

CONCLUSIONS

15th PERMANENT HIGH LEVEL GROUP MEETING

17 DECEMBER 2009, ZAGREB

1. The meeting was co-chaired by Mr. Boris Maksijan on behalf of Croatia as Presidency in office, and Mr. Fabrizio Barbaso for the European Commission.

AGENDA ITEM ONE – MINISTERIAL COUNCIL MEETING

2. The PHLG took note of the information, provided by the Secretariat, concerning the preparation and logistics on the Ministerial Council meeting on 18.12.2009.
3. The Secretariat explicitly recalled those agenda items, on which the ministers shall be invited to provide their concrete views (item 2 - Accession of new Contracting Parties), item 5 - Security of supply and item 8 – CAO).
4. The European Commission presented the position of the European Union as regards the accession of Ukraine and the Republic of Moldova in the light of the letter sent to the Contracting Parties on 9 December 2009.

AGENDA ITEM TWO – IMPLEMENTATION OF THE WORK PROGRAMME 2008-2009

5. The PHLG welcomed the Secretariat's oral report on the implementation of the Energy Community Work Programme.

AGENDA ITEM THREE – IMPLEMENTATION OF THE TREATY – KEY OPEN ISSUES

6. The PHLG took note of the report and the presentations, prepared by the Secretariat, outlining the current situation and the outstanding issues for each of the Contracting Parties. As a key summary conclusion, it has been noted that the differences between the Contracting Parties in the process of implementation of the different acquis elements tend to widen. Although on political level the process benefits from unanimous support, the major differences appear in operational implementation of specific areas of the Acquis which are sometimes crucial for securing the energy supplies or for effective development of competitive energy markets pursuant to the Treaty.
7. The PHLG took note of the ongoing activities on upgrading the primary legislation in Albania, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and

UNMIK, and encouraged these and the other Contracting Parties which are considering such activities or need to do so to double their efforts and bringing their legal and regulatory framework in full compliance with the Acquis pursuant to the Treaty. The Secretariat is requested to continue supporting this process providing detailed comments on the submitted drafts of new legal / regulatory acts and providing corresponding assistance on the spot as applicable and as required by the Contracting Parties.

8. The PHLG recalled the obligation to implement the provisions of the Directives 2005/89/EC and 2004/67/EC on security of electricity and gas supply respectively, by the end of 2009. The Secretariat is invited to report on this matter on the second PHLG meeting in 2010.
9. PHLG also noted that the progress in practical implementation of the Treaty is moderate, especially regarding the effective liberalization of the energy markets which, except for Croatia, is practically at the same level from 2006. The Contracting Parties are strongly encouraged to consider measures for overcoming all existing obstacles and to introduce competitive relations in the end-user energy supply aimed to start achieving immediate practical results.
10. Further to that, Contracting Parties are encouraged to undertake all necessary measures and bilateral relations required to enable and support competitive wholesale energy trading both on local and on regional level including application of coherent and coordinated market-based instruments for transmission capacity trading on all borders in line with the acquis.
11. PHLG took note of the overall developments in securing the energy supply and support the Contracting Parties in their efforts to improve the quality of information and planning processes. PHLG underlined the importance of politically independent, safe and sustainable operation of the energy networks. Contracting Parties are encouraged to update their Security of Supply statements and reminded to include the influence of competitive markets on security of energy supply in their long-term planning and periodical balancing acts.
12. With regard to the competition acquis, the PHLG invited the Contracting Parties not yet having transposed the acquis on state aid to step up their efforts in this direction. The PHLG members will support and facilitate the work of the consultants performing during 2010 a study establishing a State aid inventory in the electricity sectors and evaluating the effectiveness of State aid control in the Contracting Parties.
13. With respect to the implementation of the acquis on environment, the PHLG welcomed the Secretariat's announcement regarding timely preparation of Directive 1999/32/EEC relating to a reduction of the sulphur content of certain liquid fuels as well as of Directive 2001/80/EC on large combustion plants. Each PHLG member will submit to the Secretariat by 31 January 2010 the coordinates of focal points in each Contracting Party in charge of the implementation of both Directives as well as for the reduction of greenhouse gas emissions respectively. The PHLG members will support and facilitate the work of the consultant performing during 2010 a study on greenhouse gas emissions from power generation in the Energy Community.
14. The PHLG was informed by the Contracting Parties on key undertaken steps and planned activities in relation to following the Treaty obligations. In addition, the Contracting Parties informed about the operational difficulties they face in the implementation process.

15. The Contracting Parties are invited to provide latest update information, concerning the report, not later than 20.01.2010.
16. The readiness of the Secretariat for continuing operational support to the Contracting Parties was again recalled. In this relation, the Contracting Parties were invited to consider their objective needs and to notify the Director of the Secretariat officially in writing about their requests of support for the first half of 2010 by 30 January 2010.

AGENDA ITEM FOUR – CAO DEVELOPMENT

17. The PHLG took note of the report of the CAO IG Chair on the status of preparation of the CAO Project.
18. Upon discussions, the PHLG recalled that the topic shall be subject to concrete focus during the Ministerial Council meeting and that clear political guidance on the next steps is necessary.

AGENDA ITEM FIVE – RENEWABLE ENERGY SOURCES

19. The PHLG took note of the report of the Chair of the RE TF on the RES related activities so far and on the progress of the Energy Community RES Study. It was recalled that the Contracting Parties will have the possibility to comment on the final report of the consultants as well as to discuss in depth all related details prior to eventual proposal to the MC for a concrete decision.

AGENDA ITEM SIX – ENERGY EFFICIENCY

20. The Secretariat – further to the previous conclusion of the PHLG (Conclusion 5/14th PHLG Meeting 24.09.2009) – informed PHLG that only one written statement was received from UNMIK, which refers to the open issues they need to consider in the context of adequate implementation of the proposed energy efficiency related directives.
21. The PHLG reviewed again the proposed draft Decision concerning the implementation of energy efficiency legislation (Directive 2006/32/EC on energy end-use efficiency and energy services, Directive 2002/91/EC on the energy performance of buildings and Directive 92/75/EEC and the implementing Directives on the indication by labeling and standard product information of the consumption of energy and other resources by household appliances) and decided to propose it to the Ministerial Council for adoption.

AGENDA ITEM SEVEN – INVESTMENTS

22. The European Commission informed the PHLG about the conclusions of the meeting of the Donors' Community, which took place on 17.12.2009,
23. The Donors highlighted the necessity to pursue with the implementation of the acquis, including, where necessary, along the lines of the dispute settlement procedure.

24. The PHLG reviewed the state of play on the development of priority infrastructure projects in the Contracting Parties and noted the undertaken steps during the year 2009.
25. The PHLG underlined that establishing interconnections remains outstanding priority.
26. The PHLG took note of the list of priority infrastructure projects and decided to propose to the upcoming Ministerial Council meeting to approve it as basis for consideration. The Contracting Parties are invited to provide only clarification comments by 20.01.2009.

AGENDA ITEM EIGHT – MUTUAL RECOGNITION AND HARMONIZATION OF LICENSES

27. The PHLG noted the presentation of the ECRB paper on mutual recognition and harmonization of licenses and requested to be informed on the next steps in this relation.

AGENDA ITEM NINE – MISCELLANEOUS

28. The Secretariat informed the PHLG on the first Energy Community Oil Forum as well as on the planned next steps related to the development of the Oil Dimension. The Secretariat was asked to present a report at the next PHLG meeting concerning the implementation of Article 41 of the Treaty in the oil sector.
29. PHLG took note of the Energy Community Event Calendar for 2010.
30. PHLG welcomed the work done so far in relation to statistics and noted the conclusions of the first workshop on statistics. The PHLG takes note of the importance of harmonized statistical data for market observation purposes and welcomes the ad hoc report produced by the Market Observatory for Energy as an example on how such data can be used to monitor market integration and market functioning.
31. The PHLG took note of the initial information on the assessment what it would need for the Contracting Parties to comply with the planned measures of the proposed new draft SoS Regulation (theoretical application). The results indicate a need for investments to fulfil the requirements stated in the mentioned draft proposal but these investments are planned – at least to a certain extend – anyway, hence regional co-operation might lower the costs and provide for those Contracting Parties which do not have a gas market at present probably a possibility for gasification. More detailed assessments are envisaged for the next PHLG meeting.
32. The PHLG took note of the information presented by the Secretariat on the appointed secondees.

Done in Zagreb on 17 December 2009

For the Presidency

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