

Minutes of the PECI/PMI MEETING –GAS&OIL GROUP, 27. May 2020

Meeting Via Webex: 10:00-12:00

Attendees:

Energy Community Secretariat: **Violeta Kogalniceanu (Chair), Adam Balogh, Davor Bajš**

European Commission: Adam Szolyak (DG ENER), Aleksander Vigne (DG ENER) Miguel-Angel Varela-Sanchez (DG NEAR)

Consultants: Borbála Takácsné Tóth, Péter Kotek, (REKK), Daniel Grote, Martin Paletar (DNV GL)

Country	Ministry	NRA	TSO
Albania	Ilia Gjermani	Maksim Shuli, Agim Nasikov	Lavinia Tanase-TAP
Azerbaijan			Kamran Huseynov-Socar Namik Aliyev- Socar Midstream
Bosnia and Herzegovina	-	-	Belma Filipovic BH-GAS
Bulgaria	-	-	Nikola Denev Bulgartransgas, Ms. Ionceva
Georgia		Revaz Geradze, Irakli Galdava Sopio Khozrevanidze	Davit Tsitsishvili- GOGC Teimuraz Gochitashvili- GOGC
Greece			Joseph Florentin- DESFA
Kosovo*	Ardi Shatri	Astrit Saraqini	-
Moldova	-	-	Viorel Zabolotnic- Moldovatransgaz
Montenegro	-	Zarko Djuranovic	-
Serbia	Biljana Ramic	Isidora Armus	Milan Zdravkovic- Srbijagas
North Macedonia	Goran Nikolovski	-	Violeta Spasova - NER
Ukraine	Oksana Plakhotniuk	Andriy Kozhevnykov	Anton Lazarevych- UATSO Oleksandr Sevchenko- Ukrtransnafta
Croatia			Florijana Djedovic- Plinacro
Romania	-	-	Ciprian Oniga- Transgaz
Turkey			Parviz Babayev- TANAP
Poland	-	-	Sergiy Skripra

Violeta Kogalniceanu from Energy Community Secretariat welcomes the Group and announces some basic technical rules of the meeting related to the online format and introduces the agenda. The main goal of the meeting is to agree on a preliminary list of PECI/PMIs to be proposed to the Permanent High Level Group PHLG and the Ministerial Council, who will take the political decision on the final list.

Project assessment was based on the methodology agreed on the second meeting. All assessments were based on project promoter input data and Ministry's input data and information received during bi-lateral follow-up rounds.

Public consultation got one answer for each project at least. An NGO network was the most active respondent, providing response to almost all the projects. The below table summarizes the received feedbacks:

Responses came to the following projects (# of responses):

- Gas_01 Interconnector BiH-HR North	1
- Gas_02 Interconnector BiH-HR West	1
- Gas_03 Interconnector BiH-HR South	1
- Gas_04b Interconnector Greece-North Macedonia	1
- Gas_08 Interconnector Serbia – Romania	1
- Gas_09 Interconnector Bulgaria-Serbia	1
- Gas_10 Interconnector Serbia-Croatia	1
- Gas_11 Interconnector Serbia-North Macedonia	1
- Gas_13 ALKOGAP	1
- Gas_16 IAP	1
- Gas_19 Whitestream	1
- Gas_22 SCPFX	1
- Gas_25 Trans-Balkan Bi-directional Flow	3
- Gas_26 North Macedonia–Kosovo* Interconnector	1
- Gas_27 Interconnector Romania – Ukraine	2
- Gas_28 TANAPX	1
- Gas_29 SCP Georgian Offtake Expansion for EU LNG Swap	1
- Gas_ST_01 – Dumrea Storage Albania	1

Replies came from an NGO Network for all (except ST_01); For Gas_25 additionally from integrated CE oil company and another company; For Gas_27 additionally from the company; For Gas_ST_01 from a freelance consultant.

- The NGO replies question the need for gas as a new source and the need for new gas infra (opposite of decarbonisation), especially when gas has not been part of the energy mix. It would also increase import dependency. Instead the use of renewables would be preferred and energy efficiency measures which provide higher security for energy supply. Investments in gas infra crowds out these investments.
- Oil company sees Gas_25 as beneficiary for market integration in SEE and access to new gas sources for UA and MD at relatively low cost.
- Gas_ST_01 would contribute to RES integration, market integration and creation of the market in AL and the wider region.

For oil projects, responses came to both Oil_01 Brody – Adamowo oil pipeline (4 replies), and Oil_02 Transportation of different crudes of oil via Southern Druzhba pipeline (6 replies) projects.

- The NGO network points out for both projects that the investment in oil infrastructure is against decarbonisation goals and diverts funds from RES development
- For Oil_01, the respondents agree on the project's contribution to the increase of SoS, market integration and competition.
- For Oil_02 the other respondents pointed out the following: mostly existing spare capacities would be used and harmonization of rules and operational regimes helps market integration, route diversification, competition and SoS, spreading know-how from and integration towards Europe.

Q Zarko Djuranovic: which NGO asked these questions? **Adam Balogh:** CEE Bankwatch, they agreed to disclose their participation.

Borbála Tóth (REKK) presented the modelling (CBA) results. All together in 2020 there were 29 projects submitted, 19 gas transmission ,1 storage. Less projects were analysed as two gas transmission projects were not jointly submitted: RS-ME and RS-BA, Albanian gas storage had data quality issues and 1 oil project did not meet infrastructure criteria. All other projects were assessed based on the agreed methodology: 18 transmission projects in a CBA MCA framework, the two oil projects were resubmissions and were assessed as last time based on submitted information screening.

Q&A session: Why is the Green scenario more expensive in Italy and in the Baltics? A: Demand assumptions based on PRIMES or TYNDP which are quite different are responsible for that.

Daniel Grote (DNV GL) is presenting the results of the multi criteria assessment. Points out that the difference between the scores serves the purpose to help relative ranking of the projects. He is explaining in depth the individual project results related to System Adequacy Index (SAI), Import Route Diversification (IRD) and also to the Project Implementation Progress (IPI) indicator. Based on the scoring and weighting the relative ranking resulted in the following projects meeting the general criteria of the regulation:

GAS_01	Interconnection Pipeline BiH-HR (Slobodnica-Brod-Zenica)
GAS_02	Interconnection Pipeline BiH-HR (Licka Jesenica-Trzac-Bosanska Krupa)
GAS_03	Interconnector BiH-HR (Zagvozd-Posusje-Travnik)
GAS_03a	Interconnector BiH-HR (Zagvozd-Posusje-Travnik)
GAS_04b	Gas Interconnector Greece – North Macedonia
GAS_10	Gas Interconnector Serbia-Croatia
GAS_10a	Gas Interconnector Serbia-Croatia Phase 2
GAS_11	Gas Interconnector Serbia – North Macedonia
GAS_13	Albania Kosovo* Gas Pipeline (ALKOGAP)
GAS_16	Ionian Adriatic Pipeline (IAP)
GAS_22	SCPFx
GAS_26	Gas Interconnection North Macedonia – Kosovo*
GAS_28	TANAPx
GAS_29	SCP Georgian Offtake Expansion for EU LNG Swap

Adam Balogh presents the proposal of the ECS secretariat for the preliminary list:

PROPOSED GAS PRELIMINARY PROJECTS LIST - PEICs and PMIs

Gas_29 - SCP Georgian Offtake Expansion for EU LNG Swap	PMI
Gas_10 - Interconnector Serbia-Croatia (Phase 1)	PMI
Gas_28_22_16 - Southern Gas Corridor Expansion	PMI
<ul style="list-style-type: none"> Gas_28 – TANAPX Gas_22 – SCPFX Gas_16 – IAP 	
Gas_26_13 – Supplying Kosovo* competing cluster	PECI
<ul style="list-style-type: none"> Gas_26 – North Macedonia–Kosovo* Interconnector Gas_13 – ALKOGAP 	
Gas_11_4b – Supplying North Macedonia competing cluster	PECI and PMI
<ul style="list-style-type: none"> Gas_11 – Interconnector Serbia-North Macedonia - PECI Gas_4b – Interconnector Greece-North Macedonia - PMI 	
Gas_01_03 – Supplying Bosnia and Herzegovina competing cluster	PMI
<ul style="list-style-type: none"> Gas_01 – Interconnector BiH-HR North (Slobodnica-Brod-Zenica) Gas_03 – Interconnector BiH-HR South (Zagvozd-Posusje-Travnik with branch to Mostar) 	
Gas_09 – Interconnector Bulgaria-Serbia (PCI) as a competing project with <u>TurkStream</u> expansion in Serbia (<u>Gastrans</u> project)	PECI

Summary

#	PECI	#	PMI
Gas_26_13	Supplying Kosovo* competing cluster	Gas_29	SCP Georgian Offtake Expansion for EU LNG Swap
Gas_11	Interconnector Serbia-North Macedonia – within the Supplying North Macedonia competing cluster	Gas_10	Gas Interconnector Serbia-Croatia
Gas_09	Interconnector Bulgaria-Serbia (PCI)	Gas_28_22_16	Southern Gas Corridor Expansion-TANAPX-SCPFX-IAP
		Gas_6b	Interconnector Greece-North Macedonia – within the Supplying North Macedonia competing cluster
		Gas_01_03	Supplying Bosnia and Herzegovina competing cluster

PROPOSED OIL PRELIMINARY PROJECTS LIST - PEICs and PMIs

Oil_01 - Brody – <u>Adamowo</u> oil pipeline (PCI)	PECI
Oil_02 - Transportation of different crudes of oil via Southern <u>Druzhba</u> pipeline	PMI

He ensured that assigning the PEIC or PMI label does not distinguish the project merits it more relates to the location of the project: PEIC label has to be used when a project connects two countries that are Energy Community Contracting Parties directly or if they connect a Contracting Party with an EU Member state on the condition, that the PCI label has already been awarded to that project. All other projects that are selected for the list are PMIs.

In the discussion part it was raised that the Gas_09 (IBS) was ranked high in the previous years and the assessment did not show that this year. It was explained that the baseline setup (infrastructure reference) includes the new Bulgaria-Serbia project under construction (TurkStream prolongation, built by Gastrans) and the two projects are competing. For this reason, GAS_09 was proposed to be on the list as: *Interconnector Bulgaria-Serbia (PCI) as a competing project with TurkStream expansion in Serbia (Gastrans project).*

Furthermore, it was also discussed that financing fossil fuel projects is getting more and more complicated as some banks do not provide loans for these projects. Due to the green agenda, gas may not be really supported on political level in the future. Participants agreed that efforts should be focused on the more promising projects that should happen sooner than later.

Belma Filipovic (BH-Gas) and Florijana Djedovic (Plinacro) asked to change the name of GAS_03 in the final report to Zagvozd-Posusje-Travnik with branch to Mostar. The project is not split into phases therefore it should be on the list without referring to any phases.

Kamran Huseynov (Socar) and Namik Aliyev (Socar Midstream) raised that the Southern Gas Corridor was a PECl last time, and asked why this has changed. Adam Balogh referred to the definition of the PECl and PMI labels and elaborated that receiving the label PMI compared to last time's PECl does not constitute a step back compared to last time and the PECl and PMI labels both acknowledge complying with the same criteria. The Secretariat treats the projects the same way, which is acknowledged by the Ministerial Council of the Energy Community as well.

CONCLUSIONS:

The Gas & Oil Group decided to propose the above presented preliminary list of PCI and PMI projects to the Permanent High Level Group and upon endorsement to the Ministerial Council, based on the assessment carried out and based on the proposal of the Energy Community Secretariat.

The participants of the meeting did not raise further questions, thus the list, as highlighted above, will be forwarded by the Secretariat to the Permanent High Level Group for endorsement and later for adoption by the Ministerial Council.

The Secretariat will also consult ECRB on the methodology, in line with the Regulation 347/2013.

Violeta Kogalniceanu (ECS): Thanks for all participants for their work and cooperation and closes the meeting.

Next steps: The minutes of the meeting, the finalised presentation, the list of participants and the final proposed PECl/PMI list will be circulated.