and subsequent implementation of rules for market integration.

The data shall be acquired mainly through contacts with the relevant stakeholders, including via missions to the Contracting Parties.

Deliverables: Technical assistance to the Contracting Parties shall be provided by the Secretariat. Further, the findings of the reviews shall be reflected in reports concerning the implementation of the Treaty and/or specific benchmarking and other Energy Community progress reports.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

3. Human Resources and Budgetary aspects

The activities on this part of the Work Programme envisage involvement mostly of the Secretariat's staff. This refers explicitly but not exclusively to the electricity experts. However, support shall be provided also by the gas and infrastructure experts, especially for projects, which might be financed under the Kyoto Protocol's flexible mechanisms.

Total Human Resources

| | |
|--------------|----|
| Staff Months | 31 |
|--------------|----|

III. GAS

This part reflects the tasks related to monitoring and reporting on implementation of the Directive 2003/55/EC as well as on the general aspects of the process of gas market liberalization in the Energy Community

1. Activities in Gas

In this respect the Work Programme will focus – in accordance with the Road Maps, adopted at the Ministerial Council in November 2006 - on the following aspects:

- Continuation of monitoring process on the implementation of the primary legislation (Directive 2003/55/EC)
- Support and review on the elaboration and subsequently implementation of the rules for the market design;
- Assist and review the development and the application of provisions for the wholesale market;
- Assistance and review the development and the application of provisions for the retail market
- Support and review the development of tariff methodologies provisions and the subsequent implementation of these provisions
- Assist and review in co-operation with ECRB the development and subsequent implementation of rules for market integration (beside Regulation 1775/2005/EC)

Deliverables: The Secretariat shall provide technical assistance to the Contracting Parties. Further, the findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

2. Human Resources and Budgetary aspects

2.1 The activities on this part of the Work Programme envisage involvement mostly of the Secretariat's staff. This refers explicitly but not exclusively to the gas experts. However, substantial support might be also provided by the ECRB section of the Secretariat. Further, substantial co-operation will be needed between electricity and gas experts in particular in the interrelation with gas fired power plants.

Total Human Resources

Staff Months

33

IV. ECRB ACTIVITIES

Creation of a stable regulatory and market framework is one of the key tasks of the Treaty. Further focus is the establishment of a single regulatory space for trade in Network Energy. Thus, the national regulators and the ECRB as a specific Energy Community institution have leading role for the achievement of these goals. This requires further active cooperation among the national regulatory institutions in the process of development of the energy market on national and regional level via harmonized approach along the lines of the Treaty.

Therefore, the Work Programme shall incorporate specific part of activities, which ECRB shall perform towards achieving the objectives of the Treaty. These activities – as indicated in the ECRB Work Programme - shall be considered as integral part of the Work Programme of the Energy Community (see **Attachment 2**).

Total Human Resources

| | |
|--------------|----|
| Staff Months | 22 |
|--------------|----|

V. ENVIRONMENT

1. Activities

The indicated tasks in this part of the Work Programme are based on the explicit requirements of the *Acquis* as envisaged by the Treaty (Article 16).

Thus, following the deadlines for the implementation of the relevant elements of the environmental *Acquis*, concrete activities for each of them have been envisaged.

Reviews of implementation

The activities in this aspect are related to the following reviews concerning:

- Adoption of the (Directive 85/337/EEC) and its amendments in each Contracting Party;
- Adoption and proper implementation of Article 4(2) of Directive 79/409/EEC of 1979 on conservation of wild birds in each Contracting Party;
- Preparation for proper and timely implementation of Directive 1999/32/EEC relating to a reduction of the sulphur content of certain liquid fuels;
- Measures undertaken by Contracting Parties to draw up programmes for progressive reduction of total annual emissions from existing plants, and the steps concerning limitation of emissions of certain pollutants into the air from large combustion plants (Directive 2001/80/EC);
- State of play with the adoption of the Council Directive 96/61/EC concerning integrated pollution prevention and control;

Deliverables: Technical assistance shall be provided by the Secretariat to the Contracting Parties. The findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

In general, the work on environmental issues within the Energy Community has to get substantial impetus. Therefore, in parallel with the concrete activities concerning the implementation of the relevant *Acquis*, the Work Programme envisages explicitly training of representatives of the Contracting Parties in the area.

Deliverables: Workshops for governmental officials.

Time line: One workshop per year (concrete time frame to be specified).

2. Human Resources and Budgetary aspects

2.1. The activities on this part of the Work Programme envisage involvement mostly of the Secretariat's staff. In the absence of an expert on environment within the staff, the relevant technical assistance and other tasks will be covered by electricity experts, gas experts, and infrastructure expert, especially in regard to the Directive 1999/32/EEC and Directive 2001/80/EC; a link between power plants rehabilitation projects and the use of Kyoto Protocol's flexible mechanisms in co-financing projects will be also monitored.

2.2. In parallel, there is a need for outsourcing specific **study** - update of the study „Regional Energy Approach in West Balkans – environmental *Acquis* 2004“. Thus, via allocation of other resources out of the Secretariat, available knowledge in relation to the implementation of the environmental *Acquis* can be updated via the Treaty perspective. The key task will be – on the ground of the collected information – to identify the readiness of the Contracting Parties to follow the Treaty requirements and to identify needed measures in due time. Benchmarking scheme shall be also developed. Training on the issue, envisaged in the Work Programme, might be included within the project.

The estimated costs are 50 000 Euros, including a training session.

The study shall be developed in 2009.

Total Human Resources

| | |
|--------------|----|
| Staff Months | 23 |
|--------------|----|

VI. RENEWABLES

1. Activities

In the area of renewables, the Work Programme envisages steps by the Secretariat to support the Contracting Parties in relation to implementation of the *Acquis* as it stands in the Treaty (Article 20). Particular focus will be put on the continuation of the activities undertaken till now – the implementation of the Plans of the Contracting Parties, building on the results of the *Report on the implementation of the Acquis on renewables in the Energy Community* (September 2007) prepared by the Energy Institute HRVOJE POZAR, Croatia.

Thus, in this relation the Work Programme envisages the following major tasks:

- Supporting a harmonized approach with regard to the development of the plans of the Contracting Parties – taking the specifics of the relevant Contracting Party into account – at the same time focusing on the regional approach; in parallel, harmonization in terms of the intended time schedule in order to follow the core intentions of the Treaty shall be targeted thus gain fully the benefits of the regional approach.

Deliverables: The Secretariat shall provide technical assistance to the Contracting Parties in development of their plans. Further, it shall report to the PHLG on the outcome.

Time frame: 2008.

- Monitoring and Assistance to the Contracting Parties with respect to the endorsed Plans for the implementation of Directive 2001/77/EC on the promotion of electricity produced from renewable energy sources in the internal electricity market.

Deliverables: Technical assistance to the Contracting Parties by the Secretariat. Annual and periodic reports on the implementation of the Treaty and operational support shall be also developed.

Time frame: Technical assistance shall be provided within the Programme period upon request. The information shall be presented with the relevant annual and periodical reports on the implementation of the Treaty.

- Monitoring and Assistance to Contracting Parties with respect to their plans for the implementation of Directive 2003/30/EC on the promotion of the use of biofuels or other renewable fuels for transport.

Deliverables: Technical assistance to the Contracting Parties by the Secretariat. Annual and periodic reports on the implementation of the Treaty and operational support shall be also developed.

Time frame: Technical assistance shall be provided within the Programme period upon request. The findings shall be presented with the relevant annual and periodical reports on the implementation of the Treaty.

- Organization of training on key requirements of Acquis Communautaire, which is part of the Treaty, in relation to renewables.

Deliverables: Workshops for governmental officials.

Time line: One workshop within the second half of 2008.

- Assistance to the Contracting Parties in relation to the usage of the Flexible Mechanism under the Kyoto Protocol. This shall include activities, related to capacity building for project preparation. The Secretariat shall prepare a concept to the approach, however, targeting not only the Contracting Parties, which have ratified the Kyoto Protocol, but also those which still have not done it. Further, although the accession to the Kyoto Protocol is not mandatory under the Treaty (Article 13), the Secretariat shall support this process for the Contracting Parties, which have not ratified it yet.

Deliverables: Technical assistance by the Secretariat to the Contracting Parties. Workshops for governmental officials concerning best practices.

Time line: One workshop within the first half of 2009.

2. Human Resources and Budgetary aspects

The activities on this part of the Work Programme envisage substantial involvement of the Secretariat's staff.

This refers to experts from different areas of the Secretariat, namely legal, electricity and gas experts for the bio-fuels Directive, as well as infrastructure expert, in relation with to support schemes for construction of new power plants, based on renewable energy.

Further work to reflect the implementation of the national plans and the insufficient development of the issue of renewables in the Contracting Parties shall be considered on the ground of the performance within 2008. This shall reflect in particular the needs of the Contracting Parties concerning the implementation of concrete Treaty requirements. Relevant training in this respect shall be also considered.

Total Human Resources

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|--------------|----|
| Staff Months | 25 |
|--------------|----|

VII. COMPETITION

1. Activities

In the area of competition, the Work Programme envisages operational steps towards monitoring of the institutional legislative framework of the Contracting Parties for correspondence with Article 18 of the Treaty.

- Thus, the monitoring of the legislative framework of the Contracting Parties in relation to trade of Network Energy shall focus on identifying the (non)availability of rules which might prevent, restrict or distort competition and analysis of the existing rulings on public aids from the perspective of the energy sector. Relevant technical assistance shall be provided by the Secretariat to the Contracting Parties as to support their efforts towards enforcement of rules in accordance with the *acquis* under the Treaty.

Deliverables: Technical assistance by the Secretariat to the Contracting Parties. The findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

- Training in relation to the application of the relevant *Acquis* is also envisaged. One workshop shall be envisaged.

Deliverables: One workshop.

Time line: Second half of 2008.

2. Human Resources and Budgetary aspects

2.1 The activities on this part of the Work Programme envisage involvement of the Secretariat's staff (its legal, electricity, gas and infrastructure experts).

2.2 Further, an outsourcing of a detailed **study** in relation to competition is being envisaged for 2009. The study shall focus on identification of key price distortions on the ground of benchmarking of end user prices for electricity and gas. Availability of cross subsidies, state aid, abuse of dominant position shall be investigated. Respective mechanisms shall be recommended as to overcome these.

The study shall start in 2009 with the assumption that till then the key legislation in relation to competition is in place and shall be applicable. Its overall budget is estimated to be 100 000 Euros. The project shall comprise also a training scheme.

Total Human Resources

Staff Months 30

VIII. SECURITY OF SUPPLY

1. Activities

Reflecting one of the key tasks of the Energy Community and having concrete practical implications for all Contracting Parties, the issue of Security of Supply finds substantial coverage in the Work Programme.

Therefore, in this relation the Work Programme focuses on several key directions:

1.1 Collection of update information to be basis for adequate decision making

- In this relation, the Secretariat shall undertake further steps towards introduction of a register and information mechanism about safeguard measures, undertaken by Parties in case of crisis on the network energy market. The aim is to provide regular information flow as basis for adequate decision making process. This will be done on the ground of the proposals, which have been already prepared by the Secretariat.

Deliverables: Finalization of a Register.

Time line: First half of 2008.

- Further, the Secretariat shall assist the Contracting Parties in the preparation and the review of the Statements on Security of Supply in accordance with Article 29 of the Treaty.

Deliverables: Statements on Security of Supply.

Time line: Second half of 2009.

- Yearly training activities for governmental officials in this relation shall be organized as to identify and cope with open issues on national and regional level.

Deliverables: One workshop per year.

Time line: Second half of 2008 and 2009.

1.2. Following a decision of the Ministerial Council (Conclusion 8, Ministerial Council meeting on 29th June 2007), the Work Programme envisages steps towards implementation of several key directives related to the issue of security of supply in the area of electricity and gas; this refers both to adoption and implementation, as well as to the relevant institution building in the Contracting Parties, which shall provide objective conditions for the proper implementation of the acquis.

These activities shall cover:

- Directive 2005/89/EC concerning measures to safeguard security of electricity supply and infrastructure investment;
- Directive 2004/67/EC concerning measures to safeguard security of natural gas supply;
- Regulation 1775/2005/EC on conditions of access to the natural gas transmission networks.

The focus of activities will be related to assisting the Contracting Parties in development of plans for implementation of this part of the acquis as well as for the implementation activities themselves. Further, monitoring shall be provided.

In parallel, development of a concept for institution building under the above mentioned directives is respectively envisaged.

Deliverables: Technical assistance by the Secretariat to the Contracting Parties for the above mentioned activities. Further, regular reviews shall be performed - the findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty. A respective study shall be developed.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council and the requests of the Contracting Parties.

1.4 Further, taking note of the importance of the Mutual Assistance Obligation, next steps in this direction shall be at the attention of the Energy Community under the explicit guidance of the European Commission.

Deliverables: Annual reports to the PHLG.

Time line: 2008 and 2009.

2. Human Resources and Budgetary aspects

The activities on this part of the Work Programme envisage mostly involvement of the Secretariat's staff (its legal, electricity, hydrocarbons experts and infrastructure experts).

Some technical assistance on a broader scale might be also considered and eventually proposed to the competent institutions for decision.

Human Resources

Staff Months

32

IX. ENERGY EFFICIENCY

1. Activities

There is no explicit acquis on Energy Efficiency in the Treaty. However, the Treaty (Article 35) envisages the possibility of developing measures in this relation. Further, the PHLG (Conclusion 7 of the PHLG meeting on 28th June 2007), supported by the Ministerial Council, noted the importance of the topic and requested further steps in this direction.

Therefore, the Work Programme envisages concrete steps towards targeting the issue of Energy Efficiency in the following main areas :

- Setting up a Task Force (concept to be approved by the PHLG) in order to involve Contracting Parties in developing Energy Efficiency Plans in Contracting Parties

The Secretariat has formally proposed a concept in direction establishment of a Task Force on Energy Efficiency within 2007. On the ground of the agreed approach, next steps shall be undertaken in this direction. The Secretariat, providing operational support to the Task Force, shall contribute to putting Energy Efficiency measures into practice along the line of the agreed framework.

- Raising public awareness and building capacity for energy efficiency;
- Tracking energy efficiency initiatives and programmes financed by different donors, as well as financing facilities offered by international financial institutions and publicize the information to Contracting Parties;
- Promoting a dialogue among policy makers, regulatory authorities, utilities, energy end -users associations on obstacles to energy efficiency and actions needed to improve the energy intensity;

This will relate to the following concrete elements of attention in the work:

- a. Dissemination of best practice;
- b. Training on the ground of EC experience and on the ground of the best practice;
- c. Harmonization of statistics (based on Eurostat and IEA methodologies);
- d. Institution building;

The Secretariat shall be also supportive to the Contracting Parties, which shall consider developing detailed national action plans for the improvement of energy efficiency. This will also include particular attention to popularization of effective steps towards demand side management.

Deliverables:

- Follow-up of the Decision of PHLG (to be taken in 2007) and of the Task Force;
- One workshop for governmental officials

Time line: 2008 - 2009

2. Human Resources and Budgetary aspects

The activities on this part of the Work Programme envisage involvement mostly of the Secretariat's staff (mostly its legal, electricity experts and gas experts).

To the extent needed, the Secretariat might propose for relevant consideration expansion of the activities via outsourcing.

Human Resources

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|--------------|----|
| Staff Months | 24 |
|--------------|----|

X. INVESTMENTS

1. Activities

Considering the large need for new infrastructure to sustain the regional market, the issue of investments requires special attention of the Energy Community. This Work Programme focuses further on it, aiming at:

- Finalizing the list of criteria for projects of regional value, and respectively the list of priority projects in energy infrastructure to sustain the regional market development;

Deliverables: Report of the Secretariat to PHLG.

Time line: First quarter of 2008.

- Supporting project development, monitoring and reporting on progress status of priority projects;

Deliverables: Yearly report by the Secretariat.

Time line: 2008-2009.

- Preparing Contracting Parties' reviews of the investment climate and market structure; identifying barriers and deficiencies in the market reform that are hampering investments and making recommendations to the Contracting Parties to reduce these;

Deliverables: On spot reviews by the Secretariat; the findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

- Organizing training workshops for the Contracting Parties on development, and presentation of infrastructure projects, with a focus on different aspects of financing energy projects, taking the Kyoto Protocol mechanism and subsequent provisions – if any- into account thus aiming at promotion of regional cooperation in the energy sector through raising awareness and publicizing best practices and successful models

Deliverables: Workshops.

Time line: Annually.

- Organising an Energy Community Investment Conference each year, to discuss progress and review challenges and obstacles in financing and implementing energy infrastructure projects;

Deliverables: Conference

Time line: Annually

These activities organized and/or done by the Secretariat shall contribute within the Programme period to development of concrete infrastructure projects.

In this aspect, the Secretariat shall also continue providing operational support to the Donors' Community.

2. Human Resources and Budgetary aspects

The activities on this part of the Work Programme envisage involvement of the Secretariat's staff.

Human Resources

Staff Months

37

XI. SOCIAL DIMENSION

1. Activities

As experience shows, social aspects are accompanying the energy sector's reforms and consequently, the Work Programme contains concrete proposals in this direction as well. The focus of the current Work Programme is on institutionalizing the issue within the political guidance and consequent steps towards addressing:

- the socio-economic impacts of the energy sector reforms in SEE;
- development of strategies to deal with the social dimension of the energy sector reforms;
- improvement of the dialogue with the social partners;
- the need for better knowledge and understanding of the social aspects within the Contracting Parties.

In this relation, the Secretariat will focus on the following concrete activities:

- Support to the Establishment of a Social Forum (understood as events within the Social Dimension of the Energy Community) in line with the Memorandum of Understanding on Social Issues in the context of the Energy Community;

Deliverables: Organizational Work of the Secretariat.

Time line: 2008.

- Assistance to the Contracting Parties and monitoring for the implementation of Article 3 of Directive 2003/54 EC and Article 3 of Directive 2003/55 EC.

Deliverables: Technical assistance by the Secretariat to the Contracting Parties. In parallel, reviews on the implementation shall take place - the findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

- Support to the Contracting Parties for implementing strategies to deal with the wider social dimension covering issues of affordability, energy poverty, district heating reform, rural distribution, isolated systems and societal impacts of reforms, as they are proposed by the European Commission;

Deliverables: The Secretariat shall consider and propose to the PHLG concept for an approach for development strategies in this aspect. Consecutive support by the Secretariat to the Contracting Parties – to the extent needed and requested – shall be provided.

Time line: Second half of 2008 for the concept; operational assistance on the implementation.

- Support to the Contracting Parties for the introduction of mechanisms for information and consultation of the social partners for the monitoring of the implementation of the Energy Community and its effects.

Deliverables: The Secretariat shall consider and propose to the PHLG concept for information mechanism in this aspect.

Time line: The first half of 2008.

- Organization of training workshops on the key requirements of the scope of the social dimension – and for the dissemination of good practices and sharing experience (including those highlighted within the proposed study).

Deliverables: Workshops.

Time line: Annually.

2. Human Resources and Budgetary aspects

2.1 The activities on this part of the Work Programme envisage involvement of the Secretariat's staff (its infrastructure, legal, electricity and gas experts, ECRB Section).

2.2 Further options for analysis of the socio-economic impacts of energy sector reforms in the SEE shall be considered and proposed by the Secretariat to the PHLG for consideration (key elements of its scope - general economic indicators of the economies in the region as a starting point; focus on job losses/increase due to restructuring of the sector; impact of privatization on prices etc.).

Human Resources

Staff Months

23

XII. REGIONAL AND CROSS-BORDER ISSUES

1. Activities

Taking into consideration the role of development, establishment and application of common approach of the Parties to the Treaty towards cross-border solutions, the Work Programme focuses also on:

- Steps towards implementation of coordinated mechanism for cross-border electricity and gas trade and transmission of Network Energy.

Deliverables: Development of list of criteria for coordinated auction office (by the Implementation Group created by ECRB and TSOs).

Time line: Second quarter of 2008.

- Steps towards development of Regional Market Design in the sense and in the scope of the Treaty, thus ensuring compatibility of market designs for the operation of gas and electricity markets.

Deliverables: Establishment of national market rules on compatible basis with the regional approach of the Treaty.

- Development of a concept for Regional Market Design in the scope of the Treaty's requirements.

Time line: Second half of 2008.

- Preconditions and other practical issues towards efficient development of the market (prohibition of customs duties and quantitative restrictions in particular).

Deliverables: The findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

- Effective implementation of Regulations 1228 and 1775.

Deliverables: Technical assistance to the Contracting Parties shall be provided by the Secretariat. Further, reviews shall be performed - the findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

- Steps towards mutual recognition of licenses and fostering free establishment of electricity gas companies

Deliverables: The Secretariat and ECRB shall prepare analysis on the approach. Consequent recommendations shall be made.

Time line: Second half of 2008.

2. Human Resources and Budgetary aspects

The activities on this part of the Work Programme envisage involvement of the Secretariat's staff (its infrastructure, legal, electricity and gas experts, ECRB Section).

Coordination with ECRB is considered essential.

Human Resources

| | |
|--------------|----|
| Staff Months | 53 |
|--------------|----|

XIII. CROSS – CUTTING ACTIVITIES

The cross – cutting activities include especially the organization of the meetings of the institutions set under the Treaty and concern the Ministerial Council, the PHLG, the ECRB, the Athens Forum (electricity), the Maribor Forum (gas), events in the context of the Social Dimension of the Energy Community.

These also include all the other events (conferences, training workshops, regional meetings, etc.) organized by the Energy Community Secretariat within the scope the key areas of activity, and which are described under each Section, as necessary.

Deliverables: Event management.

Time line: 2008 – 2009.

Human Resources

The activities on this part of the Work Programme envisage involvement of the Secretariat's staff. Further to the involvement of the relevant experts in relation to the topics under discussion, the work of the Administrative and Financial Unit and the Legal Counsel will be essential.

The Administrative and Financial Unit shall have responsibilities in the area of budgeting and financial administration, human resources, Information Technology, as well as for various activities, related to the everyday office management.

Thus, the performance of the Work Programme requires respective proper coordination between the Administrative and Financial Unit and the other units of the Secretariat. This coordination shall be also the basis for efficient operational control over the budget expenditure in the best terms in accordance with the established rules as to achieve most effective performance of the Work Programme. Therefore, the functions of the Administrative and Financial Unit towards proper financial planning shall be of crucial importance for the Work Programme's performance.

Besides, the Administrative and Financial Unit shall have leading role to the overall range of issues to be covered in relation to the administrative preparation of Energy Community events.

In addition to his involvement in the administrative preparation of the relevant events, when intervention on legal matters is necessary, the Legal Counsel shall have also the responsibility of providing legal analysis of the energy policy documentation, which shall be subject to discussion within the events.

Further, Legal Counsel's main responsibility shall be to provide legal support to the Energy Community as well as to all units of the Secretariat on issues related to the interpretation and application of the Treaty establishing the Energy Community and the related procedural acts. As this includes both substantive and procedural issues, it is

evident that many of these issues will require significant input from legal point of view within the budget period 2008-2009.

The Legal Counsel shall also provide legal advice in relation to the Secretariat's daily operation, including procurement procedures.

Staff Months

32

E. CONCLUSION

The proposed Work Programme aims at supporting the process of achieving the objectives of the Energy Community as defined by the Treaty. It has been developed with the understanding that its efficient implementation will need combined efforts of the Contracting Parties and all the institutions of the Energy Community.

The Work Programme aims at identifying the major activities, which correspond to the Treaty requirements. It also takes note of the respective acquis under it in correspondence with the tasks, which the Treaty provides for the Contracting Parties in relation to their implementation.

However, in case of necessity of development of other activities, which are identified in the Treaty but not via a specific list of acquis, respective amendments might be considered. This, e.g. concerns the oil dimension, for which concrete reference has been made in the Preamble of the Treaty. Thus, should it be so decided on the ground of Article 100 (iii) of the Treaty that it will be extended to other energy products and carriers or other essential network infrastructures; this shall be respectively followed by development of concrete set of activities on the ground of the relevant decision.

It is on this ground that the Energy Community Secretariat proposes the presented draft of Work Programme of the Energy Community for the period 2008 – 2009.